2016

CNIC

★ FLEET ★ FIGHTER ★ FAMILY

Personal Financial Management

Standardized Curriculum

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Introduction

WELCOME

Welcome to the seventh edition of the U.S. Navy's Personal Financial Management Standardized Curriculum (PFMSC). This curriculum supports the Navy's Personal Financial Management (PFM) Program, mandated by OPNAVINST 1740.5B, which helps military personnel and their families navigate the financial challenges of today's world. It is designed to provide education, counseling, information and referral to Navy personnel and commands in an effort to increase personal, family and operational readiness. It focuses on proactive and preventative measures to avoid financial hardships, support financial stability and build wealth.

This 2016 edition contains updated information, restructured activities and additional handouts for the fundamental financial concepts included in previous versions. New modules have been added on requested topics including transition planning, financing education, paying off student loans and additional retirement planning options. Course variations have been included to accommodate diverse audiences, time allocations and command needs. All materials are designed to help you continue to provide exceptional financial education to military service members and their families in accordance with the mission of the Navy's PFM Program. Thank you for your dedication and service.

ACKNOWLEDGEMENTS

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MODULE COMPONENTS

All modules contain an Instructor Guide and accompanying PowerPoint slide deck(s) and any other materials needed to facilitate the course. It is recommended that you review all module components prior to each session, adjusting your preparation as needed based on your own level of knowledge and the needs of other participants. Make notes and comments in the Instructor Guide margins or PowerPoint Notes sections provided to help you comfortably present the material. Use the references and recommended websites provided to keep all of the material as current as possible, particularly information subject to periodic changes. A further breakdown of the module components are listed below:

INSTRUCTOR GUIDE

- **Course description:** provides the overall summary, course length and any facilitation options.
- **Learning objectives:** defines what learners will complete during the course and what they should be able to do as a result of the course.
- **References:** source materials used in the course made available for further exploration and/or course updates.
- **Course preparation:** lists the handouts, materials and any information relevant to facilitating the course.

- **Summary of learner activities:** brief description of each activity and its intended outcome.
- **Course outline:** framework of the course, including sub-components and estimated time frames.
- **Slide references:** thumbnails of accompanying PowerPoint slides for cross-reference.
- **Course content:** content that can be used as a script or customized to facilitator's style.
- **Icons:** visual cues for repeated elements within the course.

ICONS AND SHORTCUTS

Several icons, hyperlinks and shortcuts have been included to help orient you to the material and navigate to select areas quickly. The chart below outlines the cues used:

Print Course	Click here to print only the pages for the selected module.
Print Handouts	Click here to print **only** the learner handouts associated with the selected module.
	Indicates a classroom activity or optional activity.
	Indicates a handout is associated with this section of the content.
Trainer's note:	Provides additional information related to the content for the facilitator.
TOC	Click on this cue located in the bottom left of the document to navigate to the Table of Contents.
Handouts	Click on this cue located in the bottom right of the document to advance to the handouts associated with the module.
<< >>	Previous page and next page buttons.

POWERPOINT SLIDES

Each module contains pre-formatted slides that correspond to the course content. Feel free to customize the slides with information about yourself, your location or updated information as it becomes available. Review all slides prior to each session as a best practice. Aim to facilitate the course using only the slides when you are familiar enough with the content of the Instructor Guide. Also prepare for situations in which you may not have access to technology and need to facilitate the course without the support of the PowerPoint Slides.

POWERPOINT GAMES

Some of the modules contain pre-programmed games that can be used as a review or in lieu of a formal presentation. Familiarize yourself with each of the different types of games and their mechanics prior to facilitation. Upon opening all games, make sure macros are enabled, and then play in slideshow format. All sound effects are optional. See additional directions for each specific game.

Banking and Financial Services	*You Can Take That to the Bank!*	Game-show Style
Car Buying Strategies	*Car Buying Jackpot*	Game-show Style
Consumer Awareness	*Consumer Jackpot*	Game-show Style
Developing Your Spending Plan	*Bowling for Budgets*	Question and Answer: (Bowling)
Financial Planning for Deployment	*The Deployment Jackpot*	Game-show Style
Military Pay Issues	*Military Pay Check Review Game*	Question and Answer: (Tick-Tack-Toe)
Money and the Move	*Money and the Move Review*	Question and Answer: (Tick-Tack-Toe)
Paying for College	*College by Degrees Review*	Game-show Style
Planning for Your Retirement	*Retirement Planning: Your Hole in One!*	Question and Answer: (Golf)
Renting	*Renting Jackpot*	Game-show Style
Your Insurance Needs	*Insurance IQ*	Question and Answer: (Multiple choice)

POWERPOINT GAME DIRECTIONS

JACKPOT GAMES

These games are fashioned after a popular TV game show but due to copyright restrictions are called "Jackpot" games. There are 25 questions (five topic areas with five questions each), including a "daily double," and a "final jackpot" option.

- **Navigating:** When you click on the title slide you will be brought to the main game board slide. For the first answer/question chosen, click on the amount and you will be taken to the "answer" slide for that amount. Click on the slide for the question. After the question is shown, you will see a small game board icon in the lower right-hand corner of the screen. When you click on that icon, you will return to the main game board slide. Note that if you do not click on the game board icon, you will be brought to the next answer/question slide. This may be an option if you are not going to play the whole game but want to ask a few questions by way of review.
- **Sounds:** For incorrect answers, you can click anywhere on the large amount panel on the left of the slide for a buzzer sound. For correct answers, you can click on the slide for the question to appear, and then click on the amount panel again for applause.
- **Scoring:** The game does not automatically keep score but does track answers that have been used by darkening the number. You can keep score or you can have someone from each team keep score. In Category 3, the $300 answer is the daily double. The person who chooses this amount can bet up to the amount the team currently has won.
- **Final Jackpot:** To conclude the game, you have the option of using the "Final Jackpot" question, accessible by clicking any of the Category blocks across the top of the screen on the main game board slide. Contestants can "bet" as much money as they have, and if they give the correct question, they are rewarded with the amount they bet. Once you have shown the answer, click on the "Final Jackpot" panel on the left-hand side of the game to start the music. When the music is done playing, time is up and questions must be given. Click to move to the final question slide.

TICK-TACK-TOE QUESTION AND ANSWER

This game format uses a tick-tack-toe board and simple questions and answers. Note that some of the tick-tack-toe files have more than one game programmed.

- **Navigating:** At the main game board slide, click on the box for the first "position" chosen. The question will appear on the screen. The answer will appear when you click anywhere on the screen. Click on the "house" button at the bottom center to return to the main game board slide. Type either an X or an

O in the box depending on which team won the space. Then proceed on to the next box chosen.

- **Sounds:** For incorrect answers, you can click on the "O" at the bottom left of the question/answer slide for a buzzer sound. For correct answers you can click on the "X" at the bottom right for an applause sound.
- **Scoring:** Score is kept by placing either an X or an O in the box on the main game board slide. You designate the combination for winning. It could be the traditional three in a row, or it could be whichever team gets the most blocks.

GOLF QUESTION AND ANSWER

This game uses golf to ask simple questions and answers.

- **Navigating:** There are 10 questions in each golf game. Click on the golf ball for the question chosen to advance to the question/answer slide. If the answer given is wrong, show the correct answer and then return to the main game board by clicking on the little golfer in the upper left-hand corner. If the answer given is correct, show the answer and return to the main game board by clicking on the little golf cart in the upper right-hand corner of the slide. Note that if you click on the slide rather than on either of the icons you will be moved to the next question/answer slide in the file. This may be an option when you are just asking questions without playing the game. Used questions will appear lighter green on the game board slide.
- **Sounds:** Clicking the little golfer icon on the question/answer slides plays a sound like a golf swing that missed the ball. Use this for wrong answers, but be aware that it not only gives the sound but moves the game back to the main game board. If you are going to use this option, be sure to show the correct answer before moving back to the main game board slide. Clicking the little golf cart produces a beeping sound and also returns to the main game board.
- **Scoring:** The points for each shot are listed along the right-hand side of the main game board slide. Teams or contestants can keep track of their score, or the trainer can do it on the board or chart paper.

MULTIPLE-CHOICE QUESTION AND ANSWER

- **Navigating:** From the title page slide, click to advance to each question/answer slide. Click a second time to remove all of the incorrect options, leaving the correct response remaining.
- **Scoring:** There is no built-in scoring for this game, but instructors may keep score if they choose.

BOWLING QUESTION AND ANSWER

- **Navigating:** From the title page slide, click to advance to an animated bowling slide with 10 pins and then to the first question/answer slide. The question will automatically appear. The answer will appear upon a click. Another click will send you to the next animated bowling slide with nine pins, and then to the next question/answer slide. This repeats each time until the last animated bowling slide has only one pin. There is a second game programmed with eight additional questions.
- **Sounds:** For incorrect answers, click on the black bowling pin in the upper-left corner to produce a "gutter ball" sound. For correct answers, click on the white bowling pin in the upper-right corner for a "strike" sound.
- **Scoring:** There is no built-in scoring for this game, but instructors may keep score at their option.

THE TRAINER'S TOOLKIT

The toolkit was designed to provide you with some brief information and best practices for preparing and facilitating courses in the Standardized Curriculum. For more detailed information on the Navy's PFM Program, training tips, program marketing and more, consult the PFM Desk Guide.

CHARACTERISTICS OF A SUCCESSFUL TRAINER

Experienced trainers know that training excellence is achieved by developing four essential characteristics:

- **Expertise:** involves knowing your subject matter and the technical fundamentals of training and facilitating. It also means recognizing and tapping into the expertise that the adult learner brings to the classroom.
- **Enthusiasm:** demonstrates that you like, or even love, your subject area and the training function. It is conveyed by how you say what you say – your body language, facial expressions and tone of voice. Enthusiasm is a choice.

- **Empathy:** means that you understand your learners, and that you have "walked a mile in their shoes." It involves looking at the content from their perspective and asking yourself, "What would I want to know?"
- **Clarity**: involves your ability to clearly and concisely communicate information and directions in a way that can be understood by your learners.

MODULE PREPARATION

The level of module preparation will vary from trainer to trainer depending on the level of training experience and familiarity with the subject matter. The following guidelines will be especially helpful to trainers new to the program:

- **Review the content:** Thoroughly read the Instructor Guide, looking at the slides and handouts as they are referenced in the text. Make any notes in the provided areas, including questions or thoughts on presentation techniques.
- **Practice delivering the content:** Practice your presentation out loud until you feel confident you can present the information smoothly. Your goal should be to review the content until you feel you will not have to rely on the actual printed page in the session. Ideally, you will be able to present using just the outline provided in the Instructor Guide and the PowerPoint slides. If possible, practice in the actual place you will conduct the training, using the same equipment.
- **Practice using the slides and games:** If you are using a game, practice it several times before attempting to use it in the classroom. If you will be using the Internet during training, practice opening website(s) on your screen and navigating around the website(s) you will be using. Ask a co-worker or friend to be your audience for practice and have them critique your presentation.
- **Prepare the materials:** Prepare all of the materials you will need for the session, including module printouts and notes, participant handouts and training tools.
- **Use the reference list:** Review the references provided in each section to deepen your knowledge. Update any "dated" material. Visiting the listed websites will be helpful, since many of them are also included on participant handouts.
- **Explore active training techniques:** Attention to you and retention of material improves when adult learners are engaged in the learning process. Begin to develop your own inventory of icebreakers, energizers, grouping techniques, guided discussion methods and closing activities.

UPDATING THE CURRICULUM

- **Updating the Content:** It is critical that the information contained in the Standardized Curriculum be kept up-to-date. The curriculum is typically updated every two years, but in the interim, the responsibility for keeping information

current falls to the trainer. Use the references provided to update any statistics, facts, studies and amounts that become outdated. Look for trainer notes that indicate information that is subject to change frequently.

- **Customizing the Curriculum:** Many sites customize their presentations with their own names, contact information or local resources. Feel free to customize your slides and handouts as needed, as long as you retain the design and content.
- **Changing the Curriculum:** The goal of the Standardized Curriculum is to have Sailors and their families receive consistent, sound financial information. This is important so as transfers occur, other Fleet and Family Support Centers and Command Financial Specialists can build on the financial education received in other locations and be confident their training will make sense to program participants. Please report any errors or any major changes needed due to law or military instruction to the PFM Program Manager. No substantial changes should be made to the curriculum without permission from the PFM Program Manager.

PREPARING FOR THE "WHAT IFS"

There are many "what ifs" to consider and prepare for. Although it is impossible to be ready for everything, being flexible, keeping a sense of humor and knowing your subject will help you remain well-prepared. Consider these situations faced by trainers:

- **What if you get to the training room and there is no projector?** Be prepared to present your materials without your PowerPoint slides or visual aids.
- **What if you do not have any handouts?** Sometimes the copier breaks or the person who was supposed to supply the handouts did not follow through. Be prepared to conduct your session without handouts or without enough for everyone.
- **What if there is no place to write?** If a whiteboard or chart paper is a "must have," be prepared to bring a large "Post-it" pad and markers just in case.
- **What if you have a delay?** Plan ahead to avoid running late. If going on-site to a command, make sure to have the contact information in the event of an emergency or delay.
- **What if your group is not the size you prepared for?** Sometimes you may plan on 50 people and only have five attend, or the other way around. Be prepared to adjust your facilitation to accommodate different group sizes.
- **What if you microphone dies?** Carry extra batteries and be prepared to speak loudly. Practice projecting your voice.

- **What if you are put on CCTV?** Be prepared to speak to a TV camera versus a live audience, adjusting your approach as necessary.

WEBSITE DISCLAIMER

The information provided herein does not constitute a formal endorsement of any company, its products or services by the Department of Defense or the Department of the Navy. Specifically, the appearance of external hyperlinks does not constitute endorsement by the Department of Defense of the linked websites, or the information, products or services contained therein. The Department of Defense does not exercise any editorial control over the information you may find at these locations. This information is being provided as informational resource material to assist military personnel and their families and should be used to assist in identifying or exploring resources and options.

Banking and Financial Services

Print Course

Print Handouts

COURSE DESCRIPTION

Banking and Financial Services is a 60- to 80-minute course designed to provide young service members and family members with an understanding of personal banking and financial services.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to:

- Select a financial institution, types of accounts, or both, to meet their needs.
- Track and reconcile banking transactions.
- Identify the main consequences of poor account management.

Enabling:

- In the *Terms of Banking* activity, learners will correctly answer all questions on a matching exercise about financial institutions and accounts.
- In the *Account Management Exercise* activity, learners will correctly reconcile the account information provided.
- During the *What are the Consequences?* activity, learners will list three personal and two professional consequences of poor account management.

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COURSE PREPARATION

Handouts:

- *Account Management Exercise*
- *Banking and Financial Services Resources*
- *Checks 101*
- *Electronic Banking Safety Tips*
- *Terms of Banking*
- *What are the Consequences?*

Materials (vary depending on activities chosen):

- Pencils and calculators
- PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

- *Terms of Banking*: A matching exercise to familiarize learners with terms used in banking.
- *Account Management Exercise:* An exercise to allow learners to practice reconciling checking account information.

- *What Are the Consequences?* An activity to engage learners in an active discussion on the consequences of poor account management.
- *You Can Take That to the Bank*: An optional PowerPoint game-show-style presentation of course content that can be used in lieu of lecture or as a course review.

CONTENT OUTLINE

1. Welcome and Introduction (10 minutes)
    a. Purpose and Agenda
    b. Learner Activity: *Terms of Banking*, Part 1
2. Financial Institutions: Products and Services (5 minutes)
    a. Banks and Credit Unions
    b. Types of Accounts
    c. ATM, Check and Debit Cards
    d. Other Banking Products and Services
3. Electronic Banking (10 minutes)
    a. Online Banking
    b. Mobile Banking
    c. Safety and Protection
4. Finding the Best Fit (5 minutes)
    a. Choosing a Credit Union or Bank
    b. The Cost of Financial Services
    c. Changing Financial Institutions
    d. Complaint Resolution
5. Managing Your Money (20 minutes)
    a. Account Transactions
    b. Account Management
    c. Account Reconciliation
    d. Learner Activity: *Account Management Exercise*
    e. Consequences of Mismanagement
    f. Learner Activity: *Consequences of Mismanagement*
6. Summary (10–30 minutes)
    a. Learner Activity: Review of the *Terms of Banking*, Part 2
    b. Optional Learner Activity: *You Can Take That to the Bank!* Review Game

CONTENT MATERIAL

WELCOME AND INTRODUCTION

Purpose and Agenda

SLIDE 1

SLIDE 2

Most people realize that they need banking and financial services when they begin earning a paycheck. One of the first things many new service members have to do is choose a credit union or bank for the direct deposit of their pay. Properly maintaining your financial accounts is the first step in managing your money and establishing a good credit history, and it is expected of members of the military.

Financial institutions offer a wide array of products and services. This course will help you understand the products and services available to you, select the ones that best meet your needs and manage them appropriately.

LEARNER ACTIVITY: *The Terms of Banking, Part 1*

Time: Eight minutes

Materials: *The Terms of Banking* handout, pencils and pens

Procedure: Distribute *The Terms of Banking* handout. Instruct learners to match the terms on the left with the definitions on the right. Allow about five minutes for learners to complete this activity. As an option, you can have learners work in pairs or groups. When they are done, tell them that as you move through the materials they will be given information for any answers they do not know. This activity also can be used as a review activity. You can review all of the answers at the end of the course for a good wrap-up of the key points and topics covered during the class.

FINANCIAL INSTITUTIONS: PRODUCTS AND SERVICES

SLIDE 3

The first topics we will cover are financial institutions (i.e., banks and credit unions), types of accounts, ATM cards, debit cards and check cards, and other products and services available from financial institutions.

Trainer's note: If Internet access is available in the classroom, show learners the websites for a major bank and a major credit union, and go through the various products and services offered. Navy Federal Credit Union and Bank of America are the largest credit union and bank in the country, respectively, so using their sites would be appropriate. You can also use a local or regional bank website. Make it clear to the learners that you are not endorsing the bank, just using the websites to show examples of products and services available through these types of financial institutions. If you choose to use this method, be sure to practice ahead of time so you are familiar with whichever sites you choose to use. In lieu of a classroom connection, you can print the home pages of a credit union and bank and use hard copies.

Banks and Credit Unions

SLIDE 4

When it comes time to find a place to deposit that first paycheck, the majority of people will choose a bank or credit union. Most people do not realize that these are different financial institutions. Although they both offer the same types of products and services, a credit union is a nonprofit organization owned by its members. Because of its nonprofit status, credit union interest rates on loans tend to be lower and interest rates on savings accounts tend to be higher.

Credit unions are usually established to serve a group of similar individuals or people who work in similar career fields. Service members have many credit union options available to them. Defense credit unions provide accounts that can follow you as you move to new locations and many other services geared to serve the unique experiences and needs of service members and their families.

Whereas a credit union is a nonprofit organization, a commercial bank is a publicly traded, for-profit organization owned by shareholders. Banks usually offer a wide range of services and account options. However, because of their for-profit status, interest rates on loans tend to be higher and interest rates on savings accounts tend to be lower than credit unions.

Types of Accounts

SLIDE 5

Although banks and credit unions offer many account and service options, most people generally start by opening a savings account, a checking account, or both. Here is a little information about both types of accounts.

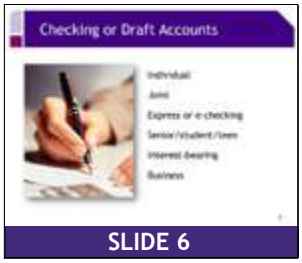
Savings Accounts

In a savings account, or a "share savings" account, as credit unions call them, you deposit your money into the bank or credit union, and they provide a safe

place for your money while paying interest on the balance. You can withdraw your money at any time directly from the bank or through an automated teller machine (ATM) subject to withdrawal limits. Depending on the type of savings account and the financial institution, there can be restrictions on the number of withdrawals that can be made from the account. In addition, Federal Reserve Board Regulation D limits the electronic transfer from savings accounts to six transactions a month. This regulation includes electronic transfers, overdraft protection transfers and ATM transfers.

Checking Accounts

Trainer's note: For specific information on checks, refer learners to the *Checks 101* handout.



SLIDE 6

Checking and "share draft" accounts are more flexible, typically allowing you to make unlimited deposits and numerous withdrawals. In addition to writing physical checks, which is not a common practice these days, checking accounts can be used to authorize electronic checks or pay your bills through online services. The most common way that people withdraw money from their account is by using their ATM card or debit card. These cards allow access to the money in the account through an ATM or by using a debit card as you would a credit card at a business. As you can see, there are many ways that you can access and withdraw money from your checking or draft account.

Likewise, there are many different types of checking accounts that you can choose from. Let's go over the most common ones.

Individual: As the name implies, an individual checking account has only one owner, which means that only one person is responsible for and makes transactions on the account.

Joint: Joint checking accounts have more than one account owner who is responsible for the account. Any person on the account can sign a check written on the account, but no matter who signs, all account holders are responsible for ensuring there is money in the account to cover any checks written. Because of this responsibility, it is important that you use caution when opening a joint account. You should only open a joint account with someone you trust to have this type of access to your funds.

Express or e-checking: With the increased use of online bill paying and other online services, some banks and credit unions offer accounts primarily for

individuals who conduct the majority of their transactions electronically and do not require traditional services such as check writing and teller transactions. Normally, these accounts require direct deposit and may charge fees for exceeding a set number of traditional transactions, although some may waive other fees, such as ATM fees.

Senior/student/teenager: Many banks and credit unions offer special accounts to serve the needs of certain groups of individuals. The more common of these accounts are ones that cater to the needs of teenagers or learners. These accounts usually offer no minimum-balance requirements and have low minimum deposits, and many provide parental oversight or co-ownership on the account. Senior accounts typically offer no-fee checking and other perks, such as free safe deposit boxes.

Interest-bearing: Many institutions offer some form of interest-bearing checking account. The interest rate on these accounts is usually low, and many require a minimum deposit or minimum balance to earn interest. In the case of banks, because they are a for-profit business, they often charge fees when account balances drop below a minimum balance on an interest-bearing account.

Business: These checking accounts are intended to handle the transactions and cash flow of businesses.

ATM, Check and Debit Cards

SLIDE 7

ATM Cards

ATM cards allow account holders to make transactions at an ATM or through some merchants. ATM cards require a Personal Identification Number (PIN) to access the account. ATM cards are a convenient way to withdraw cash, make deposits or transfer funds between accounts. Many financial institutions charge a fee to use their ATM if you are not a member of the ATM network or are making a transaction at a remote location. Some retailers will give you the option of getting cash back when you use an ATM card, which is not only convenient but an alternative to paying ATM fees when you need to withdraw cash. Additionally, ATMs are convenient to use overseas because the ATM fee is usually less expensive than the fee charged to change money at other locations.

Check Card/Debit Card

Most financial institutions offer a combination check card/debit card. A debit card or check card looks just like a credit card, complete with a Visa or MasterCard logo,

but it is linked to your checking account. Check cards or debit cards allow account holders to debit their checking accounts by simply swiping a card. You can use your check card or debit card in two ways. When you use this combination card as a debit card, you will be required to enter your PIN. The transaction will be conducted as an electronic point-of-sale (POS) transaction, with funds taken out of your account through an ATM network. If you opt to use your check card or debit card as a credit card, you will not have to enter a PIN but will often be required to sign the receipt (some merchants do not require a signature when the purchase is below a certain dollar amount). These transactions are processed through the credit card payment system.

Any time you use a check card or debit card, the transaction is almost immediately deducted from your checking account. However, when you use a debit card, this is accomplished by placing a hold on those funds. The funds are then transferred to pay the merchant or business where you made the purchase. Sometimes this hold may come off the account before the funds have been transferred to the merchant's bank account. If you are not keeping track of your debit transactions and this happens, it may appear that you have more money in your account than you actually do, and you could overdraw your account.

When you use your check card or debit card for a purchase, the transaction will show up on your account statement as a POS transaction. Unlike paper checks, check card/debit card transactions are itemized on your bank statement so you have easy access to transaction information to reconcile your account or in the case of a dispute. If you use your check card/debit card for a transaction that exceeds the available balance in your account, the transaction could be denied or it could be approved, which will overdraw your account and result in overdraft or non-sufficient funds fees. It is important with any ATM, debit card or check card to track and routinely check your account statement or online account information to verify purchase amounts and determine your available account balance so that you can avoid overdrawing your account and paying overdraft or non-sufficient funds fees.

Although ATM cards, check cards and debit cards look like credit cards and may have a Visa or MasterCard logo on them, they are not credit cards and do not help to establish credit. However, because financial institutions track overdrafts and non-sufficient funds transactions, mismanagement of your card can adversely affect your credit history. Bank statements should be checked carefully against your receipts to ensure the accuracy of the transactions. You would not want an inaccurate transaction on your account to hurt your credit history.

SLIDE 8

Protect Your Plastic

Although check cards and debit cards are convenient ways to pay for your purchases, they should be used with care to avoid loss or fraudulent transactions, which could result in someone emptying your checking account. Under the Electronic Funds Transfer Act (Federal Reserve Board Regulation E), your liability for a lost or stolen card is $50 as long as you notify the bank within two days of discovering the fraud. Your liability increases up to $500 if you take more than two days. Be sure to review your bank or credit union's policy on liability in the case of theft, loss or fraudulent purchases. Also, you typically have more protections when using your debit card as a credit card (with a signature versus a PIN).

ATMs and ATM cards are great tools for money management, but if you do not manage them wisely, you can get into trouble. Remember these tips to protect yourself and your card at an ATM:

- 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-lighted 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.
  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.
- Keep track of all of your ATM transactions. When you take money out of the ATM, it does come out of your account!

SLIDE 9

Other Banking Products and Services

Cashier's checks: Although they can be used the same way as personal checks, the issuing bank, not the person issuing the check, guarantees cashier's checks.

The bank debits your account as soon as the cashier's check is issued, whereas personal checks can be written without sufficient funds available. For this reason, cashier's checks are safer to accept than personal checks. Some financial institutions provide cashier's checks at no cost to their account holders, but normally there is a minimal fee for issuing a cashier's check.

Credit cards: You can apply for a credit card – usually a MasterCard or Visa – at your credit union or bank. If you qualify, the institution will issue the credit card. Each month, you receive a bill with a minimum monthly payment. You pay interest charges to use the credit card if you carry a balance. Before applying for a credit card, you should attend a Credit Management class at your Fleet and Family Support Center.

Loans: Credit unions and banks offer loans for personal use, for automobile purchases and for purchasing a home (a mortgage).

Investments: Most credit unions and banks also offer investment products. Unlike savings and checking accounts, where your money is insured, investment purchases made at a bank or credit union are not insured. However, if you need an investment product, your credit union or bank might be an excellent place to start your search.

Educational services: Most credit unions and banks offer various types of financial education. This can come in the form of brochures and booklets available at their branch offices or included in statements; it may be in courses offered at local branches or it may be provided online. Many also offer some type of credit counseling for those who carry too much debt.

Safe deposit boxes: A safe deposit box is a metal, fireproof box stored in the vault of financial institutions. They are available at most financial institutions and come in several different sizes to accommodate personal items, documents or papers. Financial institutions charge monthly or annual rental fees for the use of safe deposit boxes.

SLIDE 10

ELECTRONIC BANKING

Electronic banking is a broad term that covers any banking transactions that can be done electronically and includes electronic funds transfers (ETFs), direct deposits, ATM transactions, account transfers, online payments and account management transactions.

In this section, we are going to be discussing the use of a personal computer, tablet or smartphone to conduct your banking and financial transactions.

Online Banking

Trainer's note: When discussing online banking, reinforce safe computing practices. These can be found in the Consumer Awareness course. You may want to distribute *Sources of Help for Military Consumers* as a handout, because it includes information on safe computing, identity theft and how to file a complaint.

SLIDE 11

Online banking is a regular service offered by most financial institutions, allowing you to conduct banking transactions over the Internet using a personal computer, laptop or tablet. The benefits of these services include convenience, ease of access, transaction speed and the ability to perform a wide range of transactions in one online location. Online banking allows you to keep up with finances and check balances. Additionally, online banking can reduce the potential for overdue payments and late fees by sending payment alerts and by offering the option to schedule automatic payments. These services can be particularly valuable to military members who travel and move often. Access to online services is established with your bank or credit union. They will provide you with an access or login number, help you choose a password and show you how to access the services.

Online banking can be done anywhere at any time. It has given us the ability to make most transactions without ever having to enter a financial institution. Typical online services include:

- Receiving and downloading electronic account statements.
- Verifying account balances.
- Transferring funds between accounts.
- Remote deposit (the ability to deposit a check from a computer, tablet or phone by electronically transmitting a digital image of the check to your financial institution).
- Receiving and paying bills via online bill-paying services.
- Applying for loans and credit cards.
- Purchasing certificates of deposit.

SLIDE 12

Mobile Banking

The Federal Reserve System defines mobile banking as "using a mobile phone to access your bank account, credit card account, or other financial account. Mobile

banking can be done either by accessing your bank's web page through the web browser on your mobile phone, via text messaging, or by using an application downloaded to your mobile phone."

Mobile banking increases the ease of access and convenience offered online. Mobile banking provides users with access to accounts and banking transactions through:

Text messaging: The text messaging option has the fewest features but is a great tool for setting alerts, such as when an account balance drops below a predetermined amount. One of the biggest advantages is that an Internet connection is not required; users just need a cellphone signal to access their accounts. Some wireless providers may charge a fee per text message, depending on the user's wireless plan.

Mobile websites: You can use an Internet browser to access your bank's website, much like online banking from your computer. Some banks have created special web pages that are formatted for mobile screens. While mobile browsers are theoretically susceptible to the same security risks as home computers, they may be somewhat safer because creators of viruses and Trojan horses have not focused much on the mobile market.

Mobile apps: These applications are direct links to a bank's system. Many banks have developed apps for a wide range of smartphones and continue to expand this option for even more models. Mobile apps offer the greatest range of services for their mobile banking customers. Most mobile banking apps offer you the ability to do almost everything you can do online.

Safety and Protection

Trainer's note: Refer learners to the *Electronic Banking Security Tips* handout, which lists the main points of this segment.

SLIDE 13

The convenience and popularity of online banking has increased the need for people to be cautious with their accounts and personal information. And while mobile banking usage climbs, there are still a number of cellphone users who fear the risk of security breaches. Financial institutions continue to take measures to mitigate this risk, but the greatest risk posed is by users who use simple passwords and do not adequately protect their computers, tablets and mobile devices. Account holders play a vital role in ensuring the security of online transactions by taking basic security measures. Some of these precautions include:

- 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.

FINDING THE BEST FIT

SLIDE 14

With all of these options, it can be difficult to choose a financial institution. To help you make an informed decision, this section will cover banking options, the cost of financial services, changing financial institutions, how to handle transaction disputes and banking resources.

Trainer's note: There is more detail in this content than is actually needed for presentation. Briefly review the issues on these slides and only go into detail if there are questions. Most likely, junior personnel will choose an institution based on convenience, and the major fees with which they need to be concerned are ATM fees and non-sufficient funds fees. Avoid overwhelming junior audiences with too much information.

SLIDE 15

Choosing a Bank or Credit Union

There are many bank or credit union options available to you. It might be that you already use the same hometown bank or credit union your parents used, or you might be shopping for a financial institution that better meets your needs. When deciding on a bank or credit union, you should consider the following factors: convenience and accessibility; available services; fees, charges and requirements; security and, most of all, compatibility to your lifestyle and financial needs. Let's take a closer look at each of these factors.

Convenience

For most people, convenience and accessibility are major factors in choosing a financial institution. If you have to drive across town to an actual bank building to access your money, you may want to look for other options. The most convenient financial institutions offer numerous electronic banking options, have a large ATM network, offer all the services you need to manage your money and can be accessed from locations across the United States or worldwide.

SLIDE 16

Available Services

What services are offered at your prospective bank or credit union? Even though you may only start with a basic savings or checking account, look for an institution that offers a wide variety of services. Some services you might be interested in include:

Electronic banking options: Does the bank or credit union offer online bill pay, remote deposit, transfers, etc.? Can you access and manage your account via a cellphone or mobile app?

Overdraft protection: If you overdraw your account, what happens? You may be able to link your checking account to another account or line of credit to protect yourself.

Credit and investments: Does the bank or credit union offer credit cards, competitive loan rates and investment services?

Interest: How much interest is paid on various accounts and when (daily, monthly, quarterly, yearly)? To compare rates offered locally to those from financial institutions around the nation, visit www.bankrate.com.

Customer Support: Does the bank or credit union offer adequate customer support? Can you easily reach a customer support representative without having to go into a building or without a lengthy phone wait?

Service Charges, Fees and Requirements

Trainer's note: Bankrate.com conducts an annual checking survey which details average fees and charges. You can use this survey data to update the figures in this section. Search for data on local banks and credit unions at Bankrate's Checking & Savings page.

SLIDE 17

All banks and credit unions have account requirements, fees and service charges. You should fully investigate what those are and determine whether they are reasonable for your banking needs. By law, institutions must tell you about all applicable service charges you will be charged. When choosing a financial institution, consider the institution's full range of services and their costs, even if you open a basic checking or savings account at the start. Here are some of the common service charges, fees and requirements you might find when shopping for a bank or credit union:

Monthly service or maintenance fees: Although some institutions (more credit unions than banks) offer "free" checking, many charge a monthly service or maintenance fee. In 2015, the average monthly maintenance fee in the U.S. was $5.86. Additionally, on some accounts, you may be charged a service fee for going under a minimum balance. Be sure to find out whether the accounts you are considering require a minimum balance and the fee for going under this amount. For interest-bearing accounts, the average minimum balance in 2013 was $5,802, and the average fee for going below that balance was $12 a month. At such high levels for minimum balances, it may be more cost effective to have a non-interest-bearing account and avoid the service fees.

Usage fees: Is there a usage fee charged when you go beyond a certain number of transactions or if you do not use the account for a certain length of time?

ATM fees: You will probably pay a fee to use another bank's ATM. According to a 2015 study, the average ATM fee for using an ATM outside your institution's network was $4.52. This includes the average $2.88 charged by the non-network ATM and the average $1.64 charged by the cardholder's bank or credit union. Avoid excessive ATM fees by using a bank that does not charge to use their ATM or see if your financial institution reimburses ATM fees.

Online banking or bill pay fees: Is there a charge for paying your bills online? Do you have to pay to sign up for online account or app services?

Check writing costs: What does it cost to purchase checks? Can they be ordered online? How many checks do you need to write each month, and is there a fee for writing checks?

Overdraft fees: What is the charge if there is not enough in the account to cover a check, transfer or withdrawal? Financial institutions usually charge $25 to $35, with the average in 2015 of $33.07 per overdraft transaction. They may pay the check or honor the debit and overdraw the account, or they may not honor it at all but will still charge you the non-sufficient funds fee.

Overdraft protection: What are the costs associated with this service? This fee is typically between $20 and $30 each time the financial institution pays an overdraft transaction. Each institution may have different fee structures and requirements. Some institutions limit the number of overdraft transactions allowed on a daily basis and some do not charge for overdrafts under a certain balance. If you are looking at this service, you should carefully investigate all of the fees, requirements and stipulations associated with overdraft protection. Ideally, you would maintain adequate funding in your account, making this service unnecessary.

Stop payment fees: If you make an error with a check or payment or cancel an order after a payment has been sent, you have the right to request that your bank or credit union stop payment on transactions that have not yet been processed. You must allow the bank sufficient time to carry out your request, and there is usually a charge for the service.

Fees for paper statements: With the move to electronic (paperless) statements, some banks and credit unions may now charge a fee for providing a paper copy of bank statements or for printing older statements. A good practice to avoid this fee is to routinely download and save your statements.

Fees for research assistance: If you need help with your account from a customer service representative, you may be charged for this service. The charge will usually occur if your account requires extensive work, often because your statement has not been reconciled for an extended period of time.

Fees to close an account: Some accounts will include fees, averaging from $5 to $25, for closing an account within the first 90 days.

SLIDE 18

Security

You work hard for your money and want to make sure that your money is safe in the bank or credit union you choose. With the increase in electronic banking and Internet scams, you will need to do some research and ask these questions when choosing a bank or credit union.

Is the institution legitimate, or is this an online scam to get your money? Do your research to make sure you are dealing with a legitimate business. For local institutions or where there is a local branch, you can always go in to find out more or to open accounts. For online banks, be sure to check the "about us" section on the website. There you should be able to find out the specific information and history of the institution along with the insurance status.

Is the bank or credit union insured? The Federal Deposit Insurance Corporation protects the majority of banks. Credit union accounts have similar protection from the National Credit Union Administration. Both organizations insure up to $250,000 per account, per individual. This means that your accounts are insured against a loss up to a balance of $250,000, even if your financial institution were to fail. Although rare, some banks and credit unions are not federally insured, so be sure to ask.

Finally, how secure is the institution's website, online accounts and/or mobile app? Make sure websites and apps are encrypted, and never log in to the institution's website through a link in an email, even if the email appears to have come from your bank or credit union.

Compatibility

SLIDE 19

Most importantly, a financial institution needs to be compatible with your lifestyle and banking needs. Service members and their families often have unique banking needs that cannot be met by all financial institutions. Here are things to consider when deciding whether a bank or credit union meets your needs:

Does it allow for direct deposit? Oddly, some small banks may not offer the option of military direct deposit.

Are you able to access your account(s) remotely? And ideally, can you access them from anywhere in the world, by computer or phone?

Can you deposit checks remotely and pay your bills online?

Do they offer no-fee ATMs or ATM fee reimbursement (in case your bank does not have a branch or ATM when you move)?

Do they offer deployment status services (e.g., interest rate reductions, bill deferment)? Although not offered at all financial institutions, you may find that some military banks and credit unions cater to deploying service members through a wide range of services and perks.

SLIDE 20

Changing Financial Institutions

You may wish to consider opening an account with a large military-affiliated bank or credit union that has branches and ATMs worldwide. This will allow you to use the same checking account throughout your career and avoid the potential pitfalls of account switching. However, if you find you need to change financial institutions, the most important thing is to not close your old account until you have opened a new one. Otherwise, where will your direct deposit go during the time you have no account?

Check out the banks and credit unions online or at your new duty station and then, when you have your new account, change your direct deposit to the new account. Do not close your old account until you get your first direct deposit into your new account. Be mindful of any other payments that you have coming out of your old checking account, such as automatic car payments. When you switch financial institutions, you will want to have those automatic payments coming out of your new account as well. Be sure to arrange that with the new bank once you are sure they are receiving your direct deposit.

Complaint Resolution

Trainer's note: Distribute the *Banking and Financial Services Resources* handout. The information from that handout is included in this section. Additionally, you might want to go over resources specific to your installation and/or area and include contact information for these resources.

SLIDE 21

If you have a dispute with a financial institution, you should handle it as you would any other consumer complaint; start by contacting your bank or credit union. Each financial institution has a chain of command for handling complaints. Here is the chain you should follow:

- Customer service representative
- Branch manager (if it is a branch)
- Bank president

When you talk with individuals in this chain, keep a written record of who you talked to and what was discussed or decided. Remember to remain calm and treat the bank staff with respect during your conversations. If you still have a complaint, there are a number of federal, state and local agencies that regulate financial institutions. You can also contact the Consumer Financial Protection Bureau (CFPB). The CFPB Office of Servicemembers Affairs provides easy

information to help military consumers protect their finances. CFPB also assists in consumer complaints and will forward your complaint to the financial institution and work to get resolution.

MANAGING YOUR MONEY

SLIDE 22

Although it is important to choose the right financial institution, accounts and services, it is even more important to responsibly manage your money once it is in your chosen bank or credit union. In this section, we will discuss account transactions, management and reconciliation, and go over the consequences of mismanaging your accounts.

ACCOUNT TRANSACTIONS

For most people, their main account is a checking or share draft account. These are transactional accounts that allow the account holder to make deposits, withdrawals and transfers and write checks. Let's review these transactions and how to handle them effectively.

Deposits

Trainer's note: Refer learners to the *Checks 101* handout for specific information on endorsing and depositing checks.

SLIDE 23

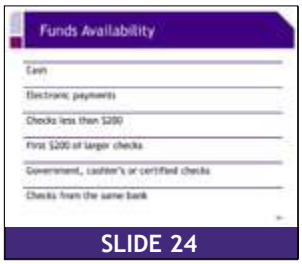
You can make a deposit by taking your money to the bank, using an ATM to make a deposit, taking a digital image of your check and transmitting electronically, transferring funds from another institution, mailing your deposit to the bank or by direct deposit from your employer.

Direct deposit is an electronic transfer into your account without the issuance of a paper check. It is required for military pay and most government benefits. You enroll in direct deposit by completing a form from your employer. You will need to provide your account information, and you might be asked to supply a voided check or financial institution routing number to set up the direct deposit.

Remote deposit capture (RDC) is an option to deposit your paper checks electronically. Checks are scanned as a photo image using a scanner and your computer or by taking a photo of the check with your smartphone. The digital images are then uploaded to your institution's secure website. The benefits of RDC are that you no longer have to go to your bank, credit union or to an ATM to deposit a check and you typically have access to funds more quickly than when deposited in person.

When making a deposit with a teller at your bank or credit union, most institutions will require you to complete a deposit slip. If you have a traditional checking account, printed deposit slips with your account number on them are included with your checks. Blank deposit slips are available at your bank or credit union as well. You will be required to complete the deposit slip with your name and account number (if not pre-printed) as well as the type and amount of your deposit. Some institutions require a deposit slip with ATM deposits, although many have gone to electronic scanning of the check information at the ATM.

Funds Availability



SLIDE 24

Once you deposit your money, you may find that not all funds are available to spend immediately. The Federal Reserve establishes the legal limit on how long a financial institution may delay a customer's ability to use deposited funds. These limits are measured in business days following the deposit. Business days are Mondays through Fridays and do not include Saturdays, Sundays and federal holidays. The following are the limitations on funds availability:

On the first business day after a deposit is made, the following is available:

- Cash
- Electronic payments
- Checks less than $200
- The first $200 of checks greater than $200
- Government, cashier's or certified checks
- Checks written on the same bank to which the deposit is made
- On the second business day after a deposit, the following is available: The remaining balance on checks greater than $200.

Electronic payments and cash are never subject to a deposit hold. The following six types of deposits can be subject to the financial institution placing a hold on the deposit: large deposits, redeposited checks, checks deposited during emergencies, checks where there is doubt about its legitimacy, deposits on new accounts and deposits to accounts that have been repeatedly overdrawn.

Withdrawals, Checks and Transfers

Trainer's note: Refer learners to the *Checks 101* handout for specific information on writing checks and tips for avoiding common check-writing errors.

SLIDE 25

You can withdraw money from your account in several ways. Although writing checks used to be the most popular way to access funds in your account, today using your ATM/debit/check card and electronic transfers are more common. You should know a little about how these transactions are processed so that you can manage your transactions wisely.

The Check Clearing for the 21st Century Act (often referred to as Check 21) allows banks to clear checks electronically instead of exchanging actual paper checks. Banks do not have to return original checks with your monthly statements or even when there is a problem with a particular check. Check 21 creates "substitute checks," which you can use as legal representations of the originals. Banks usually take at least a day or two to process paper checks, but electronic processing can happen almost immediately. This means you have less "float" time between when you write a check and when the money is taken out of your account. This could increase the chance that one of your checks will bounce due to non-sufficient funds. Quicker clearing also means less time to stop payment on a check.

Overdraft Protection

SLIDE 26

Many financial institutions offer some form of overdraft protection to avoid the costs and hassle of bounced checks and non-sufficient funds transactions. There are several methods for providing overdraft protection. Most banks and credit unions will allow you to have funds transferred from your savings account, another checking account, a line of credit (LOC) or a credit card.

When linking an account, funds are transferred from another account to cover the debit (i.e., checks, ATM withdrawals, automatic deductions, etc.) if there are not sufficient funds in the linked account to cover it. Typically you get to determine to which account your checking account will be linked. Transfers coming from savings or checking accounts are usually preferred because the funds come from the balance in the account instead of charging the amount to a line of credit or credit card, which will then charge interest. Government regulations (specifically Federal Reserve Regulation D) have been established, however, that limit the number of automatic transfers from savings accounts into a checking or share draft account to six per month. Regardless of whether sufficient funds are in your saving account at the time a check tries to clear, if six automatic transfers have already been made, no more funds will be automatically transferred, in which case non-sufficient funds charges may result. If there are no funds in the linked accounts, many institutions will allow you to overdraw the account, sending the account into a negative balance.

Interest rates on overdraft lines of credit can be high, and many financial institutions will charge non-sufficient funds fees to your account in addition to any interest charges that accrue. Unlike savings account transfers, Regulation D does not limit the number of automatic transfers to a checking account from a line of credit. These transfers will only stop when the credit card or credit limit has been reached.

Due to federal credit card regulations, overdraft protection from interest-charging accounts (such as a line of credit) will only be allowed if account holders agree, or opt in, to a service covering purchases on debit card and ATM transactions when there is not enough money in their account. Some experts warn, however, that if account holders do not opt-in, then the overdraft protection will not be there when they are faced with covering an emergency expense, such as a car or home repair. Individuals will need to weigh the benefit of the overdraft protection from lines of credit against the cost of the service. In the end, the most economical choice is to maintain enough emergency funds in a savings account to cover these expenses and then link your savings as your overdraft protection account.

Keep in mind that overdraft protection is not a fail-safe. Most financial institutions reserve the right to revoke overdraft protection services, deny payment of transactions, or both. Be sure to request and review your financial institution's policies and fee schedule for overdraft protection transactions.

Account Management

SLIDE 27

To ensure you stay on top of your financial information, you need to routinely record your transactions in some form of register, ledger, spreadsheet or by electronic tracking. Any good method will help you know what transactions you have made, how much is in your account and the automatic charges or debits that come out of your account. Because electronic banking has become much more prevalent than writing checks, it is no longer a common practice to maintain a paper checkbook register. This does not mean you do not need to track your transactions. In fact, because electronic transactions (e.g., electronic check, ATM, check/debit card) are immediately debited from your account, it is even more important that you keep track of your transactions to prevent overdrafts.

Make sure to find a system that works for you and will help you keep up with your transactions. If you do not want to maintain a paper register or ledger, try keeping a spreadsheet or online register. There are also online sites and mobile apps that can help you track your transactions. Just make sure when using online and mobile tracking methods that you check the security of account information first.

You may also check with your financial institution to see if they have any online reconciliation or tracking features.

You should record all account transactions to ensure that you know the balance on your accounts before you make a withdrawal. When you make a transaction online, you will be given a confirmation number for the transaction. Be sure to record these numbers, the date of the transaction and a description of the transaction, so you can match it when you reconcile your statement. When using an ATM, hold on to your receipt until you verify the transaction online or with your account statement.

Account Reconciliation

Many people today admit that they do not regularly balance, or reconcile, their bank statements. Yet balancing your bank statement is a fundamental part of money management. Account reconciliation allows you to check for errors on your part and on the part of your financial institution. Maintaining a balanced account will help you track the available funds and help you avoid overdrawing your account.

LEARNER ACTIVITY: *Account Management Exercise*

Time: 15 minutes

Materials: *Account Management Exercise* handout, pencils, erasers and calculators.

Procedure: Distribute the *Account Management Exercise* handout and supplies. Explain to learners that the exercise will use a debit card register to record financial transactions and that an online account statement will be used to reconcile that register. This exercise will demonstrate deposits, debit transactions, transfers, ATM withdrawals, check writing and online bill-pay transactions. This can be done as a class activity with everyone working together to complete the activity or, if time allows, you can have learners do the activity individually or in small groups. Be sure to review the answers after the exercise.

The worksheet provides account and transaction information on an established account with a beginning balance of $102.95. Learners will follow the worksheet instructions to fill in transaction data. Once they have completed filling in the information, have learners review the transactions recorded in the online account balance sheet with what is recorded in the register and to note any dividends or fees. The learners will then complete the reconciliation form. The ending balance should match the balance shown in the register. If not, suggest that

learners carefully review their entries for math errors. If learners appear to need more practice or struggle with this section, suggest that they make an individual appointment with their Command Financial Specialist (CFS), an FFSC financial counselor or with a representative from their financial institution and ask for personal instruction on how to balance their accounts.

Once learners have completed this exercise, follow up by asking them how they would manage the reduced funds caused by the unexpected fees that sent the account into a negative balance until their pay was deposited. Will this cause a financial hardship that might mean more overdrafts the following pay period?

Note that this is a nice segue into the consequences of mismanagement and should highlight what happens when individuals do not track expenses and rely too heavily on overdraft advances to cover spending more than they have available.

Consequences of Mismanagement

SLIDE 28

As you may have seen from the *Account Management* exercise, not accurately recording transaction information and reconciling your account can lead to overdrawn accounts and many charges and fees. Your goal is to avoid the following expensive mistakes:

Not subtracting charges, fees and automatic deductions: Read your monthly statement or online transaction history to verify that you have accurately recorded your transactions and any applicable fees. If you have bills set up to be paid automatically from your account, record them when you record your pay; this way, you will not forget about these payments.

Postdating checks: Banks will pay the check on the business day it is received. If there are sufficient funds, the check will clear; otherwise, the check will be returned and result in non-sufficient funds and returned check charges.

Splitting your check pads between joint account holders: With both account holders writing checks off the same account, there is a possibility of overdrawing the account. To avoid this, maintain a central transaction register and use duplicate checks for ease in remembering to whom the check was written.

Writing checks before the money is in the bank: This practice is known as kiting and occurs when you have accounts at two separate financial institutions and write checks to deposit back and forth when you have no money in either account. Kiting is illegal and there are both civil and military penalties for such an activity.

Not reconciling your monthly statement: If you do not reconcile your statements, you can miss errors that could affect your account balance and possibly cause you to overdraw your account.

Not recording transactions: As mentioned before, keeping accurate transaction information is one of the most important parts of account management.

Addition/subtraction errors: If you calculate your balance manually or keep figures in your head, follow up by using a calculator. Most cellphones have a calculator application, making calculating your balance at the time of transaction easy and accurate.

LEARNER ACTIVITY: *What are the Consequences?*

Time: 5 minutes

Materials: *What are the Consequences?* handout, pens and pencils

Procedure: Divide the class into small groups and distribute the *What are the Consequences?* handout. Instruct them to use the information learned in this class or from their own experiences to list as many consequences of poor account management as they can. Explain that the handout is divided into personal and professional consequences.

Allow the learners about three minutes to brainstorm. Use chart paper or a whiteboard to list the learners' answers, and use the list to explain and expand upon the consequences of poor financial management.

There are a number of negative results of poor checking account management and financial mismanagement in general. Consequences range from personal to professional. They can and do have an influence on your military career. Many businesses require a check of someone's finances before doing business with them. Poor financial management can affect your ability to rent an apartment, obtain a loan, open a bank account or be considered for employment. It can also cost you a lot of money through hefty service charges, fees and fines.

Service members are required to successfully maintain their finances. Therefore, mismanagement of their finances can negatively affect consideration for reenlistment, retention, duty assignments, special programs, promotions, security clearances and discharges. In extreme cases, such as in the case of provable fraud, the offense is punishable under Uniform Code of Military Justice Articles 123a and 134, with a maximum sentence ranging from dishonorable discharge (for enlisted)

or dismissal (for others) and up to five years' confinement at hard labor. Service members also may receive an other than honorable discharge for chronic financial irresponsibility.

Financial Resources

Trainer's note: Be sure to add local resources to this list of financial resources.

SLIDE 29

Financial consequences can be personally and professionally damaging. If you need help with your finances, there are many resources available to you. Military financial resources include your:

- Command Financial Specialist (CFS)
- Fleet and Family Support Center financial counselor
- Navy-Marine Corps Relief Society office (or other military relief society for joint or remote bases)
- Legal Service Office
- Credit union or bank education services
- Military OneSource
- Consumer Financial Protection Bureau (CFPB)

SUMMARY

SLIDE 30

We have reviewed credit unions and banks, the types of services these financial institutions offer, how to choose a financial product to fit your needs and issues surrounding account management. Although these topics may seem basic, they form the foundation of a well-run financial life. Remember to follow up with your financial resources if you need additional help.

LEARNER ACTIVITY: *Review of the Terms of Banking, Part 2*

Time: 5 minutes

Procedure: Review the *Terms of Banking* handout and provide correct answers. This can serve as the course summary if time is short.

The Terms of Banking (Answers)

1. _D_ Mobile banking (Using an app to access your bank account information via your smartphone.)

2. _K_ FDIC (The federal organization that insures bank accounts up to $250,000 per account/per individual.)
3. _E_ Credit union (A nonprofit organization owned by its members.)
4. _G_ Skimming (Using a fake ATM reader to capture account data stored in the magnetic strip of your ATM or check card.)
5. _O_ Check (A promise to pay, a widely accepted form of payment, a legal document.)
6. _C_ Command Financial Specialist (The person at your command who has specialized education to be able to help you with financial matters.)
7. _H_ Remote deposit captures (Electronically transmitting a digital image of a check to your financial institution.)
8. _J_ Non-sufficient funds fee (This is a charge applied to an account when there are not funds to cover a check, transfer or withdrawal.)
9. _M_ Check card (A payment card with a Visa or MasterCard logo which can be used to debit your account and does not require you to enter a PIN.)
10. _A_ Savings account (This account typically allows unlimited deposits but is limited by federal regulation to six electronic transfers a month.)
11. _N_ Text messages (You can sign up to receive these to alert you when your account balance drops below a predetermined amount.)
12. _B_ Online banking (The ability to access your bank account, check account balances, transfer money and pay bills electronically via a computer or tablet.)
13. _L_ Direct deposit (An electronic transfer of a paycheck into your account without the issuance of a paper check.)
14. _I_ Cashier's check (This is issued and guaranteed by a financial institution and is safer to accept than a personal check.)
15. _F_ Overdraft protection (When money is taken from a linked account and deposited into your checking account to cover a transaction amount larger than the balance.)

OPTIONAL LEARNER ACTIVITY: *You Can Take That to the Bank! Review Game*

Question Bank for You Can Take That to the Bank!

Categories: Check it out!, Card Tricks, Bad Things/Good People, Fees-Ability, Help! I need somebody!

CHECK IT OUT!

100 Q: What is the name for a for-profit financial institution offering a wide array of financial products and services?

A: Bank

200 Q: What is the name for a nonprofit financial institution offering a wide array of financial products and services?

A: Credit union

300 Q: What do you call a legal document which is a widely accepted form of payment?

A: Check

400 Q: Name two of the products and/or services offered by most credit unions and banks.

A: Accept any two of the following:

- Checking accounts
- Savings accounts
- Credit cards
- Loans
- Investments
- Financial education
- Online banking

500 Q: Name a form of payment that is issued and guaranteed by a financial institution and is safer to accept than a personal check.

A: Cashier's check

CARD TRICKS

100 Q: What do you call a card that allows you to access your checking and savings accounts via teller machines?

A: ATM card

200 Q: What is the common name for a payment card with a Visa or MasterCard logo on it that can be used to debit your account and does not require you to enter a PIN?

A: Check card

300 Q: When using your ATM card, what are you required to enter to access the account?

A: Personal Identification Number (PIN)

400 Q: ATM, debit or check card transactions will show up on your online account information and statement as what type of transaction?

A: Point-of-sale (POS) transaction

500 Q: Name two things you do to ensure you are protecting your ATM card and the accounts associated with it.

A: Accept any two of the following:

- Use ATMs in safe locations, with friends, at popular times.
- Sign the back of your ATM card as soon as you get it.
- Memorize your PIN and keep it private.
- Do not let anyone watch you enter your PIN.
- Put your money away safely before exiting the ATM.
- Keep track of all of your transactions.

BAD THINGS/GOOD PEOPLE

100 Q: Name something that can happen when you do not keep track of your ATM withdrawals?

A: You could overdraw your account. You could also incur overdraft transaction fees.

200 Q: What is the service that takes money from a linked account and deposits it into your checking account to cover a transaction amount larger than the balance?

A: Overdraft protection

300 Q: What is it called when someone uses a fake ATM reader to capture account data stored in the magnetic strip of your ATM or check card?

A: Skimming

400 Q: Name the charge applied to an account when there are not funds to cover a check, transfer or withdrawal.

A: Non-sufficient funds (NSF) fee

500 Q: Name two expensive mistakes that could lead to additional costs and/or overdrawn accounts.

A: Accept any of the following:

- Not subtracting ATM fees or service charges.
- Postdating checks.
- Splitting check pads.
- Writing checks before the money is in the account.
- Not balancing your statement.
- Not using your register.
- Math errors.
- Not subtracting automatic deductions or payments?

FEES-ABILITY

100 Q: Name the charge for using a machine that is not in your institution's network.

A: ATM fee

200 Q: Name a monthly fee charged to have a bank account.

A: Service or maintenance fee

300 Q: Name two costs for bouncing a check.

A: NSF fees and returned-check charges

400 Q: Name the service that can keep your transactions from being denied for lack of available funds.

A: Overdraft protection

500 Q: Name a charge for paying your bills online.

A: Online banking or bill paying fee

HELP! I NEED SOMEBODY!

100 Q: Who is the person at your command who has specialized financial training to help you manage your money and answer questions?

A: Command Financial Specialist (CFS)

200 Q: Name the place where service members and their families can receive no-cost programs and services, including financial education and counseling.

A: Fleet and Family Support Center (FFSC)

300 Q: Name the office on base that can assist you with any legal issues at no cost to you.

A: Legal Service Office

400 Q: Where is the first place you should go if you have a banking complaint?

A: Speak with the customer service representative at the bank or credit union

500 Q: Name the organization that will assist service members in consumer complaints and work to get resolution.

A: Consumer Financial Protection Bureau (CFPB)

FINAL JACKPOT

Q: What is it called to electronically transmit a digital image of a check to your financial institution?

A: Remote deposit capture (RDC)

NOTES:

Account Management Exercise

Every service member must maintain an account at a financial institution to receive their pay through direct deposit from Defense Finance and Accounting Service (DFAS).. The purpose of this exercise is to develop skills in managing accounts, including debit transactions, online banking and statements, check writing and recording automatic payments by electronic transfer.

Let's assume that you are Joe Sailor, an E-3 with two years of service, and you are currently stationed aboard USS Alwaysgone. You have opened your account at a credit union and are having your military pay deposited into that account. We will use a debit card register to record debits, automatic electronic funds transfers (EFT) and check transactions, and to reconcile the account at the end of the month.

EXERCISE:

Please use the register attached to record the following transactions that are reflected on your online account statement. Your starting balance is $102.95

1. **May 1** Your military paycheck was deposited by DFAS into your account. Amount: **$789.05**
2. **May 3** An automatic payment was debited for your car payment. Amount: **$272.00**
3. **May 4** You used your check card to withdraw money at your bank's ATM. Amount: **$60.00**
4. **May 4** You used your check card to pay for a movie. Amount $10.00
5. **May 6** An automatic payment was debited for your car insurance. Amount **$159.00**
6. **May 6** You bought several songs on myTunes, which is automatically linked to your check card for payment. Amount **$11.75**.
7. **May 7** You used your check card to fill up at Pop's Gas Station. Amount **$42.50**
8. **May 8** You used your check card at Bob's Pizzeria to buy dinner. Amount **$11.25**
9. **May 10** An automatic payment was debited for your monthly cellphone bill. Amount **$85.50**
10. **May 10** You used your check card to buy new tires for your car. Amount **$248.50**
11. **May 11** You used your check card to pick up some groceries at the commissary. Amount **$37.25**
12. **May 13** An automatic payment was debited for your student loan payment. Amount **$92.75**
13. **May 14** You wrote a check (#1589) for uniform alterations at the NEX. Amount **$25.00**
14. **May 15** Your military paycheck was deposited by DFAS into your account. Amount: **$789.05**

Use your register and your online account statement to reconcile your account. Record any dividends or fees on your statement in your register and calculate the balance. Do the online statement and your register agree?

Account Management Exercise

The Credit Union

https://www.thecreditunion.com

File Edit View Favorites Tools Help

The Credit Union

ACCOUNT ACCESS

Account Details for 1234567891 Checking

All Transactions | Electronic Debits | POS Transactions | Paid Checks | ATM Withdrawals | Deposits

All Transaction Activity

Date	Description	Amount	Balance
05/01/2014	Deposit – DFAS-CLEVELAND NAVY ACCT	789.05	892.00
05/01/2014	Dividend	.05	892.05
05/03/2014	Transfer – Auto Loan #987654321	272.00-	620.05
05/04/2014	Withdrawal – ATM ABC001	60.00-	560.05
05/04/2014	POS Debit – Movie Theater	10.00-	550.05
05/06/2014	Transfer – ABCD Insurance	159.00-	391.05
05/06/2014	POS Debit – myTunes	11.75-	379.30
05/07/2014	POS Debit – Pop's Gas	42.50-	336.80
05/08/2014	POS Debit – Bob's Pizzeria	11.25-	325.55
05/10/2014	ACH Payment – XY&Z Wireless	85.50-	240.05
05/10/2014	POS Debit – Tires Are Us	248.50-	8.45-
05/10/2014	Overdraft Advance Fee	20.00-	28.45-
05/11/2014	POS Debit – Commissary	37.25-	65.70-
05/11/2014	Overdraft Advance Fee	20.00-	85.70-
05/13/2014	Transfer – Acme Student Loans	92.75-	178.45-
05/14/2014	Overdraft Advance Fee	20.00-	198.45-
05/15/2014	Deposit – DFAS-CLEVEND NAVY ACCT	789.05	590.60

Available Balance: $590.60
Current Balance: $590.60
Last Statement Balance: $102.95
Last Statement Date: 04/30/2014

Date	Location	Amount +/-	Balance

ACCOUNT RECONCILIATION

Ending balance shown on this statement	
Add deposits not shown on this statement	
Subtotal	
Subtract outstanding checks, transfers or withdrawals	
Balance	
(This should equal the balance shown on your statement or your online account summary.)	

Banking and Financial Services Resources

State chartered banks and trust companies that are members of the Federal Reserve System are covered by the Federal Reserve System:

Federal Reserve Consumer Help

P.O. Box 1200
Minneapolis, MN 55480
Toll free: 1-888-851-1920
TDD: 1-877-766-8533

www.federalreserveconsumerhelp.gov/index.cfm

State-chartered banks that are members of the Federal Reserve System are regulated by the Federal Deposit Insurance Corporation:

FDIC Consumer Response Center
Federal Deposit Insurance Corporation
Consumer Response Center

Consumer Response Center
1100 Walnut St., Box #11
Kansas City, MO 64106
Toll free: 1-877-275-3342 (1-877-ASK-FDIC)

www.fdic.gov/consumers/consumer/ccc/

To file a written complaint:
www.fdic.gov/consumers/questions/consumer/complaint.html

State-chartered banks are also regulated by state banking authorities.

See the Consumer Action Handbook at www.usa.gov/topics/consumer/consumer-action-handbook-online.shtml for a complete listing of state banking authorities.

Federally chartered credit unions are regulated by the National Credit Union Administration:

National Credit Union Administration

1775 Duke St.
Alexandria, VA 22314-3428
Consumer assistance:
1-800-755-1030

Email: consumerassistance@ncua.gov

www.ncua.gov

Federal savings and loans and federal savings banks are regulated by the Department of the Treasury's Office of Comptroller of the Currency (OCC). Consumers can find answers to questions about national banks and federal savings associations at the OCC website.

Comptroller of the Currency Customer Assistance Group

1301 McKinney St.
Suite 3450
Houston, TX 77010
Toll free: 1-800-613-6743

www.helpwithmybank.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.

Checks 101

COMMON CHECK-WRITING ERRORS

- 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.

ENDORSING A CHECK

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-lighted 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 spy-ware onto your computer.
- Use strong passwords consisting of a combination of letters and numbers, and never use the same pass-word for all of your accounts.
- Do not allow your personal computer to save your ac-count password, and password-protect your computer login and smartphone to prevent others from access-ing 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.

Terms of Banking

Match the terms on the left with the definitions on the right.

1. _____ Mobile banking
2. _____ FDIC
3. _____ Credit union
4. _____ Skimming
5. _____ Check
6. _____ Command Financial Specialist
7. _____ Remote deposit capture
8. _____ Non-sufficient funds fee
9. _____ Check card
10. _____ Savings account
11. _____ Text messages
12. _____ Online banking
13. _____ Direct deposit
14. _____ Cashier's check
15. _____ Overdraft protection

A. This account typically allows unlimited deposits but is limited by federal regulation to six electronic transfers a month.

B. The ability to access your bank account, check account balances, transfer money and pay bills electronically via a computer or tablet.

C. The person at your command who has specialized education to be able to help you with financial matters.

D. Using an app to access your bank account information via your smartphone.

E. A nonprofit organization owned by its members.

F. When money is taken from a linked account and deposited into your checking account to cover a transaction amount larger than the balance.

G. Using a fake ATM reader to capture account data stored in the magnetic strip of your ATM or check card.

H. Electronically transmitting a digital image of a check to your financial institution.

I. This is issued and guaranteed by a financial institution and is safer to accept than a personal check.

J. This is a charge to applied to an account when there are not funds to cover a check, transfer or withdrawal.

K. The federal organization that insures bank accounts up to $250,000 per account/per individual.

L. An electronic transfer of a paycheck into your account without the issuance of a paper check.

M. A payment card with a Visa or MasterCard logo on it which can be used to debit your account and does not require you to enter a PIN.

N. You can sign up to receive these to alert you when your account balance drops below a predetermined amount.

O. A promise to pay, a widely accepted form of payment, a legal document.

What Are The Consequences?

Instructions: Consider what happens when you make poor financial choices and mismanage your accounts. List as many consequences as possible.

Personal	Professional

Car-Buying Strategies

Print Course

Print Handouts

COURSE DESCRIPTION

Car-buying Strategies is a 60- to 75-minute interactive course suitable for all audiences.

Purchasing a vehicle is a large investment that can have a significant impact on an individual's short-term and long-term financial circumstances. Because purchasing a car can be a complex process, it is important that buyers understand the specific steps involved in making a wise purchase. The Car-buying Strategies course is designed to develop knowledge and skills that will enable learners to conduct adequate research on a new car purchase, to determine how much they can afford to spend on a car and to negotiate effectively when purchasing an automobile. Content for a shortened version of this course is available at the end of the regular course content. This can be used when there is less than 60 minutes to facilitate the course, as a marketing brief or to customize trainings for your commands.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to:

- Determine how much they can afford to spend on a car.
- Research available vehicles, lenders and sellers.
- Negotiate a fair price on the purchase of a car.

Enabling:

- During the *You Tell Me* activity, learners will name at least three resources to research a vehicle purchase and describe three research techniques.
- Using the *Budget Bottom Line* worksheet, learners will correctly calculate the total monthly cost of a car and determine whether it is affordable.
- In the *What Do You Think?* activity, learners will identify solutions to common dealer sales tactics and develop the skills necessary to negotiate a fair price on a vehicle.

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COURSE PREPARATION

Handouts:

- *The Budget Bottom Line*
- *Car-buying Sources of Help*
- *Car Sales Tricks of the Trade*
- *Common Dealership Financing Pitfalls*
- *Debt-to-income Ratio*
- *Determining Car Payments*
- *Financial Planning Worksheet*
- *Installment Sale Contract for Titled Vehicle and Equipment*

- *Leasing vs. Buying*
- *Questions to Ask Car Dealers*
- *Three Deals of Car-buying*
- *You Tell Me*

Materials (vary depending on activities chosen):

- Chart paper or whiteboard and markers
- Pens, pencils, paper
- Calculators
- *Car-buying Strategies* PowerPoint slides
- *Car-buying Jackpot* PowerPoint game
- Internet access (optional)

SUMMARY OF LEARNER ACTIVITIES

- *You Tell Me:* An interactive exercise in which learners list everything they know about a car-buying topic and the instructor provides the missing content.
- *The Budget Bottom Line:* A worksheet activity in which learners calculate the affordability and total monthly cost of a vehicle.
- *What Do You Think?* A discussion-based activity for learners to examine dealer tactics and develop negotiating skills.
- *Car-buying Jackpot*: An optional PowerPoint game-show-style presentation of course content that can be used in lieu of lecture or as a course review.

CONTENT OUTLINE

1. Welcome and Introduction (10 minutes)
    a. Agenda and Topic Overview
    b. Learner Activity: *You Tell Me*
2. Deal No. 1: The Purchase (25 minutes)
    a. Know What You Can Afford
        i. Preparing a Spending Plan
        ii. Credit Concerns
        iii. Determining Car Payments

iv. Learner Activity: *The Budget Bottom Line*

b. Choosing Your Car
   i. Insurance
   ii. Performance and Reliability
   iii. Where Will You Buy?

c. Determining a Fair Price
   i. Where to Find Pricing Information
   ii. Fair Pricing Terminology

d. What About Leasing?

e. Negotiation
   i. Negotiation Tactics
   ii. Learner Activity: *What Do You Think?*
   iii. Negotiation Strategies

3. Deal No. 2: The Financing (10 minutes)
   a. Where to Finance
   b. Finance Charges
   c. Contracts
4. Deal No. 3: The Trade-In (5 minutes)
5. Know Your Rights (5 minutes)
   a. Your Legal Rights
   b. Complaint Resolution
6. Summary (5-20 minutes)
   a. Sources of Help
   b. Optional Learner Activity: *Car-buying Jackpot*

CONTENT MATERIAL

WELCOME AND INTRODUCTION

Agenda and Topic Ov erview

SLIDE 1

Most service members will purchase a new or used car while on active duty. They will spend more of their disposable income on automobiles than on virtually anything else except food and shelter. This course explores how service members and their family members can save hundreds, if not thousands, of dollars on their next vehicle purchase.

SLIDE 2

Trainer's note: Refer learners to *The Three Deals of Car Buying* and *Car-Buying Sources of Help* handouts.

Most Americans will purchase a vehicle at some point in their lives. Although it can be exciting to dream and plan for buying a car, there are many opportunities to make unwise choices if you do not learn about the process before you buy. This course is designed to help you save money and hassles on your next car purchase by focusing on the Three Deals of Car Buying – the Purchase, the Financing and the Trade-in. It will also take a look at the legal rights you have when buying or selling a car, and the sources of help available to inform and guide you in this important decision.

LEARNER ACTIVITY: *You Tell Me*

Time: Eight minutes

Materials: *You Tell Me* handout

Procedure: For a small class, this can be done as a whole-group activity. For large classes, divide the class into smaller groups for optimum participation. Distribute the *You Tell Me* handout and explain to the class that because car buying is such a popular topic, you would like to get their input on some aspects of buying a car. (Note: You will find that most people have at least some knowledge of car buying, and getting their input at the beginning of the class will help engage learners in actively participating and sharing.)

DEAL NO. 1: THE PURCHASE

SLIDE 3

Many people begin the car-buying process by visiting a dealership, which should be one of the last things they do. Unfortunately, the process often ends the same day with the purchase of an inappropriate car at too high a price. Dealers will ask about financing and trade-ins before offering a bottom-line price so that they can mentally calculate their profit to the buyer's disadvantage. You can save yourself hundreds, if not thousands, of dollars on your next purchase by doing some homework before you step onto the lot so that you are always in control of the buying process.

To make a successful purchase, there are four things you need to determine before stepping onto the lot. They are:

1. How much you can afford.
2. The type of vehicle you want to buy.

3. Where you will buy the vehicle.
4. A fair and affordable price for the vehicle.

Trainer's note: Use the lists generated during the *You Tell Me* activity for examples and discussion points during the instruction on these four points.

Know What You Can Afford

SLIDE 4

Before you shop, know how much you can afford to spend each month for the car and its upkeep. To save yourself a lot of money, time and effort, do your homework first to determine what you can realistically spend on a new car. Consider the following:

How much you can spend in total on the vehicle? If you only figure out how much you can afford to pay each month and not the total amount you want to spend on the vehicle, you will probably get the monthly payment you want but risk paying too much for the vehicle overall.

How much you can put down on the vehicle? The greater the down payment, the less you have to finance and the lower your monthly payment.

How much can you spend per month on a payment? If you only figure how much you want to pay in total, you risk ending up with a monthly payment that you will not be able to afford. Buy the car; never buy the payments.

Preparing a Spending Plan

Trainer's note: Refer learners to the *Financial Planning Worksheet*. Encourage them to complete their budget or spending plan if they do not already have one. Invite them to attend a *Developing Your Spending Plan* class or to visit their Command Financial Specialist (CFS) or Fleet and Family Support Center (FFSC) financial counselor for help in creating a spending plan.

SLIDE 5

How much you can afford to spend monthly, on a down payment and for total monthly costs and maintenance, can be found in your budget or spending plan. If you already use a budget at home, review it and determine what you can afford to spend on your new car. We will go over ideas that will help in this course. If you do not already have a spending plan, now is a great time to start. The benefits of having a budget or spending plan can extend far beyond this car purchase and can affect your entire financial future. Developing a budget or spending plan in advance of a car purchase is a win-win situation!

Credit Concerns

Trainer's note: Refer learners to the *Debt-to-income Ratio* worksheet and explain how it works. If they have had issues or concerns about their debt, invite them to attend a *Credit Management* workshop or visit their CFS before they buy a car. Encourage learners to review their credit report as one of the first steps they take in buying a car.

Debt-to-income ratio: You will also want to know how much of your money currently goes to pay regular monthly debt payments so you do not overextend yourself if you add a car payment. To find this out, compute your debt-to-income ratio. The debt-to-income ratio is a figure used to determine whether a person is carrying a total debt load that is manageable, one that might lead to financial difficulties, or one that indicates a person is in immediate need of debt reduction and significant adjustments in their financial lifestyle. Use it as a guide, not as an absolute measure of your ability to take on more debt.

Use the scale at the bottom of the page to determine whether you have room in your budget to take on more debt. If your debt-to-income ratio is 20 percent or higher, you may want to hold off on taking on more debt.

Your credit report: Be sure to check your credit report as you work on your spending plan and debt-to-income ratio. A dealership will pull your report, so it is best you look at it first, unless you are paying in cash or have pre-approved financing. This way, there will be no surprises. Information on how to get your free annual credit report is included in the *Car-buying Sources of Help* handout.

Pre-approved loan: Consider getting pre-approved for a loan from your financial institution. This will provide information on interest rates, payments and terms in addition to ensuring you do not overextend yourself once at the dealership.

Determining Car Payments

Trainer's note: Refer learners to the *Determining Car Payments* handout and ensure they understand how to make the calculations. Explain that most credit union, bank and car-buying websites also have calculators that help you determine what a car payment will be based on the amount of the loan, the number of months and the annual percentage rate.

If you need some help to determine how much a payment would be for a specific loan amount, you can use the *Determining Car Payments* handout. The websites referred to on your *Car-Buying Sources of Help* handout also offer calculators to assist you.

What is a reasonable monthly car payment? Financial advisers usually suggest keeping total car expenses to within 25 percent of your net income (what remains after taxes). Total car expenses include the car loan payment as well as maintenance, insurance, operating expenses (e.g., fuel, oil), taxes, license and registration. 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 (the total cost) by .66. The sum will give you a good idea of what the maximum car loan payment is for your current financial situation.

LEARNER ACTIVITY: *The Budget Bottom Line*

Time: 10 minutes

Materials: *The Budget Bottom Line* worksheets

Procedure: Distribute worksheets to the class. The facilitator can decide whether this will be done as an individual activity, in pairs or as small groups. Explain to the class that they will be calculating the budget "bottom line" to determine whether the cost of the vehicle payment and expenses are affordable (i.e., will they fit into the budget without creating a budget deficit?). You can read the opening scenario to the class or ask for a volunteer to read it.

Part I: Instruct the class to use the information from the scenario, and the budget information provided, to calculate the suggested maximum affordable car payment; they should determine the budget bottom line. Give the class about five minutes to complete the calculations and then go over their answers.

Answers:

$2,536 x .25 = $634
$634 x .66 = $418.44
$2,536 - $1,845 = $691

According to these calculations, the couple has $691 left over each month and therefore can afford both the maximum payment based on net income and the amount the couple estimated for their chosen vehicle.

Part 2: (Optional)

Ask the class to consider whether their decisions would be different if they knew that although the couple's budget showed a budget surplus sufficient to purchase

the car, they had a 35 percent debt-to-income ratio? This can be a good way to reinforce the information provided on credit issues before the activity.

Choosing your Car

SLIDE 6

The vehicle you purchase must strike the right balance between wants, needs and affordability. Everyone has different preferences in a vehicle. There are many factors to consider when deciding what to get, including size; manual or automatic transmission; two-, four- or all-wheel drive; use (on or off-road, length of commute, parking conditions); style; safety; ownership and operating costs.

To help you determine what type of car is right for you, ask yourself the following questions:

- How many passengers do you typically carry?
- Do any passengers need help getting in and out of the vehicle?
- Will you be transporting children and need accessibility for car seats?
- How many miles will you be putting on your car annually?
- How long is your daily commute?
- Are you looking for a specific fuel economy or to buy a "green" vehicle?
- Are there specific features you need on your car?
- What safety features are important to you?
- Do you have children? What are their ages?
- Do you need cargo space, towing capacity or all-wheel drive?

Once you have made some choices as far as the type and style of the car you need, you have another choice that can significantly affect the price – should you get a new car or a used car? Each one has positive and negative aspects; there are no absolute answers to the question of a new versus used car. Each buyer must consider his or her own needs and resources when making the choice.

New car considerations:

- Cost: Almost always more than a used car.
- Mechanical problems: Likely to have fewer than a used car.
- Depreciation: The value of a new car diminishes rapidly following the purchase, anywhere from 15 percent to 20 percent in the first year. To get the full value of a new car, many consumers plan to own it for four, five or more years.

- Warranties: The average new car warranty is three years or 36,000 miles, although some automakers have warranties up to five years or 60,000 miles. Extended warranties can be purchased at extra cost.

Used car considerations:

- Cost: Generally less than a new car.
- Mechanical problems: Likely to have more than a new car. Repair costs can add significant amounts to the cost of owning and operating a car. Are you mechanically inclined and able to make your own repairs? Do you have an auto mechanic you know and trust? Have you considered using base auto hobby shops?
- Depreciation: Usually less than a new car because much of it may have already occurred.
- Warranties: May or may not have any remaining. Service contracts will add significantly to the cost of the car.

SLIDE 7

Insurance

Trainer's note: Gap insurance can provide valuable protection during the early years of your car's life if you have a loan or a lease. If a loss occurs, gap insurance will pay the difference between the actual cash value of the vehicle and the outstanding balance on the vehicle within or based on certain limitations according to the provisions of the loan. Sometimes it will also pay your regular insurance deductible. Remember, however, that each loan and insurance policy differs, so it is important for learners to check the provisions of each for exclusions and coverage.

Once you have narrowed your choices to a few models, compare quotes on insurance costs. Sometimes two similar vehicles can have different insurance costs, and that cost difference will help you make a final decision on a model. Moreover, knowing the cost ahead of time enables you to figure this significant expense into the budget. For many junior service members, the insurance payment can be as much or more than the car payment.

Tips for cutting your car insurance costs include:

- Shop around. Get at least three rate quotes. Insurance quotes should be obtained before you sign on the dotted line.
- Remember that safety features such as anti-lock brakes, airbags, daytime running lights and security systems can sometimes merit discounts on your insurance policy.

- Take a higher deductible to get a lower premium (but make sure you have the savings to cover the deductible).
- Review your policy and drop options or coverage that you no longer need on an older vehicle.
- Check your credit report. Insurance companies now check your credit worthiness before issuing a new policy or renewing a current insurance policy. If you have credit problems, it can affect the cost of your insurance or even your ability to get insurance.
- Ask for discounts: low mileage, group, military, good student, etc.
- Avoid lapses in coverage.
- Be a safe driver. A poor driving record can increase premiums.
- Pay the premium up front, if possible, because there may be a fee associated with an installment plan.
- If leasing, read the lease to see whether gap insurance is required. If so, shop around for the best deal. If gap insurance is required, you usually have to have collision and comprehensive coverage as well. Note that insurance will be significantly higher on a leased vehicle because you do not actually own it.

Performance and Reliability

SLIDE 8

Too many consumers choose their car by the image it portrays. Your goal should be to choose the safest, most reliable and best-performing car for the price you can afford. One of the concerns of car ownership is the cost of maintaining and driving your chosen vehicle. A car may be reasonably priced, but if it is known to be costly to maintain or drive, you may find it costs more than you can afford. To find out more about the performance and reliability of the vehicles you are considering, you might want to check these resources.

Consumer Reports: Consumer Reports rates the reliability, safety, performance and fuel economy of cars and is relatively unbiased because it accepts no advertising.

CARFAX vehicle history report: CARFAX reports contain information that can affect a consumer's decision about a used vehicle. Some types of information that a CARFAX report includes are:

- Title information, including salvaged or junked titles
- Flood damage history
- Total loss accident history

- Odometer readings
- Lemon history
- Number of owners
- Accident indicators, such as airbag deployments
- State emissions inspection results
- Service records
- Vehicle use (taxi, rental, lease, etc.)

Source: CARFAX.com

Keep in mind, however, that if body shop repairs or maintenance was performed by a private individual or by the owner of the vehicle, this information will not usually show up on a CARFAX report. So even with a CARFAX report, it is still a good idea to have a used vehicle inspected by a mechanic or someone knowledgeable about vehicles before committing to that vehicle.

Other sources: You can also consult Consumers Union publications and the Insurance Institute for Highway Safety. There are many websites that examine the cost and performance issues of vehicles listed on your *Car-Buying Sources of Help* handout.

Fuel economy: With fluctuating gas prices, fuel economy plays a part in the affordability of your chosen vehicle. If you have a long commute or plan to make a lot of long trips annually, fuel costs could affect your choices when purchasing a car. To check or compare fuel economy, go to the U.S. Department of Energy's fuel economy website, http://www.fueleconomy.gov/. Additionally, there are specific options on a car that can affect fuel economy. Consider choosing the smallest engine possible for your chosen vehicle (i.e., four-cylinder instead of six-cylinder) or going with a manual transmission to increase fuel efficiency. The last thing you want is to discover after you purchase a car that you cannot afford to drive it.

Going "green": You may be interested in a fuel-efficient vehicle as a way to reduce fuel costs or in an effort to protect our environment. Options include hybrids, electric and alternative-fuel vehicles. Most hybrids offer a relatively simple combination of gas and electric power without any additional equipment needed to operate, while electric and alternative-fuel vehicles require access to fuel sources (i.e., charging or refueling stations, special fuel, etc.). There are some tax incentives for purchasing green vehicles, and some states offer specific incentives for individuals who drive green vehicles. Remember that you will typically pay more for

green vehicles, so be sure to do your homework on the different types and how each functions. You can consult the U.S. Environmental Protection Agency's website on green vehicles for more information (http://www.epa.gov/greenvehicle/index.htm).

Recalls: Millions of cars and trucks are recalled annually. Most recalls do not pose an immediate safety risk, but sometimes recalls involve problems that, although rare, could lead to serious safety issues. Research your prospective vehicle thoroughly to see whether there have been recalls on that particular make and model. You also should verify whether the seller or dealership has properly repaired or replaced the defective items.

True cost of ownership: To figure out the overall cost of driving and maintaining your chosen vehicle, you may want to consult a true cost of ownership calculator. Edmunds.com has an online calculator that considers the hidden costs of car ownership. You can try out this calculator at http://www.edmunds.com/tco.html.

Where will you buy?

SLIDE 9

Dealerships: Car buyers should research a minimum of three potential sellers. There are no absolute guidelines to follow in selecting a dealer, a salesperson or an individual from whom to buy a car. Do your homework and you should get a good deal no matter from whom you buy. Since buying a new car likely involves choosing a dealership, here are some guidelines to use.

- Years in business: Although being in business for a long time does not necessarily mean that the dealer is honest and reliable, the worst of the dealers (in terms of how buyers are treated) seem to go out of business fairly quickly.
- Complaints: Check with the Armed Forces Disciplinary Control Board, a state's office of consumer affairs, the Better Business Bureau and any professional associations to which the dealer belongs for any complaints filed against them.
- Salespersons and mechanics: How long have they been with the company? Again, not a foolproof factor, but anything that suggests company stability is frequently a good sign. Take your salesperson for a "test drive"– Are they pushy? Relaxed? Open? Impatient? Responsive? Make sure the salesperson is someone you can work with.
- References: These are sometimes used to impress the buyer, but unless you can get a complete list of everyone who has ever bought a car from the seller, assume the seller is giving you the names of persons who will only say positive things. In other words, skip checking their references.

- Professional membership: Membership in the Better Business Bureau, National Automobile Dealers Association or National Independent Automobile Dealers Association does not automatically mean a good deal for you. It does, however, give you some reassurance that there are avenues for you to address concerns if they occur.

Private sellers: Frequently, car buyers can save money by purchasing from a private seller. The downside is that there is little or no consumer protection after the sale and no repair plan. If the car purchaser truly is knowledgeable about cars or can bring along someone who has that knowledge, this may be an excellent source to consider.

Although most of us want to trust others, please consider your personal safety when conducting transactions with a private seller. Be cautious of the personal and financial information you disclose, and take along a friend or family member when test driving or viewing the vehicle. It is also a good idea to arrange to meet at public locations that are highly visible, preferably during daylight hours.

Internet: Many people are conducting successful searches for new vehicles over the Internet. There is a wealth of research available to help you make wise consumer choices. Online car-buying sources include:

- Direct services: They will sell you the car and deliver it to your house.
- Referral: Your quote is given to a "preferred" dealer who contacts you.
- Auctions: You name your price, and dealers bid for your business. This includes e-Bay and Craigslist auctions.
- Online dealerships: You browse car lots via the Internet and buy online.

With online sources you may have a greater selection to choose from, but be sure to do your homework with online sources just as you would with a dealership or a private seller. Avoid giving out any information before you have verified that the online source is legitimate and the site is secure.

Buying services: Some organizations offer their members buying services, in which the consumer indicates the make, model, year and exact options they want and the organization does the shopping for them. They will present the buyer with several dealers offering the car and the price the dealer offers. The buyer has the option of following up on that offer (which might even be guaranteed) or declining.

Usually this service is offered at reduced or no cost to the buyer. Some of these include USAA, NCOA, and Autobytel. The same type of service can be found on the Internet at sites specializing in car-buying information and pricing.

SLIDE 10

Determining a Fair Price

Auto dealers and private individuals have a right to make a reasonable profit on the sale of a car. What constitutes a reasonable profit? To know this, you must know what constitutes a fair price for the vehicle.

Where to Find Pricing Information

Trainer's note: If time allows and there is an Internet connection in the training room, go to one of the car pricing websites and show learners some features. Practice ahead of time so you will be proficient at demonstrating the site(s). For this section, be sure to refer learners to the Internet sites listed on the *Car-Buying Sources of Help* handout.

All of the components of pricing a dealer invoice and manufacturer's suggested retail price (MSRP) are available through a variety of resources. Price your vehicle at dealer invoice, subtract any dealer holdbacks or incentives, add 3 to 5 percent dealer profit and start your offer there. When working with a dealer who provides you with pricing information, make sure you know the source – it could be biased.

Your best bet will be to do price research on your own from sources you know are reliable. Check out Internet sites, especially www.edmunds.com and www.nada.com. These sites will price a new or used car and also have information on buying and selling, financing and insurance. Additional resources include:

Public libraries: One of the best sources of information on car pricing, where many of the resources listed below can be found.

Kelley Blue Book and NADA pocket guides: These list suggested retail and loan values for specific makes and models of used cars. Factors such as mileage, options and physical condition affect a car's value. These guides offer great starting figures. They can be found at www.kbb.com and www.nada.com.

IntelliChoice car cost guides: Besides the dealer cost and sticker price, the guides list items such as resale value, economic value, maintenance costs, etc.

Consumer Reports/Consumers Union price reports: Each April issue of Consumer Reports is devoted to cars ratings and pricing, and they offer a low-cost service to provide the dealer cost for particular makes, models and options.

Edmund's Car Prices Buyer's Guide: Available in hard copy as well as online, similar to the IntelliChoice guide.

Fair Pricing Terminology

As you start researching a fair price for your vehicle, it helps to understand the terminology that dealers and car manufacturers use. These include:

Invoice price: What the manufacturer charges the dealer (the dealer's cost may actually be less due to rebates and incentives, etc.).

Base price: Cost of the car with the standard equipment and basic warranty.

Destination charge: What the manufacturer charges to deliver the vehicle to the dealer.

Manufacturers' suggested retail price: The recommended retail price as suggested by the dealer and posted on the vehicle. Dealers can sell a car for whatever price they choose. MSRP averages 10 to 11 percent higher than the invoice price.

Monroney sticker price: The price listed on the sticker on the car. This includes base price, installed options, destination charges and fuel economy information.

Dealer sticker price: Monroney sticker price plus MSRP of any options installed by the dealer.

Customer rebate: A manufacturer incentive usually in the form of cash or lower interest rates.

Manufacturer-to-dealer incentive: Extra money the automaker pays the dealer for selling certain cars. May be used to increase advertising, lower the prices and/or increase the dealer's profitability.

Dealer holdback: A bonus amount (usually 2 to 3 percent of MSRP) the manufacturer pays to the dealer for meeting sales and customer service goals, regardless of the actual sale price of the vehicles.

Carryover allowance: Another manufacturer-to-dealer incentive to clear out prior-year models.

SLIDE 11

What about leasing?

Trainer's note: During this section, refer learners to the *Leasing vs. Buying* handout. Since time does not typically allow for an in-depth discussion on car leasing, you may want to refer learners to the U.S. Federal Reserve Board's online publication "Keys to Vehicle Leasing" and Edmunds.com's "10 Steps to Leasing a New Car" for a detailed description of car leases. Facilitators should be knowledgeable about other areas of "lease speak," such as:

- ***Capitalized cost:*** the selling price of the car, on which the rest of the lease calculations will be based.
- ***Capitalized cost reduction:*** the down payment made, which lowers the amount on which the lease is based.
- ***Residual value:*** the predicted value of the car at lease end, after depreciation. The difference between the capitalized cost (after any reduction) and the residual value is the amount the dealer predicts the car will depreciate over the lease term. Put simply, this is the amount paid for the privilege of driving the car over the lease term, plus a finance charge.
- ***Money factor:*** the finance charge (interest) on the lease amount, expressed as a decimal used to calculate part of the monthly lease payment.

If you are thinking about leasing instead of buying, you need to understand the difference in the contracts and some of the issues that are unique to people who live the military lifestyle. There are often mileage restrictions, charges for excessive wear and tear, and limits on where you can take a leased vehicle. The next section talks about negotiating skills and legal rights, and these concepts apply to leasing as well as buying. Refer to the *Leasing vs. Buying* handout for specific differences between leasing and buying. Consider leasing only if:

- You can limit your annual mileage. Leases have limits commonly ranging from 10,000 to 15,000 miles per year. If you exceed the limit, you will face high per-mile fees at the end of the lease.
- You take excellent care of your vehicle and do not plan to customize it (e.g., painting flames on the side). When you turn the car in at the end of the lease, you can be charged for any wear and tear considered by the dealer to be excessive. The car must be in original condition so that the dealer can resell it, so customization is out of the question.
- You want to drive a new car every few years and do not mind never-ending car payments. It is often more economical to buy a car and keep it as long as possible. However, if you like a shiny new car every few years, you will end up with continuous car payments anyway.

- You will not have to relocate. Most leases will not allow you to take the car out of the country, and many will not allow you to move the vehicle out of state.

Tax considerations when leasing: Remember that when you lease a car, you do not own the car, the dealership does. This is important if you live in a state that requires residents to pay personal property tax on their vehicles. Although you may be exempt from the tax as a service member, the dealership "resides" in that state and therefore you will be required to pay those taxes as part of your lease. If you lease the vehicle to lower your monthly payment, you may find that you get stuck with a lump-sum tax payment on top of lease payments. Do your homework and check with the department of motor vehicles in your state of residence to find out what the laws and requirements are before you commit to a vehicle lease.

Lease termination rights: The Servicemembers Civil Relief Act (SCRA) is a federal law that provides protections for service members as they enter active duty. Under the SCRA, service members may terminate automobile leases entered into before or after active-duty military service if they meet the following requirements:

- National Guard and Reserve service members may be able terminate their automotive leases if they are called to active duty for specified period of time.
- Active-duty members may be able to terminate their automotive leases if, after they entered into the lease, they either received military orders for a permanent change of station (PCS) move.
- To terminate an automotive lease, you will need to provide written notice and a copy of your orders and return the vehicle no later than 15 days after you deliver the written notice. When terminating an automotive lease, the lease ends the day you return the vehicle. Check with your Legal Service Office for more information on your rights under the SCRA.

Negotiation

Negotiation Tactics

SLIDE 12

Trainer's note: Refer learners to the *Car Sales Tricks of the Trade* handout during this discussion.

Most salespeople are reasonable, honest individuals. Some, however, are not above using techniques intended to pressure you into making a commitment you may not be ready to make. Beware and be aware of these tactics. Should

you encounter them, you might choose to tell the salesperson you are aware of their tactics and prefer they not try them, to ask to see a different salesperson or to simply leave. The *Car Sales Tricks of the Trade* handout lists several tactics with which you should be familiar.

Put to ride: When a salesperson cannot persuade you to buy today, they may insist that you leave your trade-in at the dealership, drive the new car home and keep it overnight. This way, no other dealership can see your trade-in, your neighbors and relatives see the car, you fall in love with it and then 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. Once accomplished, it is easier to get you to sign the contract.

LEARNER ACTIVITY: *What Do You Think?*

Time: Five minutes to conduct the activity; discussion of the answers will be conducted as part of instruction in the next section.

Materials: *Car Sales Tricks of the Trade* handout, pens and pencils and notepaper.

Procedure: Assign each table or group one of the "tricks" from the handout. Give them five minutes to come up with some consumer strategies to combat these tactics. Ask a group leader to share one or all of the responses. Possible responses include:

Put to ride: Refuse to take the new car home overnight, and take your trade-in off the dealer's lot.

Bait and switch: Demand to see the manager to express your dissatisfaction. Ask for a large discount. If they are not willing to deal, leave.

Lowballing and highballing: When faced with lowballing or highballing, leave and start working with another dealer!

Padding: Read the contract carefully, on your own time. Refuse to sign the contract if it is not what you originally agreed upon.

Mutt and Jeff routine: Leave the scene and think about the offer overnight before purchasing the car; comparison-shop in the meantime.

Your car: Keep reminding the salesperson that you have not yet decided to purchase the car and make it "your car."

SLIDE 13

Negotiation Strategies

Why should we negotiate? First and foremost, when you negotiate for the best price possible you can save a lot of money. With a new car, depending on the cost of the car, this could mean thousands of dollars that you are not financing or paying for that car. What else could you do with a couple thousand dollars? What does that savings mean to your monthly car payment?

Salespeople are trained in the art of selling. In the majority of instances, their pay includes a commission based on the sale price of the vehicle, so they have a vested interest in getting as high a price as possible for the car. When you walk into a car dealership, the salesperson views you as a profit package: you might buy a new car, you might buy high-profit extras in the finance and insurance office, you might finance the car through the dealership, you might trade in a used car they can resell,

you might have your new car serviced at the dealership and you will hopefully become a return customer the next time you are buying a new car. You present quite an opportunity to the dealership, and this can work in your favor when negotiating.

While the salesperson wants to start high, your goal is to get as much car as you can for as little as you can. There are many stories about dishonest salespeople and tactics; do not let them influence your behavior. Keep in mind that not all salespeople are dishonest. Treat the sales force and anyone else at the dealership with the dignity you would expect for yourself, but learn how to negotiate and do it effectively.

Remember, the No. 1 rule for all deals is "everything is negotiable!"

Here are some negotiation tips to help you hone your skills:

Information: The salesperson's goal is to get as much information about you as possible. With your name, military status and particularly your Social Security number, a car dealer can determine what you might pay for a car and, at the least, institute a credit check (even without your knowledge or permission). You need only give them your first name to look at and start discussing vehicles.

Trade: Do not forget that there are three elements to the car deal: the purchase price, the financing and the trade-in. The dealer will try to combine them and you need to keep them separate. Practice saying the phrase, "That's not important right now."

Down payment/deposit: Do not advertise how you will pay for the car. Again, use the phrase, "That's not important right now." If they ask for a deposit, do not pay it (unless you are absolutely certain you will buy the car). Research clearly shows that people who have put down a deposit are much more likely to buy the item, even if they prefer something else! You will have to return even if you change your mind and may have trouble getting your money back. If the car you were looking at actually is sold, they will find another for you to purchase, so do not feel pressured.

Discounts: If the salesperson offers a discount, ask whether it will apply a week later (in many cases, it will). If they do not bring up the subject, ask for one. Even "one price/no haggle" dealers might discount options, etc. You never know unless you ask.

Like the car: One of the goals of the salesperson is to get you to say you like the car. The sooner an emotional connection can be established between you and the car, the more likely you are to buy it.

Shop twins: Some models have identical twins on other car lots with different nameplates on them. If a car you are interested in is one of them (for example, the Hyundai Accent and Kia Rio are same or "twin" vehicles, as are the Dodge Charger and Chrysler 300), be sure to consider its twin and choose the one for which you can get the best deal.

Paying with cash: Stating up front that you intend to pay by cash could work against you. The dealership and the salesperson make more money when they find the financing for you and lose this profit if you pay cash. If you tell the dealership that you will use 100 percent financing, they may give you a better deal on the sale because they plan to make up the profit on the back end of the deal. This gives them more of an incentive to offer a discount. The best route, however, is to refuse to address financing at all until you have negotiated a fair price.

Options: Dealer-installed options are frequently available at other sources and much cheaper than buying through the dealer. Often, they are unnecessary (such as rustproofing), cheaper when done yourself (such as fabric and paint protection) and sometimes can even void your warranty (such as undercoating). If there are options already on a car that you do not need, ask them to remove the options. Many times, they will just leave them on and not charge you.

Test drive: This is one of the most overlooked steps in buying a car (particularly a used car). When you test drive a car, really test it. Drive it as closely as you can to your actual driving conditions: stop-and-go traffic, long trips, highway acceleration, rough roads, etc. Turn the radio off and listen carefully. Try every knob and switch and check every light. You might even consider running the car through a car wash to check for leaks (especially with a convertible or when a car has a sunroof or moonroof). Leave the salesperson behind, if possible; if not, ask him or her to be quiet and even sit in the back seat. Try to minimize any distractions; for example, you may want to consider leaving any children at home with a baby sitter. If you are considering buying a used car, be sure to have a trusted, independent mechanic check it out before you make the purchase.

Extended warranty: Extended warranties or service contracts are more dealer profit than value to the buyer. They are meant to take over when the manufacturer's warranty runs out. New cars have excellent reliability, often making an extended warranty unnecessary. If you do decide to purchase an extended warranty, shop around. You can usually buy something similar from an insurance company for much less.

Take your time: Never buy the first vehicle you see. Sleep on such a major decision overnight. There will always be others to choose from if "your car" is sold.

180-degree turn: If you do not like what you hear, do not be shy about turning around and leaving. Remember, it is your money and your decision.

SLIDE 14

DEAL NO. 2: THE FINANCING

Remember to negotiate three separate deals: The purchase price of the new car, the financing and the deal on the trade-in. As mentioned earlier, this alone will save you hundreds, if not thousands, of dollars. Things to consider in the financing deal include where to finance, finance charges and contracts.

Where to Finance

> ***Trainer's note:*** Refer learners to the *Common Dealership Financing Pitfalls* and *Questions to Ask Car Dealers* handouts for additional information on dealer financing.

SLIDE 15

Credit unions: Credit unions are a good place to look for financing because of their nonprofit status and competitive terms. By law, federal credit unions can only calculate interest using the "simple" method. Also, your credit union may have an in-house buying service available. You must be a member and have fairly good credit.

Banks: Banks, like credit unions, are a good place to look, with the only big difference being that banks are for-profit institutions. They are, however, usually the next-best option and still require fairly good credit to get approved for a loan.

Auto dealerships: Dealerships usually do not have the amount of cash on hand needed to finance a purchase, so they customarily have a relationship with a finance company for this purpose. Consumers who agree to finance a car through the dealer frequently find themselves making payments to a finance company, not the dealer. By choosing to use one finance company over another, dealers are frequently paid a percentage of the loan as a commission. This is passed on to you, the purchaser, along with the normal cost of financing the loan.

There are some benefits to financing with the dealer, however. It can be convenient, and since the dealer probably has multiple finance relationships, they may be able to get an especially good deal. Ideally, you should arrange your financing ahead of time and get pre-approved for a loan at your credit union or bank. But in the interest of shopping around, it does not hurt to see what the dealer has to offer.

Finance companies: Finance companies vary widely in interest rates and often cater to credit risks by charging very high rates. Some are affiliated with a particular manufacturer and can have special rates as incentives for certain models.

Internet: Many Internet sites that deal with car buying also deal in financing or have links to financing alternatives. To protect yourself, be sure to check the legitimacy of these sites and companies before you apply for a loan online.

SLIDE 16

Finance Charges

So that you can talk knowledgeably about your financing terms, let's discuss the different types of interest. Interest is expressed as an annual percentage rate but is computed in several different ways.

Add-on interest: Add-on interest is interest for the total amount of the loan computed for the length of the loan and added to the principal. This is an expensive option, since you pay interest on the entire loaned amount even though you are reducing the balance you owe each month. For example, financing $1,000 for one year at 12 percent add-on interest would result in a finance charge of $120. Adding this to the principal results in a loan of $1,120 and a monthly payment of $93.33.

Simple interest: Interest paid on the outstanding balance only is called simple interest and is by far the most reasonable to the consumer. Credit unions are required by federal law to charge simple interest only. For example, financing $1,000 for one year at 12 percent simple interest would result in a finance charge of $66.19 over the life of the loan. The monthly payment on the loan would be $88.85.

Usury laws: State usury laws limit the amount of interest that can be charged on a loan. Know what the limits are in your state and read contracts thoroughly before signing. The federal Truth in Lending law requires that the annual percentage rate be disclosed in the financing documents. Read the fine print and have contracts checked by your installation Legal Service Office or an attorney before signing.

Contracts

Trainer's note: Refer learners to the handout *Installment Sales Contract for Titled Vehicle and Equipment*. Review the relevant areas of the contract as you progress through this portion of the course. You should be thoroughly familiar with the information and how it is written into the contract in order to adequately explain it to the class. Explain that the Truth in Lending box must be easily readable on all financing contracts and completely filled in. Also, point out that this customer opted to purchase Optional Mechanical Repair for $720.86. Not only did he purchase it, but he also opted to finance it with his loan. If the buyer did not buy the Optional Mechanical Repair, the total amount financed would have been $5,789 rather than $6,509. The total interest paid would have been $1,147, rather than $1,290, and the monthly payment would have been $289 rather than $325.

SLIDE 17

Dealers can make a profit from the sale of the car as well as from extra fees, options and services they add to the contract. Carefully considering which options or services you need ahead of time will help avoid unnecessary expense. If you are not prepared, the first you will hear of some of the profit-making extras will be when negotiating the contract.

Here are some other things to look for when reviewing a contract:

Federal Truth in Lending disclosures: Federal law requires the Federal Truth in Lending disclosure boxes to have a certain appearance and to include the annual percentage rate, total finance charge, total amount financed, total of payments and the sale price.

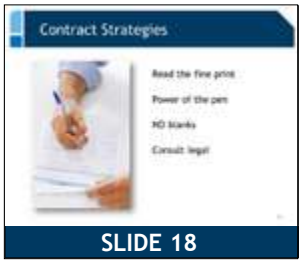
Physical damage insurance: This is required but can usually be obtained at a lower cost from an insurance company than from your dealer. The property liability insurance offered by some dealers is only for their protection and not yours. In the event the car is totaled, it will compensate the dealer for their loss and do nothing for you.

Mechanical repair coverage: This is where automotive dealers make the most money. Remember that often these are pure profit for the dealer and overpriced. If you purchase an extended warranty or service contract, be sure you understand the term or the mileage coverage (whichever occurs first and the deductible you are responsible for paying) as well as what is covered or excluded. To receive the covered repairs, you may be required to bring the car to the same dealership; this is not only inconvenient but may be impossible if you have moved several states away.

Car protection packages: Examine these aftermarket items and make sure that, if you really need them, they cannot be obtained more cheaply elsewhere (they usually can).

Credit life or disability insurance: If you are covered by other life or disability insurance, is credit, life or disability insurance really necessary? Often it is expensive for the amount of coverage involved and protects the dealer or finance company. If you believe you need this coverage, you are better off looking for coverage through your insurance company.

Taxes, license, registration, title and processing fees: Try to pay as many of these up front as possible, to avoid having to pay interest on them if they are included in the financing. Be sure they are itemized so that you know which fees are truly the government fees and which are processing fees (pure profit for the dealer). Charges in this category may include sales and use taxes, title fee, registration fee and property taxes. Be on the lookout for junk fees such as advertising fees or delivery and handling (D&H) fees. Although many fees are not negotiable, duplicate fees added by the dealer, such as D&H when you are already paying a destination fee, can be negotiated.



SLIDE 18

There are some strategies to remember when you are reviewing your contract:

Read the fine print: Someone once said, "The big print giveth, and the small print taketh away!" Read every word on the contract, front and back, and be sure you understand what it says. Get help from your Legal Service Office if you need it.

Power of the pen: If you do not understand or approve of something in the contract, strike through it and initial it and have the salesperson initial it. This legally removes the item. Better yet, demand a new contract with the offending items removed.

Do not leave any blanks: Everything should be filled in and items left off should read "$0.00," "N/A," be lined out or otherwise denoted. Something simply left blank could be filled in later to your detriment.

Talk to your Legal Service Office before signing: If you are not 100 percent sure of every word in the contract, take it to your Legal Service Office for an explanation before you sign. Again, if the dealer refuses to let you take the unsigned contract with you, walk away – this is an indication that something is wrong.

SLIDE 19

DEAL NO. 3: THE TRADE-IN

Only after all homework has been done and the purchase price and financing are negotiated should you address your trade-in with a dealer.

Trade-in versus private sale: In many instances, you can get more for your trade-in if you sell it yourself. The dealer cannot give you full retail value in most cases because they must resell the vehicle and make a profit. On the other hand, trading your car in at the dealership can make for a quick transaction and could save you some tax dollars. If you buy a new car at $20,000, and you trade in a car that costs $12,000, in most states you will only pay sales tax on the difference, $8,000, rather than the full $20,000 (at 6 percent sales tax, that results in a savings of $720.)

What is a fair price? The same methods used in determining what to pay for the car you are purchasing can be used to get a fair price for your trade. Price your used car using resources like the NADA Book, Kelley Blue Book or Edmunds Used Car Guide. These resources will provide you with a price range (not a specific price) for your vehicle, from trade-in value to loan value to retail value (aka "blue book value").

What is the dealer willing to pay? Many people choose to trade in their vehicle to avoid the hassle and delay of selling it themselves and accept some loss in the price of the exchange. The pricing guides list trade-in values for each model, which are reliable guidelines in determining whether the dealer is offering a fair price. Note, however, that the condition of the vehicle will affect the pricing.

What if you owe more than the car is worth? This is called being "upside-down" on your trade or having "negative equity" and can be common in the first couple of years of a new car loan, since much of the depreciation takes place in the early period of ownership. If you really want to trade in such a vehicle, the deficit amount will be added to the price of the car you are purchasing. This will probably leave you even more "upside-down" in the new vehicle. You can see the importance of ensuring the affordability of a new car as a first step in the process, to make sure the last step is not repossession.

When trading in a car with an "upside-down" loan, consider taking the following steps:

- If you have the means, try paying down your loan as much as possible so that you do not finance more than you absolutely have to.
- Re-examine your reasons for purchasing a car at this time. If you can wait, it might save you many future dollars.

- When choosing the car you will be purchasing, try to pick the least-expensive one that still meets your needs and lowers your overall loan amount.
- Consider a private sale, where you might get more for your vehicle.

KNOW YOUR RIGHTS

SLIDE 20

Your Legal Rights

Trainer's note: Check with the Better Business Bureau (https://www.bbb.org/autoline/bbb-auto-line-state-laws) to research the lemon laws in your state and have the information readily available for the discussion on this slide.

Consumers have basic rights under federal laws, but their rights in each state vary. Once again, the best legal preparation is to research the car purchase and know what you are agreeing to before signing any contracts.

State lemon laws: Most states have a lemon law, which enables consumers to get a new vehicle or get their money back when the vehicle cannot be repaired to conform to the standards of the warranty. This is for new cars only.

Consumer Leasing Act: A 1976 amendment to the federal Truth in Lending Act requires disclosure of the costs and terms of consumer leases and also places substantive restrictions on consumer leases.

Odometer reading: It is illegal to turn back or reset an odometer, even if a new engine is installed on the car. A statement of the odometer miles is required with every purchase. Average mileage per year is approximately 15,000 miles, and it is estimated that one-third of all vehicles have had its odometer tampered with. The DMV can provide you with the number of owners your vehicle has had, and this information plus the age and condition of the car can help you estimate whether the mileage is suspiciously low.

Used Car Rule Buyers Guide, "As Is" versus Implied/Expressed Warranty: This sticker is required by federal law to be placed in the window of all used cars sold by dealers. For your protection, an outside mechanic should inspect any used car before you buy, and any promises made by a dealer should be put in writing. Few assurances are provided by "implied" warranties, and you want everything to be "expressed." The Buyers Guide sticker states:

- If there is a warranty and what protection the dealer provides.
- If there is no warranty, that the car is bought "as is" and the dealer will not be responsible for any subsequent problems.

- That any car can be subject to major problems and lists them.
- A warning against reliance on spoken promises that are not confirmed in writing.

Magnuson-Moss Warranty Act: A federal law that protects the buyer of any product that costs more than $25 and comes with an express written warranty. This law applies to any product you buy that does not perform as it should, including cars. This law guarantees a car buyer that certain minimum requirements of warranties must be met and provides for disclosure of warranties before purchase. A consumer may pursue legal action in any court of general jurisdiction in the United States to enforce rights under this law.

State automobile repair facilities act: Many states have enacted laws that deal specifically with businesses that repair vehicles. The laws, which vary from state to state, may deal with issues such as required disclosures on written estimates, unauthorized charges, invoices, disposition of replaced parts and unlawful acts and practices. To find out whether your state has an auto repair facilities act, contact your state attorney general, consult the Consumer Action Handbook or use a search engine on the Internet.

SLIDE 21

Complaint Resolution

If you experience a problem, you should follow these guidelines:

- Speak to the dealer first. In many cases, they have a reputation to protect and may be willing to quickly resolve problems at this level.
- If the dealer is part of a chain, speak next to the company regional representative, because they also have an interest in preserving the reputation of their good name.
- If the dealer is a member of a professional association like the Better Business Bureau, NADA, NIADA, local area automobile dealers association, etc., they have dispute-resolution processes to assist you.
- If these steps fail, contact your state's office of consumer affairs and the Armed Forces Disciplinary Control Board for investigation and possible prosecution.

SUMMARY

Trainer's note: Refer learners to the *Car-buying Sources of Help* handout and remind them that there are extensive resources on this handout. They should use them in their car search. If they are not planning to buy a car anytime soon, suggest they keep the handout filed someplace where they will remember it when the time comes.

SLIDE 22

Sources Of Help

This class has mentioned numerous resources to help you with your next vehicle purchase. Drop by your local library or check the online sources to look over Consumer Reports, Edmunds, the NADA Book or Kelley Blue Book and the many other resources available. Additional resources are listed on the handout, *The Three Deals of Car Buying* and *Car-Buying Sources of Help*.

OPTIONAL LEARNER ACTIVITY: *Car-Buying Jackpot Review Game*

(See "Introduction to the Courses: PowerPoint Games" for information on how to conduct this review activity.)

Question Bank for Car-Buying Jackpot

Categories: Your Money, Deals, Tricks of the Trade, The Trade-in, Legalese

YOUR MONEY

100 Q: What is the first step in The Purchase Deal?

A: Determine how much you can afford.

200 Q: Name the financial tool used to figure out how much car you can afford.

A: A budget or spending plan (Also acceptable would be the Financial Planning Worksheet, Budget Bottom Line and/or Determining Car Payments.)

300 Q: What is the recommended debt load for the average household?

A: 15 to 20 percent

400 Q: What is the best method for the consumer for calculating interest?

A: Simple interest

500 Q: What is the recommended maximum percentage of your monthly income that should be spent on the maintenance, insurance, operating expenses and taxes for your vehicle?

A: 25 percent

DEALS

100 Q: Which deal is where most of the homework and negotiation happens?

A: The Purchase Deal

200 Q: In this deal, options are to sell it to the dealer, privately or at auction.

A: Trade-in Deal

300 Q: Considerations for this deal include where to go, interest rates and contracts.

A: The Finance Deal

400 Q: Name the people who are professionals, trained and experienced in the art of sales.

A: Dealers ("Salesmen" would also be an acceptable answer.)

500 Q: What is the No. 1 rule for all the deals?

A: Everything is negotiable.

TRICKS OF THE TRADE

100 Q: In this practice, the dealer includes unnecessary charges such as undercoating, protections packages and dealer-installed options that increase the dealer's profit.

A: Padding or dealer add-ons

200 Q: This practice is when you are switched from the advertised, stripped-down model to the well-equipped one with a higher price tag.

A: Bait and switch

300 Q: This occurs when a high trade-in allowance for the trade or low price for the new vehicle is offered to get you to return for negotiations.

A: Highballing and lowballing

400 Q: What is it called when the customer takes the car home and the salesperson hopes that they will fall in love with it like a warm puppy?

A: Put to ride

500 Q: What is it called when the salesman and manager play "good guy/bad guy" for dramatic effect to win the confidence of the customer?

A: Mutt and Jeff routine

THE TRADE-IN

100 Q: What is the commonly used quote for market value for a used vehicle?

A: Blue Book value

200 Q: Which popular magazine has an in-depth April auto issue?

A: Consumer Reports

300 Q: What is it called when you owe more than what the car is worth?

A: Being "upside-down" on your car loan.

400 Q: What is the difference between trade-in value and retail price in used car publications, why the dealer cannot give full retail value in most cases, and why it is worth selling the car yourself?

A: Dealer profit

500 Q: Name the key websites for finding fair new and used car prices.

A: www.edmunds.com or www.nada.com and www.kbb.com

LEGALESE

100 Q: What is the "As Is" sticker required by federal law?

A: The Used Car Rule Buyers Guide

200 Q: Name the state laws that protect buyers from defective new vehicles that cannot be repaired and conform to the standards of the warranty.

A: Lemon laws

300 Q: If you bring in one of these, many Legal Service Offices will give head-of-the-line service.

A: An unsigned contract

400 Q: What is the federal requirement that ensures key financial information is highlighted in a contract?

A: The federal Truth in Lending Act

500 Q: True or False: State laws regarding automobile issues are uniform across the 50 states.

A: False

FINAL JACKPOT

Q: In order to know your credit rating, what is one of the most important personal financial documents you should review before you purchase a car?

A: Your credit report

OPTIONAL SHORT COURSE

Trainer's note: The following instructions and topic allow you to facilitate a car-buying brief in approximately 30 minutes. This shortened course content can be used as a marketing brief or when presentation time is limited. The instructions note what parts of the content to use for this shortened course and how to modify existing content. If you are using the PowerPoint slides as part of your brief or presentation, you may wish to hide unused slides.

Time: 15 to 30 minutes

Handouts:

- *Car-buying Sources of Help*
- *Car Sales Tricks of the Trade*
- *Common Dealership Financing Pitfalls*
- *Determining Car Payments*
- *Leasing vs. Buying*
- *Questions to Ask Car Dealers*
- *Three Deals of Car-buying*

Topics:

Welcome and Introduction

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

Deal No. 1: The Purchase

Slides 2 to 5: Discuss what to do before stepping onto a car lot. This should be a brief overview to inform learners of the importance of knowing what they can afford before they purchase a car by creating a spending plan and determining their

overall credit worthiness. Refer learners to the *Determining Car Payments* handout and the websites on the *Car-buying Sources of Help* handout in lieu of facilitating the determining payments aspect of the course. You may want to refer learners to the *Developing Your Spending Plan* and *Credit Management* courses for additional information.

Slides 6 to 8: Cover the content on these slides to illustrate the different purchase options (i.e. new cars or used cars) and discuss the importance considering insurance, performance and reliability in making informed choices on which vehicle to purchase. Be sure to highlight relevant resources on the *Car-buying Sources of Help* handout.

Slides 9 to 10: Briefly discuss the different places to purchase a vehicle. Cover the websites where learners can research the cost of vehicles to ensure they get a fair price. Make sure to point out that the websites discussed are on the *Car-buying Sources of Help* handout. Do not cover fair pricing terminology except to answer specific questions. If there are any questions concerning leasing, refer learners to the *Leasing vs. Buying* handout.

Slides 12 to 13: Use these slides to cover an overview of negotiation tactics and strategies. Refer learners to the *Car Sales Tricks of the Trade, Common Dealership Financing Pitfalls* and *Questions to Ask Car Dealers* handouts for additional information.

Deal No. 2: The Financing

Slides 14 to 18: Discuss the options for where to finance a vehicle purchase and provide a brief overview of finance charges and contracts. Refer learners to their local Legal Service Office to review an unsigned contract.

Deal No. 3: The Trade-in

Slide 19: Briefly discuss the main points concerning vehicle trade-ins using Slide 19.

Summary

Slide 22: Go over the *Car-buying Sources of Help* handout and end by inviting learners to the full *Car-buying Strategies* course and to visit their CFS or FFSC financial counselor for additional car-buying information and assistance. You may also want to suggest other FFSC financial programs such as *Developing Your Spending Plan, Credit Management* and *Your Insurance Needs.*

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, or Publications Fulfillment, MS-127, Board of Governors of the Federal Reserve System, Washington, DC 20551, Telephone: (202) 452-3244 or 3245.

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.

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:

Pitfall No. 1:	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.	**Solution:**	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.
Pitfall No. 2:	Many consumers are tempted to overspend once they get to the dealership.	**Solution:**	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.
Pitfall No. 3:	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.	**Solution:**	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.
Pitfall No. 4:	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.	**Solution:**	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.

36-Month Car Loan Comparison *		
APR	0%	3.99%
Cost of car	$20,000	$20,000
Less equity in trade Less rebate	$4,000 $0	$4,000 $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.

Debt-to-Income Ratio

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

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

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

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

2. _____
Total Payments

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

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

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

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

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 x .0306490 = $324.60 per month,
   $10,591.00 at 6.5% for 48 months =
   $10,591.00 x .0237150 = $251.17 per month,
   $10,591.00 at 6.5% for 60 months =
   $10,591.00 x .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

Financial Planning Worksheet

Date _____ Rate _____

Name _____ Age _____

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

Marital Status _____ Spouse's Name _____ Age _____

Spouse's Place of Employment _____

Number of Children and Ages _____

Home Address _____

Work Telephone _____ Home Telephone _____

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

Amount of SGLI Elected _____ Amount of FSGLI Elected _____

TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

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

LIABILITIES

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

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

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

MONTHLY INCOME

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

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

MONTHLY SAVINGS AND LIVING EXPENSES

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

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		
LIVING EXPENSES		ACTUAL		PROJECTED		REMARKS
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$____Long Distance=$____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

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

SUMMARY

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

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

ACTION PLAN

INCREASE INCOME

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE LIVING EXPENSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE INDEBTEDNESS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

REFERRALS/RECOMMENDED TRAINING

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

SETTING YOUR GOALS (Short and Long Term)

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

MONTHLY SPENDING PLAN

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

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

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

Keep a record of how you spend your money for the next two weeks. The secret is to record it when you spend it. Using a "stickie" note in your wallet or purse will help you track your expenditures. When you go for your money, make a note on your "stickie" (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.

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TAKE-HOME PAY FOR TWO WEEKS Dates

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

Installment Sale Contract for Titled Vehicle and Equipment

Account No	Dealer No.
Buyer (and Co-Buyer) Name(s) and Residence Address(es) John Dough USS Always Sail FPO AE 09557-1516	**Creditor** (Seller) - Name and Business Address 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

☒ Air Conditioning ☐ Radio ☒ 4-5 Speed Trans. ☐ Power Steering ☒ Other
☐ Sun Roof ☒ Stereo ☒ Automatic Trans. ☐ Custom Wheels
☐ Other (describe) ☒ CD

Odometer Miles: 86,905

THE FINANCE CHARGE IS CALCULATED ON A ☐ Precomputed ☒ Simple Interest Basis

FEDERAL TRUTH-IN-LENDING DISCLOSURES

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost you.	AMOUNT FINANCED The amount of credit provided to you or on your behalf.	TOTAL OF PAYMENTS The amount you will have paid after you have made all payments as scheduled.	TOTAL SALE PRICE The total amount of your purchase on credit, including your down payment of: $ 1300.00
18 %	$ 1290.00	$ 6509.00	$ 7800.00	$ 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		
	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	$ 0.00	
	to for		
	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

Insurance. If any insurance is checked below, coverage will become effective only if insurer issues a policy or certificate which will describe the terms and conditions of coverage.
Optional Credit Insurance. Credit life and accident and health insurance are not required to obtain credit and will not be provided unless you sign below and agree to pay the additional cost(s).

TYPE	PREMIUM		SIGNATURE OF INSURED PARTY	BIRTH DATE
Credit Life Insurance	$	I want Credit Life Insurance		
Joint Credit Life	$	We want Joint Credit Life Insurance		
Accident & Health Insurance	$	I want Accident & Health Insurance (Buyer only)		

Required Physical Damage Insurance. Physical damage insurance is required, but you may obtain it from anyone you choose who is acceptable to the Creditor. If obtained through Creditor, the following applies.

Insurance Company: Guaranteed Expense Term: 15 months Cost for Term: $ 710

☒ $ 500 Deductible Collision and either

☒ Full Comprehensive including Fire, Theft, and Combined Additional Coverage

☐ $ _____ Deductible Comprehensive including Fire, Theft, and Combined Additional Coverage

☐ Fire, Theft, and Combined Additional Coverage

Optional, if desired

☐ Towing and Labor costs ☐ Rental Reimbursement ☐ CB Radio Equipment

Optional Mechanical Repair Coverage. If Buyer selects this optional coverage, the cost will be listed on line 4B on reverse.

INSURANCE CO. Broke-N-Down

TERM ☒ 36 months or 36,000 miles, whichever occurs first

TERM ☒ _____

DEDUCTIBLE ☐ $25 ☒ $50 ☐ $_____

NO LIABILITY INSURANCE INCLUDED

Receipt of Goods and Promise to Pay. You agree that you have received the vehicle and/or services described above and have accepted delivery of the vehicle in good condition. You promise to pay the Creditor the Total Sales Price shown above by making the Total Downpayment and paying the Creditor the Total of Payments in accordance with the Payment Schedule shown above and all other amounts due under this contract.

DO NOT SIGN THIS CONTRACT BEFORE YOU READ IT OR IF IT CONTAINS BLANK SPACES.
YOU ARE ENTITLED TO AN EXACT COPY OF THE CONTRACT YOU SIGN.

Buyer acknowledges receipt of a filled-in copy of this Contract and agrees to all terms and conditions hereof.

BUYER'S SIGNATURE John Dough CO-BUYER'S SIGNATURE _____

ACCEPTED Fibs Auto BY Fred Salesman
CREDITOR SIGNATURE AND TITLE

[FOR DEMONSTRATION PURPOSES ONLY]

Note: Actual documents will contain fine print on reverse. READ ALL THE FINE PRINT. Be sure to ask questions if you need clarification.

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, 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?

Car-buying Sources of Help

Where to Get Information and Help

- Command Financial Specialist (CFS)
- Fleet and Family Support Center (FFSC) financial counselors
- Armed Forces Disciplinary Control Board
- Legal Service Office
- Better Business Bureau
- Consumer magazines
- Consumer protection agencies
- Financial institutions (banks, credit unions)
- National Automobile Dealers Associations (NADA)
- New car pricing guides (Edmund's, Intellichoice)
- State attorney general
- Used car pricing agencies (Kelly's Blue Book, NADA)

Useful Websites

https://www.annualcreditreport.com

www.autobytel.com
www.autotrader.com
www.bankrate.com
www.bbb.org
www.caranddriver.com
www.carfax.com
www.carmax.com
www.cars.com
www.consumerreports.org
www.edmunds.com
www.epa.gov/greenvehicles
www.fueleconomy.gov/
www.highwaysafety.org
www.intellichoice.com
www.internetautoguide.com
www.kbb.com
www.motortrend.com
www.naag.org

- Kbb.com: http://www.kbb.com/new-cars/total-cost-of-ownership/?r=494167664772180350

Remember to...

- Do your homework.
- Prepare a budget to know what you can afford.
- Keep it three separate transactions: the purchase, the financing, the trade-in.
- Have used cars checked by a trusted mechanic before purchase and do not forget to get a CARFAX report.
- Have the Legal Service Office review the contract before signing.
- Beware of the "tricks of the trade."

www.nada.org

Online Auto Loan Calculators

- Autotrader.com: http://www.autotrader.com/calculators/
- BankofAmerica.com: https://www.bankofamerica.com/auto-loans/car-payment-calculator.go
- Bankrate.com: http://www.bankrate.com/calculators/auto/auto-loan-calculator.aspx
- Edmunds.com: http://www.edmunds.com/calculators/car-loan.html
- NavyFederal.org: https://www.navyfederal.org/calcs/autoloan.php
- USAA.com: https://www.usaa.com/inet/pages/bank_loan_quick_calculator_auto_page?akredirect=true

Online "Cost of Ownership" Information and Calculators:

- Edmunds.com: http://www.edmunds.com/tco.html

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.

You Tell Me

1. What should you do before you go to a dealership?

2. Name as many sources as you can for researching a vehicle.

3. List the pros and cons of purchasing new cars versus used cars.

4. List the pros and cons of purchasing from a dealership versus from a private owner.

5. List things that you would want to avoid doing at the dealership.

Consumer Awareness

Print Course

Print Handouts

COURSE DESCRIPTION

Consumer Awareness is a 60- to 75-minute course focusing on deterring, detecting and defending against consumer fraud in the marketplace. Although appropriate for all audiences, the course is geared toward young service members. The course contains facilitator information at the end of the course content for an optional shortened version of the course. This can be used when there is less than 60 minutes to facilitate the course or to customize trainings for your commands.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to identify and protect themselves from misleading and fraudulent consumer practices.

Enabling:

- Given marketing slogans and advertising copy, learners will identify advertising techniques that target consumers in the *Marketing Slogans* and *Military Targets* activities.
- During the *Deter, Detect, Defend* activity, learners will correctly answer the questions on how to protect themselves from aggressive or predatory consumer practices.

REFERENCES

Department of the Navy. (2005). *SECNAV Instruction 1754.1B: Family Support Programs.* Office of the Secretary of the Navy, Washington, D.C.

Department of the Navy. (2010). *OPNAV Instruction 1740.5B Change Transmittal 2, United States Navy Personal Financial Management (PFM) Education, Training, and Counseling Program.* Chief of Naval Operations, Washington, D.C.

Department of the Navy. (2009). *Command Financial Specialist Training Manual.* Commander, Navy Installations Command, Washington, D.C.

"Advertising & Branding Industry Overview." Plunkettresearch.com. *Plunkett Research Ltd.*, 2014. Web. May 27, 2014. www.plunkettresearch.com/advertising-branding-market-research/industry-statistics

"FTC Announces Top National Consumer Complaints for 2014." *Federal Trade Commission*, Feb. 27, 2015. Web. JJan. 2,2016. www.ftc.gov/news-events/press-releases/2015/02/identity-theft-tops-ftcs-consumer-complaint-categories-again-2014

"How Digital Behavior Differs Among Millennials, Gen Xers and Boomers." emarketer.com. *eMarketer Inc.*, March 21, 2013. Web. May 29, 2014. www.emarketer.com/Article/How-Digital-Behavior-Differs-Among-Millennials-Gen-Xers-Boomers/1009748

"Pew Research Center Internet Project Survey: Internet User Demographics." Pewinternet.org. *Pew Research Center*, January 2014. Web. May 26, 2014. www.pewinternet.org/data-trend/internet-use/latest-stats/

"2013 Internet Crime Report." Internet Crime Complaint Center. *Federal Bureau of Investigation*, Web. May 27, 2014. http://www.ic3.gov/media/annualreports.aspx

COURSE PREPARATION

Handouts:

- *Deter, Detect, Defend* handout
- *Servicemembers' Civil Relief Act Simplified* handout (optional)
- *Sources of Help for Military Consumers* handout
- *The Consumer Action Handbook* (Available in bulk from the Federal Trade Commission)

Materials (vary depending on activities chosen):

- Chart paper or whiteboard and markers
- Pens, pencils, paper
- Internet access (optional)
- Advertising samples from local newspapers and magazines
- *Consumer Awareness* PowerPoint slides
- *Consumer Jackpot* PowerPoint game (optional)

SUMMARY OF LEARNER ACTIVITIES

- *Marketing Slogans*: Class activity in which learners match advertising slogans to the company or product they represent.
- *Military Targets:* A group activity in which learners identify advertisements that target service members.
- *Deter, Detect, Defend:* A short quiz activity in which learners apply what they have learned about identifying, avoiding and protecting against consumer scams and fraud.
- *Consumer Awareness Jackpot:* An optional PowerPoint game-show-style presentation of program content that can be used in lieu of lecture or as a program review.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Topic Overview
    b. Agenda
2. Deter (20 minutes)
    a. The Savvy Consumer
        i. The Effects of Advertising
        ii. Learner Activity: *Marketing Slogans*
        iii. Common Advertising Techniques
        iv. Meaningless Terms
        v. Misleading Ads
        vi. Military Personnel
        vii. Learner Activity: *Military Targets*
    b. The Impact of Technology
    c. How to Deter
        i. Eliminate Marketing Calls and Contacts
        ii. Protect Personal Information
        iii. Deterring Identity Theft
3. Detect (15 minutes)

a. Misrepresentations, Scams and Frauds
b. Internet Fraud
c. Predatory Lending
    i. Military Lending Act
    ii. Payday Loans
    iii. Auto Title Loans
    iv. Refund-Anticipation Loans
    v. Other Predatory Businesses
d. Detecting Identity Theft

4. Defend (15 minutes)
    a. Defensive Techniques
        i. Make Smart Purchases
        ii. Borrow Wisely
        iii. Take Action
        iv. Prevent Identity Theft
        v. Learner Activity: *Deter, Detect, Defend*
    b. Your Legal Rights
        i. Canceling a Contract
        ii. Cooling-Off Periods
        iii. Federal and State Protection Laws
5. Summary (5-20 minutes)
    a. Sources of Help
    b. Optional Learner Activity: *Consumer Awareness Jackpot*

CONTENT MATERIAL

WELCOME AND INTRODUCTION

Topic Overview

SLIDE 1

Welcome to Consumer Awareness, a course designed to show you how to avoid getting ripped off in the consumer marketplace and help you get the most for your hard-earned money.

SLIDE 2

Consumers purchase a variety of goods and services and pump billions of dollars into the economy annually. You could say that every cent a person earns gets spent on something; even money that is saved is spent on financial products (such as savings accounts, mutual funds, stocks and bonds). Most often, consumers purchase what they need at a fair price, but with billions of dollars spent annually, there are bound to be bad deals, too. Consumer education is the key to avoiding bad deals, scams and fraud in the marketplace. In fact, fraud is one of the few crimes in which victims can decline to participate – if they recognize the warning signs.

A common term used in consumer education is *caveat emptor*, a Latin term for "let the buyer beware." Some unscrupulous businesspeople use this term to argue that it is a buyer's responsibility to make sure they are getting a good deal for their money. Although there are laws to help protect consumers, laws do not relieve the consumer from doing everything they can to make wise spending decisions.

Agenda

SLIDE 3

This course will focus on the three key steps to getting the most for your money and avoiding being a victim of fraud: deter (to prevent bad deals from happening), detect (to know when you have been victimized) and defend (to guard against future victimization). The goal of this course is to help you become a savvy consumer, familiarize yourself with advertising practices, scams and fraud and understand the ways to defend yourself from being a victim of poor consumer practices.

DETER

The Savvy Consumer

SLIDE 4

Consumer awareness means making sound choices about your money and making wise purchasing decisions. It means being informed and knowledgeable about your purchases and avoiding scams and rip-offs. Consumer awareness also means understanding the influence of advertising and not letting advertising or high-pressure sales tactics influence you to make poor consumer choices. Ultimately, it means you recognize that it is your knowledge and behavior in the consumer marketplace that determines whether you get the most for your money or become a victim of consumer abuse.

SLIDE 5

The Effects of Advertising

Marketing and advertising are designed to persuade you to make a purchase. In 2014, more than $546 billion was spent globally on advertising. Most marketing campaigns follow a simple formula to get you to buy a product: They get your attention, they build your interest and desire, and they spur you to action. Depending on your lifestyle, you could be exposed to as many as 5,000 advertisements daily. These come at you from all different angles, from the billboard and radio ads on your way to work to the ads on (and from) your favorite websites.

SLIDE 6

LEARNER ACTIVITY: *Marketing Slogans*

Time: 5 minutes

Materials: PowerPoint slides

Procedure: Explain to learners that everyone is the target of advertising. We are intimately familiar with logos, slogans, icons and even colors! The most effective advertising has a timeless appeal.

Ask learners to identify the following slogans. (Note: In the PowerPoint deck, slogans will appear on the mouse click). How many of these icons do you recognize? Do you know the year they were first used?

- "Eat Fresh." (Subway, 2000)
- "Can You Hear Me Now?" (Verizon, 2002)
- "What's in your wallet?" (Capital One, 2011)
- "Live Mas." (Taco Bell, 2012)

Now ask learners:

- What is the 7th Amendment to the Constitution?

Tell learners that the 7th Amendment grants citizens the right to a trial by jury. It is interesting how many of us know these slogans and jingles, but many of us cannot recall a right that significantly affects our lives and our freedom. Now that is the power of advertising!

Explain that many of these slogans are memorable simply due to the multiple times you have been exposed to them. Repetition is just one of many effective marketing techniques. If you could easily recall the companies associated with these slogans, you are proof that marketing works.

SLIDE 7

Common Advertising Techniques

Advertising is both an art and a science to get you to buy more in terms of quality or quantity than you planned to buy, to spend more than you intended to spend and, if possible, to get you to buy something you neither wanted nor needed and to buy it repeatedly. Some advertising can be misleading, so it is important that you understand and recognize the tactics used to sell you a product or service.

Most advertisements use specific techniques based on the product and target audience. Here are some of the ways that advertisements will capture your attention, appeal to your logic or emotions and influence your decision to buy a product or service:

Beauty appeal: Beauty attracts us; we are drawn to beautiful people, places and things.

Celebrity endorsement: Ads will associate a product use with a well-known person. By purchasing this product, we are led to believe that we will attain characteristics similar to the celebrity.

Escape: Getting away from it all is appealing; you can imagine adventures you cannot have; the idea of escape is pleasurable and desirable.

Independence/individuality: Associates the product with people who can think and act for themselves. Products are linked to individual decision-making.

Intelligence: Associates the product with smart people who cannot be fooled.

Lifestyle: Associates the product with a particular style of living or way of doing things.

Nurture: Every time you see an animal or a child, the appeal is to your maternal or paternal instincts. These ads associate products with caring for others.

Peer approval: Associates the use of the product with friendship and/or acceptance. Advertisers can also use this negatively, to make you worry that you will lose friends if you do not use a certain product.

Rebellious: Associates the products with behaviors or lifestyles that oppose society's norms.

Rhetorical question: This technique poses a question to the consumer that demands a response. A question is asked, and the consumer is supposed to answer in such a way that affirms the product's goodness.

Scientific/statistical claim: Provides some sort of scientific proof or experiment, specific numbers or an impressive-sounding mystery ingredient.

Unfinished comparison/claim: The use of phrases such as, "Works better in poor driving conditions!" The question you should be asking is "Works better than what?"

Now that you understand the advertising techniques used, you can start looking more closely at the product or service you are considering and making more informed decisions about your purchases – and not falling prey to a great ad campaign. And remember to look out for offers that look too good to be true; they frequently are.

Meaningless Terms

SLIDE 8

Advertisements often employ meaningless terms to make a product sound desirable. These include terms such as "greatly reduced" (from what?), "below cost" (how do they stay in business selling this way?), and "now or never" (which creates a sense of urgency on your part to buy or miss the opportunity). Now-or-never ads are often used in high-pressure sales such as timeshare vacations. Another common term used in high-pressure sales is "special purchase," which is usually an excuse to raise the price with special features and looks.

Misleading Ads

In addition to meaningless terms, you need to be able to recognize misleading ads and targeted ads. Advertisers want to make you believe they cater specifically to you. They will often target these ads to certain groups of individuals, such as service members. Companies have to make a profit to stay in business, and many of the promises in these misleading ads would bankrupt them in a short time. Beware of sayings like, "We finance E-1s and up," "Specialists in military financing," "Instant financing" and "Free ride to store!" Make sure you are getting a great service, not falling prey to a misleading ad. Also, carefully investigate "free" or "bargain" offers, because the product or service is often neither and may have expensive strings attached. Complete the phrase: "If it sounds too good to be true, ... (it probably is)."

SLIDE 9

Military Personnel

Military personnel are targets for consumer predators. While many service members fall into the low-income category (always the most-targeted group of consumers), they have more economically attractive qualities than most low-income individuals, including:

- A steady paycheck (with no danger of being laid off) and a willingness to spend it. Businesses are aware of the ease of paying by allotment and find the ability to garnish the military paycheck an added benefit of dealing with service members.
- More service members marry at a young age and have greater financial needs.
- Military conduct codes that stress the need for orderly personal lives, including orderly finances, may inadvertently be driving service members toward the quick fixes offered by consumer predators.
- Many are young adults who have no consumer education, are away from home for the first time and are eager to experience new things.
- Service members are an easy population for debt collectors to track.
- Service members are easy to identify, even in civilian clothes, and it is easy for salespeople who have experienced military life to engage them, appear authoritative and use that to sell them something.
- Periods of deployment uniquely affect service members and their families. It is not uncommon for service members to spend the money saved during those months on deployment on big-ticket items (e.g., car, computer, game systems) because they now have "money burning a hole in their pocket."
- Service members' patriotism and military status make them targets for affinity marketing – using military-sounding names, military or military-like symbols and veterans in sales and executive capacities to gain trust in a company and its products.

Because of these factors, service members are specifically targeted consumers. And many businesses near military installations not only employ high-pressure sales tactics but can also be predatory and unethical in their sales and lending practices. They often advertise in nationally published and widely read Military Times newspapers. Since these newspapers are often thought to be official by substantial numbers of service members, it inspires trust in what may be unscrupulous businesses. All of these factors combine to make the military consumer, especially the young military consumer, especially susceptible to the scams and frauds that exist in the consumer marketplace.

LEARNER ACTIVITY: *Military Targets*

Time: 5 minutes

Materials: Newspapers, advertising papers and/or military or installation newspapers

Procedure: Divide the class into small groups. Distribute newspapers, magazines or other types of print material to learners. (Note: this is a short activity that usually works better in groups.) Ask learners to identify ads that are specifically targeted to the military. Once they have identified the ads, ask them what it is about the ads that would appeal to service members. If time allows, you can also ask learners to identify the advertising technique(s) used to make the product or service appealing.

The Impact of Technology

SLIDE 10

Trainer's note: If time allows and you have access to the Internet, you may go to the FTC website to explore additional information on using technology safely. The following links offer additional information which may be used in class or can enhance the facilitator's knowledge on this topic:

- ***How to Keep Your Personal Information Secure:*** www.consumer.ftc.gov/articles/0272-how-keep-your-personal-information-secure
- ***Computer Security:*** www.consumer.ftc.gov/articles/0009-computer-security
- ***Tips for Using Public Wi-Fi Networks:*** www.consumer.ftc.gov/articles/0014-tips-using-public-wi-fi-networks

No discussion of consumer awareness today would be complete if there was not a focus on the effects of technology. According to a 2014 Pew Research survey, 87 percent of Americans regularly access the Internet. With this high level of usage, it is no surprise that the Internet has become a primary focus of consumer fraud and abuse. Protecting your computer and using the Internet cautiously are important aspects of being a smart consumer. The Federal Trade Commission offers these tips for a safer online experience:

- Protect your personal information online.
- Know who you are dealing with and do not give out personal information.
- Use antivirus, antispyware software and a firewall, and update these programs regularly.
- Use strong passwords and keep them private.
- Back up important files securely.
- Be careful when using public wireless networks (Wi-Fi).

- Lock and/or password-protect your laptop, tablets, smartphones and other mobile devices.

How to Deter

SLIDE 11

One important aspect of deterring consumer fraud is to know how to make wise purchases. Here are some basic guidelines for shopping, especially for big-ticket items.

Know what you want (and how it will fit into your spending plan): This will help you get the most for your money. Take a look at your buying motives, too. There is nothing wrong with spending some of your hard-earned money, but make sure you are making a purchase for the right reasons.

Do not buy on impulse: Impulse buying is a big contributing factor to getting ripped off. Unplanned spending not only undermines your budget, it means you have not done any research or comparison-shopping. So, you may not be getting the best deal for your money.

Do your homework: Know the product and the seller. Never buy anything that you do not understand. If a deal is legitimate, the seller will be willing to answer all of your questions and give you time to research the company and the product. Be especially careful when dealing with online merchants and be leery of businesses where the only way to contact them is through an email link on the website or a post office box for an address. And be sure to do your homework when making purchases at online auction sites. You should be familiar with how the auction works and how to evaluate the seller and item before making the purchase.

Comparison shop: Make sure you have investigated all of your options before making the purchase. Be sure to include the Navy Exchange and businesses that offer military discounts to take advantage of any tax benefits or discounts.

Check the warranty/guarantee: When comparing products and services, do not forget to check the warranty or guarantee that may save you repair or replacement costs in the future.

Get agreements in writing: If you do not have it in writing, it is your word against the salesperson's.

Sleep on it: Wait 24 hours before making a major purchase. This "cooling off" period will save you money once you get away from the salesperson's hype. Do not be rushed into signing anything. If the deal is not good tomorrow, it is not a good deal. You can have any retail installment contract review, at no cost to you, by your local Legal Service Office.

SLIDE 12

Eliminate Marketing Calls and Contacts

One of the easiest ways to avoid consumer rip-offs and overspending is to eliminate marketing calls and emails, junk mail and unsolicited offers.

Do Not Call Registry: Start by registering with the National Do Not Call Registry (www.donotcall.gov) to get your phone number removed from calling lists. If you get restricted telemarketing calls after your number has been in the national registry for 31 days, you can file a complaint at www.donotcall.gov or by calling 1-888-382-1222. Telephone numbers on the registry will only be removed when they are disconnected and reassigned, or when you choose to remove a number from the registry. The Federal Communications Commission requires telemarketers (except tax-exempt nonprofit organizations) to maintain a record of your request not to receive future telephone calls. The record must be maintained for 10 years. If you get another call from the same person or organization, report the date and source on the Do Not Call Registry site (www.donotcall.gov) or to the FCC at www.fcc.gov/complaints or 1-888-225-5322.

Remove your name from solicitation lists: Next, get your name removed from direct mail, catalog and email solicitations by registering with the Direct Marketing Association's opt-out program at www.DMAchoice.org.

Opt-out prescreen: Get your name removed from other solicitation lists and marketing efforts by opting out on your credit report file. You can access this site at www.optoutprescreen.com.

Telemarketer calls: If a telemarketer calls, request that your name be placed on their "do not call" list. By law, they must comply.

Solicitations: When given a choice, opt out of any solicitations. Tell all companies with which you do business to remove your name from customer lists they rent or sell to others. Look for information on how to opt out of marketing lists on sales materials, order forms and websites. Be careful what you sign up for and read the fine print before completing any forms. Giving out your personal information for marketing promotions, sales and giveaways means those companies have your information and can contact you.

Protect Personal Information

Trainer's note: The FTC has free handouts on computer safety, which you can order in bulk at https://bulkorder.ftc.gov/Default.aspx.

SLIDE 13

As we have already mentioned, the most commonly reported type of consumer fraud is identity theft. Safeguarding your personal information is one of the most important steps you can take to protect yourself.

- Guard your Social Security number. Give it out only when absolutely necessary. Ask businesses to use other types of identifiers when possible. If your state uses your Social Security number as your driver's license number, ask to substitute another number. Keep your Social Security card and any other document that shows your Social Security number in a safe place. Do not routinely carry your Social Security card or other documents that display your number.
- Sign credit/debit cards when they arrive. It makes it harder for thieves to forge your signature.
- Carry only the cards that you need. Extra cards increase your risk and your hassle if your wallet is stolen. Photocopy the contents of your wallet, front and back, and store the copies in a safe place.
- Keep your PIN secret. Never write a PIN on a credit/debit card or on a slip of paper kept with your card.
- Avoid obvious passwords. Avoid easy-to-find names and numbers, such as your birth date and phone number.
- Store personal information in a safe place at home and at work.
- Do not give card numbers to strangers. Confirm whether a person represents a company by calling the phone number on your account statement or on the company's website.
- Watch out for "shoulder surfers." Use your free hand to shield the keypad when entering your PIN at ATMs.
- Beware of blank spaces. Draw a line through blank spaces on credit slips. Never sign a blank slip.
- Keep your receipts.
- Once you no longer need them, destroy documents that contain account information. Stop thieves from finding information in the trash by shredding receipts, credit offers, account statements, expired cards, etc.
- Protect your mail. Ask your local post office to put your mail on hold (at your branch or online, https://holdmail.usps.com/holdmail/) when you are traveling and cannot pick it up.

- Keep a record of your cards and accounts in a secure location (safe, safe deposit box, etc.). List numbers, expiration dates and contact information in case there is a problem.
- Pay attention to your billing cycles. A missing bill could mean a thief has taken over your account. If you receive electronic statements instead of paper statements, be sure that you are checking those statements to ensure your personal information, such as a mailing address, are correct.
- Promptly compare receipts with account statements. Watch for unauthorized transactions. Shred receipts after verifying the charge on your monthly statement.
- Check your credit report once a year. Check it more frequently if you suspect someone has gotten access to your account information.

Deterring Identity Theft

Trainer's note: The FTC is the primary resource for information on identity theft. The FTC is a vital resource that you should share with your learners. You can request free copies of handouts from the FTC website at https://bulkorder.ftc.gov/publications/identity-theft-what-know-what-do The FTC website also has several videos on identity theft.

SLIDE 14

According to the FTC, identity theft is what happens when someone steals your personal information and uses it without your permission. Identity theft is a serious problem that can ruin your credit and your good name and can take a great deal of time, effort and money to resolve. The availability of personal information has made it easy for thieves to steal your identity and use it to open credit accounts, bank accounts and obtain loans. The results can be disastrous and could affect future credit worthiness, credit reports and jobs – every facet of your financial life.

In 2014, there were over 300,000 reports of identity theft to the FTC. Of those reports, the most common form of identity theft was government documents/benefits fraud, which comprised 34 percent of the reported cases. Identity theft via credit card fraud made up 17 percent of cases, with phone or utilities fraud making up 14 percent of cases and bank fraud making up 8 percent.

You can, however, take precautions to protect yourself against becoming a victim of identity theft. The FTC recommends the following precautionary measures:

- Safeguard your mail. The greatest amount of information used in identity theft is found in the garbage and in the mailbox. Cut down on the amount of junk mail you receive, and remember to shred everything. If you change addresses, let your creditors know. If you are expecting a new or replacement card or check, and if it is late, report it immediately.
- Opt out of unsolicited credit offers.
- Safeguard your wallet, identification cards and debit and credit cards.
- Take your receipts. Keep receipts to verify on your bank statements and then shred if not needed for tax purposes.
- Safeguard your checks, bank statements and pay records. Many people function in an almost paperless environment with online banking and electronic records. However, you should also ensure that your electronic files are safeguarded just as you would safeguard hard copy files.

DETECT

Misrepresentations, Scams and Frauds

SLIDE 15

Despite the consumer alerts, warnings and consumer education, there still is an abundance of misleading and illegal business in the marketplace. Anyone can be ripped off, if the circumstances are right and the opportunity for fraud is large. According to the Federal Trade Commission, in 2014 1.5 million fraud complaints were reported, with a total loss of $1.7 billion. Remember, "awareness equals avoidance," so here are some key terms and examples to help you recognize misrepresentations, scams and frauds:

Misrepresentations: A misrepresentation is not necessarily illegal, but it is misleading. Sellers mislead you by making you believe the deal is different than it really is. A key point to remember is that while some business practices certainly may not be ethical, they clearly are not illegal. This is precisely why *caveat emptor* ("let the buyer beware") applies in the absence of legal guidance. Be on the lookout for door-to-door sales, sweepstakes prizes and contests, free gifts and merchandise you did not order.

Scams: A scam is an act of exploitation, but it is not necessarily illegal. Scams take advantage of areas where there are no consumer laws to provide protection. Be on the lookout for free home-inspection deals, get-rich-quick deals, pyramid schemes, work-at-home schemes, Internet-based business opportunities, Internet scams and predatory lending.

Frauds: A fraud is a deliberate deception. It is usually illegal, and there are numerous laws to protect the consumer. Be on the lookout for email fraud, identity theft, goods and services fraud and telemarketing fraud.

These are only some of the more popular types of schemes awaiting consumers in the marketplace. The FTC's Consumer Action Handbook addresses all of these and more. The handbook offers sound advice on avoidance and how to take corrective action. Every consumer should have a copy of this handbook. You can download a copy from the FTC at www.usa.gov/topics/consumer/consumer-action-handbook-online.shtml.

Internet Fraud

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With the majority of the population accessing the Internet on a routine basis, Internet fraud has become big business. The Federal Bureau of Investigation's Internet Crime Complaint Center (IC3) reported that there were 269,422 Internet fraud claims reported in 2014. These claims totaled an estimated $800 million in losses, with an average per-person loss of $530. Here is a breakdown of the some of the most commonly reported Internet frauds in 2014, based on information from the IC3 report:

- Internet auction fraud involving online car sales. In most cases, the perpetrator is attempting to sell cars they do not own.
- Romance scams where individuals are targeted through online dating.
- Hit man schemes where the perpetrator emails the victim stating he or she has been hired to kill them. The emails extort money from the victim in exchange for their safety.
- FBI scams which involved emails that used the FBI's name to gather personal information.
- Ransom or scareware computer scams intended to scare or intimidate the victim into paying the perpetrator to repair a damaging computer virus. A common method for these scams is a pop-up or warning screen which appears on the computer and states the computer has contracted a virus, has been used for illegal purposes, content has been encrypted, etc. The warning instructs the victim to send money via specified means to repair the situation.
- Rental scams where perpetrators take home information and create fake listings. Potential renters are instructed to send money (usually a deposit or first month's rent) via wire transfer.

- Online sweepstakes and lottery scams where victims are informed they have won a large sum of money but to receive the funds they have to first pay the processing fee.

Each year new scams and schemes are designed to steal money from unsuspecting victims. Be extremely cautious when making online purchases. Remember that if a deal sounds too good to be true, it probably is. And never give out your personal information unless you are certain about who you are giving it to. When in doubt, you can go to the joint federal task force website "Looks Too Good to be True" (www.lookstoogoodtobetrue.com/fraud.aspx) to check for information on current scams and schemes. You can report internet scams to the FTC or FBI.

Predatory Lending

Trainer's note: Although the Military Lending Act (MLA) has limited the impact of payday loans, auto-title loans and refund-anticipation loans, details of the MLA are included here for instructor background and for questions that may arise from the learners. The information in this section is not intended to be covered at length or in its entirety. In addition to the MLA, many states have enacted legislation to cap interest rates on these predatory loans. Be sure to check to see what laws are in effect in your state so that you can share that information with your learners.

There are many types of lending that can be termed "predatory," meaning that although it is legal, they charge extraordinarily high interest rates and/or fees and are not a good deal for the consumer. Three types of predatory-lending practices are regulated by the Military Lending Act (MLA) to protect the military consumer: payday loans, auto-title loans and refund-anticipation loans. These products have high interest rates coupled with short payback terms.

Military Lending Act

SLIDE 17

Enacted in 2007, the Talent-Nelson Amendment to the John Warner National Defense Authorization Act (informally known as the Military Lending Act) allows the DoD to regulate the terms of payday loans, auto-title loans and refund-anticipation loans to active-duty service members and their dependents. The MLA capped the interest rate at 36 percent, including all fees and charges. Additionally, loans may not be automatically refinanced (or rolled over) by the lender. The act also prohibits contracts that require the use of a check or access to a bank account, mandatory arbitration and unreasonable legal notice. And any credit agreement subject to the regulation that fails to comply with this regulation is void and cannot be enforced.

The DoD strongly encourages service members and their families to choose alternatives that are designed to help resolve financial crises, rebuild credit ratings and establish savings for emergencies. Payday loans, auto-title loans and refund-anticipation loans can propel an already overextended borrower into a deeper spiral of debt.

Payday Loans

Payday loans are short-term cash loans based on the borrower's personal check held for future deposit or electronic access to the borrower's bank account. Borrowers write a personal check for the amount borrowed plus the finance charge, and they receive cash. In some cases, borrowers sign over electronic access to their bank accounts to receive and repay payday loans. Lenders hold the checks until the next payday, when loans and the finance charge must be paid in one lump sum. To pay a loan, borrowers can redeem the check for cash, allow the check to be deposited at the bank or pay only the finance charge to roll over the loan for another pay period.

Internet payday lending adds security and fraud risks to payday loans. Consumers apply online or through faxed application forms. Loans are deposited directly into the borrower's bank account and electronically withdrawn on the next payday. Many Internet payday loans are structured to renew automatically every payday, with the finance charge withdrawn electronically from the borrower's bank account.

Payday loans range in size from $100 to $1,000, depending on state legal maximums. The average loan term is about two weeks. Without the MLA or other legislation, the average annual percentage rate on payday loans is around 400 percent. Payday loans trap consumers in repeat borrowing cycles due to the extremely high cost of borrowing, the short repayment term and the consequences of failing to make good on the check used to secure the loan. Because of the highly predatory nature of these loans, many states have passed legislation to cap payday loan interest rates.

Auto-Title Loans

An auto-title loan is a short-term loan, usually less than 30 days. Your car title is used to secure the loan. This means that if the loan is not repaid, the lender may take your car and sell it to get back the loan money. Most title lenders will make the loan only if you do not owe anything on the car.

Auto-title lenders often target people with bad credit, low income, service members and the elderly. The lenders make money from high interest rates on short-term loans and the repossession of cars when consumers cannot repay the loans. For example, the loan will show an interest rate of 25 percent for one month. But this rate over a year actually is 300 percent. Auto-title lenders will usually write a loan for 30 days or less. At the end of the month, the lender will accept from the borrower only the interest payment and allow the debt to be "rolled over" for another month at the same interest rate. On a $600 loan, the interest would be about $150. This means you owe $750 at the end of one month. If you pay only the interest–$150 for the month–you will again owe $750 the next month plus interest on that amount. At this point, you will have paid $300 in interest on a $600 loan.

Refund-Anticipation Loans

Refund-anticipation loans allow a taxpayer who is due a refund to get an advance on that refund. This is a high-fee, high-interest-rate short-term loan. Many people mistakenly regard this type of predatory lending as a service, a tactic common among most predatory-lending practices. For refund-anticipation loans, the lender sometimes is the income tax-preparation company and sometimes is a check-cashing service or other short-term lender. The fees paid to get the quick refund usually are based on a percentage of the refund, so the more you are getting back, the more the loan will cost.

What you may not know is that by filing taxes electronically, the taxpayer usually has the full amount of their refund deposited directly to their bank account in less than 10 days. Taxpayers, both military and civilian, can have their returns filed electronically for free using the Volunteer Income Tax Assistance (VITA) program. Military VITA programs usually are coordinated through the base Legal Service Office; call them for times and location information. If the annual tax refund is large, members should consider increasing their deductions to reduce the tax withheld and saving that amount in an interest-bearing account.

Other Predatory Businesses

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The Military Lending Act does not cover the following predatory businesses and practices.

Rent-to-own: Rent-to-own is a business where you can rent household goods for much more than you would pay for them if you purchased them. The lender is counting on the buyer not doing their homework. If a salesman told you the price

of a sofa was $1,000, why would you agree to pay $2,000 for it? That's basically what rent-to-own does: It stretches out those "convenient, low monthly payments" until you have paid several times the actual value of your purchase. The disguised effect is to charge annual interest that often exceeds 500 percent.

Adjustable-rate mortgages and interest-only mortgages: The lure of lower payments and more house provided by adjustable-rate and interest-only mortgages proves difficult to resist for many people. Unfortunately, when it comes time for the interest rate to adjust, the borrower may not be able to afford the payments if the increase is large. Interest-only mortgages can be even worse. Buyers build no equity and even may lose money when it comes time to sell if the property does not appreciate in value as much as they hope it will.

Subprime lending: Generally, these are mortgage loans with a higher credit risk and therefore a higher interest rate for the borrower. Subprime lenders typically lend greater than the standard 80 percent loan-to-value and/or to borrowers who would not ordinarily qualify for a conventional loan.

Annuities as investments or retirement plans: An annuity is an insurance product that provides a payment or payments while you live, versus after you die, as standard insurance products do. Purchase dollars are usually put in a mutual fund to grow until payments to the beneficiary start. Although there is some guarantee of payments, these products usually carry high fees and expenses, including fees for cashing them in before age 59½. Taxes also tend to be high on annuities.

Annuities are sometimes sold in misleading ways, promising high returns that rarely become a reality. Annuity products pay high commissions to the brokers who sell them. This can provide the motivation to "push" these products inappropriately and solicit individuals with little knowledge of financial products. Young service members, especially those in the early stages of their careers, are heavily targeted by these brokers and in fact are the least likely to need this type of product. SECNAVINST 1740.2E, *Solicitation and the Conduct of Personal Commercial Affairs on Department of the Navy Installations*, was issued to prevent insurance salespersons from soliciting service members on base, in their barracks or at meeting or functions that service members are required to attend. As a general rule, do not buy an annuity product that is being touted as a great investment without checking with your Command Financial Specialist (CFS), Fleet and Family Support Center (FFSC) financial counselors or other trusted, neutral professional who can help you unravel the sales hype and the details of the product, and help you figure out whether it is a good fit with your insurance and estate planning needs.

SLIDE 19

Detecting Identity Theft

Combating identity theft is an ongoing battle. Thieves steal identities through credit card data, bills, mail, email, telephone solicitations, etc. Credit card and bank account irregularities alert the majority of identity theft victims, but you should be vigilant in checking for these indicators:

Missing bills: Monitor your mail. Most bills arrive about the same time every month. A missing bill could mean that someone has gotten access to that account and changed the address or has stolen the bill from your box to gain personal information about you.

Mysterious trade lines on your credit report: Check your credit report regularly. Every adult American gets a free credit report annually from each of the three major credit reporting agencies. By checking one of the three reporting agencies on a rotating four-month schedule, you can monitor your credit reports regularly and become aware quickly that something is amiss. You can access your credit report at www.annualcreditreport.com.

Unsolicited cards or bills: Receiving a credit card for which you did not apply or a bill for products or services you never received could be signs of identity theft. Call the bank or merchant immediately.

Credit denial: Sudden denial of credit when you never have had problems could indicate a problem.

DEFEND

SLIDE 20

Defensive Techniques

Trainer's note: For every fraud, scam and rip-off mentioned so far, the Federal Trade Commission provides specific protection and prevention suggestions in the annually updated Consumer Action Handbook. This resource can be ordered in bulk and provided to learners, used in training or accessed online.

There are many general strategies to keep from becoming a victim. Remember the basics:

- Know why the military is targeted and understand the influence of advertising.
- Be familiar with current scams and frauds in the marketplace.
- Have a budget and stick to it, separating your needs and your wants.
- Stop telemarketers; get off mailing lists, opt out.

- Be cautious and protective of your personal information and your computer.

Make Smart Purchases

SLIDE 21

Here are some tips to help you make smart purchasing decisions.

- Get agreements in writing and keep all of your receipts. How good are verbal promises? If you do not have it in writing, it is your word against the salesman's.
- Do not be rushed.
- Know the merchant before you buy.
- Take prompt action if you are unhappy with a product or service.

Borrow Wisely

SLIDE 22

How you pay for a product can be an additional expense and increase the cost of the product or service. You should research financing options just as you research the seller and product. Here are some guidelines to help you borrow wisely.

- Check with your credit union or bank first: If it is not an emergency, shop around for the best deal on a loan, just as you would with any other purchase. Remember that you usually can tell whether you should borrow money by who is willing to lend it to you. If you find yourself going to businesses known for predatory lending practices, talk with your Command Financial Specialist or a FFSC financial counselor first.
- Look for the annual percentage rate (APR): It should be clearly stated as a percentage on the contract, and you should have that information before the loan is signed, as required by federal law.
- Know the terms of the deal: Be clear about what will happen if you are late on a payment or unable to make a payment for any reason, and that the consequences are something you can handle.
- Use the Legal Service Office: The Legal Service Office is in the business of helping service members understand legal documents, including contracts of any kind. There is no fee for their assistance, and you may not need an appointment for assistance with an unsigned contract.

Take Action

Trainer's note: Refer learners to the first page of the *Sources of Help for Military Consumers* handout, which has the information in this section as well as a sample complaint letter. They can follow along on the handout as you cover this section.

SLIDE 23

Act immediately if you are unhappy with a product or purchase. There are four basic steps to take:

1. Contact the seller first: Start with the salesman. If that does not solve your complaint, go to the manager. Make sure you have a copy of all of your documentation, a clear description of the problem and the resolution you want. Be calm and clear with the store personnel. Sometimes company policy prevents the manager from giving you the help or remedy you desire. Be patient. Save all purchase-related paperwork, sales receipts, repair orders, contracts and any letters to or from the company, and keep a log of your conversations and actions that details who, what, where and when, with the times and results.
2. Go to the company president and/or the manufacturer: If the store manager is unable to help you, write a letter to the president of the company and/or the manufacturer of the product. Try to obtain the store president's name and address from the store manager. Calmly and accurately explain the problem and what action you would like taken. Be brief and to the point. Include all documentation and anything else you need to tell your side of the story. You are starting a paper trail that clearly will show your good-faith efforts to resolve the problem. Sending the letters by certified mail with a return receipt requested is the best way to verify that it was delivered.
3. Contact the appropriate trade associations, national consumer organizations, and/or media organizations. Many are listed in the Consumer Action Handbook.
4. Use your consumer advocate resources if you still are not satisfied.

Consumer advocate resources include:

- The state attorney general or state office of consumer affairs: This is the primary resource for people who have been the victims of fraud, misrepresentations and scams. They can take legal action against the company. Find your local office at www.naag.org.
- State regulatory and licensing agencies: These can be researched on the Internet or may be listed in the Consumer Action Handbook.
- Armed Forces Disciplinary Control Board: This is the military's consumer watchdog organization. You can make a report to the local regional board if you believe a company has taken advantage of you because of your military status or it is likely to take advantage of other service members.
- Better Business Bureau: This is a network of nonprofit organizations supported by local businesses that tries to resolve buyer complaints against sellers.

Records are kept on unresolved complaints as a source of information for the seller's future customers. The bureau also assists with complaints about the truthfulness of national advertising and helps settle disputes with automobile manufacturers.

- Consumer Financial Protection Bureau: You can submit a company complaint to this government agency. They will forward the complaint to the company, review the documentation you provide and work to get a response from the company. They also share complaint data with state and federal agencies in an effort to enforce federal consumer financial protection laws.
- Dispute-resolution programs: This is used as an alternative to court. Programs may be offered through a corporation or the court system and typically include mediation, arbitration and conciliation.
- Small-claims court: This court resolves disputes over small amounts of money. Typically, you will not need a lawyer. The maximum amount that can be brought into small-claims court varies from state to state.

Prevent Identity Theft

Trainer's note: It is recommended that you order identity theft materials from the FTC and distribute when discussing this section. If time allows, go over the information on the handouts and point out how learners can contact the FTC to report identity theft. You can order handouts at: https://bulkorder.ftc.gov/publications/identity-theft-what-know-what-do.

SLIDE 24

Here are some tips to help you defend against identity theft:

Place an active-duty alert on your credit report: If you are deployed away from your usual duty station and do not expect to seek new credit while you are deployed, consider placing an active-duty alert on your credit report. An active-duty alert requires creditors to take steps to verify your identity before granting credit in your name. It is effective for one year, unless you ask for it to be removed sooner. If your deployment lasts longer than one year, you may place another alert on your report. To place an active-duty alert, or to have it removed, call the toll-free fraud number for one of the three nationwide consumer credit reporting agencies. The agency you call is required to contact the other two. The law allows you to use a personal representative to place or remove an alert.

Initiate a credit freeze on your credit report. This allows you to restrict access to your credit report.

Close accounts: Close any accounts that have been tampered with.

File a police report: The police report will show that you were a victim of identity theft if creditors try to get you to pay for a debt that you did not incur. Most credit card companies require a police report prior to starting any type of investigation or other action.

Keep a journal: Keep a written record of who you spoke with, when and what was said.

Contact the Federal Trade Commission at 1-877-ID-Theft or www.consumer.gov. The Federal Trade Commission serves as the federal clearinghouse for complaints by victims of identity theft. While the FTC does not resolve individual consumer problems, your complaint helps the FTC investigate fraud and can lead to law-enforcement action. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel Network, a secure, online database available to hundreds of civil and criminal law-enforcement agencies worldwide.

LEARNER ACTIVITY: *Deter, Detect, Defend*

Time: 10 minutes

Materials: *Deter, Detect, Defend* handout

Procedure: Distribute the handout and writing materials. Explain to the learners that this is a review of topics already covered in class. Give learners a few minutes and then review the answers.

True/false answers:

1. False
2. True
3. True
4. False
5. False
6. False
7. True
8. False
9. True
10. False

Multiple-choice answers:

1. C
2. C
3. A
4. A
5. C.

SLIDE 25

Your Legal Rights

Another aspect of being a savvy consumer is to know your legal rights. You should know how to cancel a contract, understand cooling-off periods and be familiar with federal and state protection laws.

Canceling a Contract

There are four steps to legally cancel a contract:

1. Cancel in writing.
2. Keep a copy of your cancellation letter.
3. Send the cancellation by certified mail with return receipt requested, so you have a record that your cancellation request was received if a dispute arises.
4. Keep a copy of your letter and signed return receipt until you get your money back.

If you cancel a contract by telephone, be sure to get the name of the person with whom you spoke and follow up your call with a letter using the steps above. Mention the name of the person with whom you spoke on the phone. Be sure to act within three business days. Saturdays are considered business days, while Sundays and holidays are not.

Cooling-off Periods

When you buy something at a store and later change your mind, your ability to return the merchandise depends on the store's policy. If you buy an item in your home, you might have three days to cancel. This cooling-off rule also applies to purchases of $25 or more made at your workplace and to places rented by a seller on a temporary basis, such as hotel or motel rooms, convention centers, fairgrounds and restaurants. The cooling-off rule requires sellers to tell you that you have three business days after the sale to change your mind. Specific information about cooling-off periods can be found in the Consumer Action Handbook.

Federal and State Protection Laws

Trainer's note: You may wish to distribute the optional *Servicemembers' Civil Relief Act Simplified* handout so that learner will have additional information on consumer protections offered by the SCRA.

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Consumers have legal rights at the state and federal level. You do not lose these rights because you are in uniform, but you do need to know what they are to protect yourself.

Federal consumer laws include:

Servicemembers' Civil Relief Act: Originally passed by Congress as the Soldiers' and Sailors' Civil Relief Act of 1940, the Servicemembers' Civil Relief Act (SCRA) provides specific protections for military members in areas of financial management, such as interest rate relief, installment contracts, rental agreements, lease termination and civil judicial proceedings.

Consumer Bill of Rights: These are general rights of access to product and price information and the right to an informal dispute process.

Fair Credit Billing Act: This applies only to credit purchases and allows you to withhold payment on a disputed product or service. This law allows you to challenge a credit card charge when the charge was unauthorized or is in error, you never received the product or the product did not perform as promised.

7th Amendment (right to trial by jury): This is the cornerstone to a consumer's right to appeal and is part of the Bill of Rights. Many high-cost contracts have a waiver of the right to court appeal to avoid costs and class action against manufacturers. Never waive this hard-won right by signing a contract without taking it to your Legal Service Office first.

Credit Card Accountability, Responsibility, and Disclosure Act: This law prevents credit card companies from predatory actions such as teaser rates, excessive fees and charges and the ability to raise your rates with little or no notice. Additionally, the law requires companies to apply payments to the balance with the highest interest rate when there are multiple interest rates on an account. The law also affects overdraft protection practices that use a line of credit as the backup to a checking account. Account holders have to opt in to continue to allow approval of transactions that overdraw the account and prompt the charge to the line of credit.

The Military Lending Act of 2007: Also known as the Talent-Nelson Amendment, the most-discussed and recognized provision of the MLA is the 36 percent APR cap on consumer credit extended to service members. The cap applies to payday loans, auto-title loans and refund-anticipation loans. In addition to this rate cap, the MLA also prohibits repeat financing with the same creditor, prohibits a borrower from waiving their rights to legal recourse, defines annual percentage rate and bans the use of a check as collateral for a loan.

State consumer-protection laws include:

Lemon laws: (also known as motor vehicle warranty enforcement acts or motor vehicle warranty rights acts): These laws allow you to return a new vehicle that has safety or repeat mechanical or cosmetic problems that constitute a major defect. You are entitled to a refund or a replacement. Some states also have lemon laws regarding used vehicles.

State automobile repair facilities act: Many states have enacted laws that deal specifically with businesses that repair vehicles. The laws, which vary from state to state, may deal with issues such as required disclosures on written estimates, unauthorized charges, invoices, disposition of replaced parts and unlawful acts and practices. To find out whether your state has an auto repair facilities act, contact your state attorney general, consult the Consumer Action Handbook or check for the information on the Internet.

Usury laws: A usury law sets a cap on interest rates. Since there is no federal limit, each state determines its own maximum allowable rate. Almost every state has some form of usury law, but there always are businesses that are able to find their way around them.

SUMMARY

Sources of Help

SLIDE 27

Trainer's note: Before continuing, refer learners to the *Sources of Help for Military Consumers* handout. Explain that all of these sources and the websites on the following slide are on the handout. If time allows, you may also want to go over the resources available in the Consumer Action Handbook.

The consumer marketplace can be a complicated place. Take advantage of all of the resources available to you to help you make smart purchases. You should be familiar with the following resources:

Command Financial Specialist (CFS): CFSs are members of the military appointed by the commanding officer to provide financial education and training, counseling and information referral at the command level. The CFS should be the first stop for the service member who has questions or issues about financial issues.

Fleet and Family Support Center (FFSC): Your local FFSC has a financial education staff to provide personal financial information, education and counseling.

They normally work closely with the CFS at the local commands. FFSC offers classes on a variety of topics that can be valuable for military consumers.

Armed Forces Disciplinary Control Board: This military board has the power to place a business off-limits for illegal and unsafe practices. You can make a report to the local regional board if you believe the company has taken advantage of you because of your military status or it is likely to take advantage of other military personnel.

Navy-Marine Corps Relief Society (NMCRS): The society has trained counselors that can help you preparing a budget or spending plan. It also makes zero-interest loans, or grants, to service members for emergency needs that are within their guidelines. The money is repaid by allotment over a period of time that will not put the service member in further financial trouble.

The Consumer Financial Protection Bureau (CFPB): CFPB is another great place to learn about financial programs, especially how to protect your money from consumer fraud. The CFPB Office of Servicemembers Affairs provides easy information to help military consumers protect their finances. With a database of information and the ability to post questions to professional financial counselors, the CFPB offers a wealth of information to help you become a savvy consumer. CFPB also assists in consumer complaints and will forward your complaint to the company and work to get resolution from the company.

Better Business Bureau (BBB): The BBB sets standards for ethical business practices and is a valuable resource to identify trustworthy businesses. You can also file a complaint against a registered business on the BBB website.

The Federal Trade Commission (FTC): In addition to being the primary resource for information on identity theft, the FTC has information, news and alerts on all types of consumer issues and offers tips and advice on consumer protection.

Regional Legal Service Office (RLSO): RLSO can provide assistance in a dispute over a bill or contract. They strongly encourage service members who are considering making a major purchase to come in with a copy of the unsigned contract. Many offices offer head-of-the-line privileges to review an unsigned contract.

Consumer Action Handbook: The FTC's Consumer Action Handbook offers sound advice on avoiding scams and fraud and how to take corrective action. Every consumer should have a copy of this handbook. You can download a copy from the FTC at www.usa.gov/topics/consumer/consumer-action-handbook-online.shtml.

Be sure to keep your *Sources of Help* handout so that you have information on a host of online consumer resources.

OPTIONAL LEARNER ACTIVITY: *Consumer Jackpot Review Game*

(See "Introduction to the Courses: PowerPoint Games" for information on how to conduct this review activity.)

Question Bank for Consumer Jackpot

Categories: Where to Complain, Your Legal Rights, What a Rip-Off!, Sources of Help, Deter-Detect-Defend

WHERE TO COMPLAIN

100 Q: Name the organization that sets the standard for ethical business practices where you can locate trustworthy businesses and file complaints against unethical businesses.

A: The Better Business Bureau

200 Q: Name the military board that has the power to place a business establishment off limits for illegal and unsafe practices.

A: Armed Forces Disciplinary Control Board

300 Q: Which organization would you contact to reduce the amount of junk mail you receive?

A: Accept any one of the following:
- Direct Marketing Association
- U.S. Postal Service
- Credit reporting agencies
- Call 1-888-5OPTOUT or go to www.optoutprescreen.com

400 Q: Name one place you can report scams on the Internet.

A: Accept either the FTC or FBI.

500 Q: Name one of the three steps in making a consumer complaint.

A: Accept any of the following:
- Contact the seller.
- Contact the company president or headquarters.
- Use your consumer advocates?

YOUR LEGAL RIGHTS

100 Q: What is the total number of days you have in which to cancel a contract signed at the merchant's place of business?

A: Zero

200 Q: What is the common name for the motor vehicle warranty enforcement act that applies only to new cars with safety or repeat mechanical problems?

A: The lemon law

300 Q: What is the law that protects the military from predatory lending?

A: The Military Lending Act

400 Q: Name the law that, in most states, prevents mechanics from exceeding a written repair estimate by more than 10 percent (unless you authorize it first).

A: The Automobile Repair Facilities Act

500 Q: The protections in this act include interest rate relief, installment contracts, rental agreements, lease termination and civil judicial proceedings.

A: The Servicemembers' Civil Relief Act (SCRA)

WHAT A RIP-OFF!

100 Q: Name the type of business that will accept a postdated check for a loan amount plus interest that they will be happy to roll over weekly at interest rates of 400 percent or more?

A: A payday loan company

200 Q: Name one of the phrases used in misleading advertising.

A: Accept any of the following:

- "We Finance E-1 and up!"
- "Greatly Reduced!"
- "Below Cost!"
- "Free Ride to the Store!"

300 (double jackpot)

Q: Name the type of business where you can get household items on "convenient, low monthly payments" until you have paid several times the actual value of your purchase.

A: Rent to own

400 Q: Name one way to detect identity theft.

A: Accept any of the following:

- Missing bills
- Mysterious trade lines on credit reports
- Credit cards not applied for
- Sudden denial of credit

500 Q: What is the consumer combat strategy, motto or creed a consumer should live by in the marketplace in order to avoid being "ripped off?"

A: *Caveat emptor* or "Let the buyer beware"

SOURCES OF HELP

100 Q: Who is the point of contact in your command that provides members with financial information and counseling?

A: Command Financial Specialist (CFS)

200 Q: Name the organization where service members and their family members can attend financial classes at no cost.

A: Fleet and Family Support Center

300 Q: What is the publication from the Federal Trade Commission that aids consumers with all aspects of consumer protection?

A: The Consumer Action Handbook

400 Q: Name the military resource where service members can take unsigned contracts to be reviewed by an attorney at no cost.

A: Legal Service Office

500 Q: Name the government organization that will forward your company complaint, review the documentation you provide and work to get a response from the company.

A: The Consumer Financial Protection Bureau (CFPB)

DETER-DETECT-DEFEND

100 Q: Complete the following sentence: If it sounds too good to be true, _____.

A: It probably is.

200 Q: Name the place where you can research a business before you make a purchase.

A: The Better Business Bureau (BBB)

300 Q: Name a way to keep yourself from being rushed into making a purchase.

A: Accept "wait 24 hours" or "sleep on it."

400 Q: Name three "basics" you should remember to defend against consumer rip-offs.

A: Accept any three of the following:

- Understand and recognize military-targeted advertisements.
- Recognize false or misleading ads.
- Have a budget and stick to it.
- Do not buy on impulse.
- Do your research on the product and the seller.
- Comparison shop.
- Opt out of calling, mailing and email lists.
- Protect personal information and your computer.
- Be familiar with current scams in the marketplace.

500 Q: Name one way to "know what you can afford."

A: Create a budget or spending plan

FINAL JACKPOT

Q: Who is the first person you should contact if you are dissatisfied with a product or service you have purchased?

A: The seller

OPTIONAL SHORT COURSE

Trainer's note: The following instructions and topic allow you to facilitate a consumer awareness brief in 30 minutes or less. This shortened course content can be used as a marketing brief or when presentation time is limited. The instructions note what parts of the content to use for this shortened course and how to modify existing content. If you are using the PowerPoint slides as part of your brief or presentation, you may wish to hide unused slides.

Time: 15 to 30 minutes

Handouts:

- *Deter, Detect, Defend* handout
- *Servicemembers' Civil Relief Act Simplified* handout (optional)
- *Sources of Help for Military Consumers* handout

Topics:

WELCOME AND INTRODUCTION

Slides 1 to 2: Start with a brief introduction of yourself and the topic. Pass out the course handouts and inform learners that the handouts provide a review of content covered in this course (or brief) as well as additional content not covered.

Slides 4 to 5: Discuss what makes a savvy consumer. This should be a brief overview to help learners understand the influence of advertising.

Slides 7 to 9: Briefly cover how advertisers will use meaningless terms and misleading ads. You do not need to spend a lot of time on this, but it is necessary aspect when discussing how advertisers target military personnel on Slide 9. If time allows you may wish to at least point out some military ads in local papers in lieu of doing the *Military Targets* activity.

Slides 10 to 14: Provide a short overview of the content on these slides to illustrate the different ways that smart consumers can protect themselves. You do not have to cover every topic in this section, as some of the points are listed on the *Sources of Help for Military Consumers* handout. For items topics listed on the handout (i.e., removing yourself from unwanted solicitation, protecting your personal information and safe computing tips), provide a basic statement on the topic and why it is relevant and then refer learners to the handout for the content.

Detect

Slides 15 to 16: Go over the concept of how to deter from consumer misrepresentations, scams and fraud (including Internet fraud).

Slides 17 to 18: Start by explaining the basic features of the Military Lending Act and the predatory lenders that are covered by the Act. Then provide briefly list the predatory businesses that do not fall under the protection of the Military Lending Act.

Slide 19: List the ways that learners can detect if they are victims of identity theft. Remind learners to contact the Federal Trade Commission (FTC) website for additional information on identity theft or if they suspect they are victims of identity theft.

Defend

Slides 20 to 22: Use the bullet points on the slides to cover how to defend against rip-offs and consumer fraud. Skip the following slide (Slide 23) on taking action but refer learners to the *Sources of Help for Military Consumers* for the steps and information on filing consumer complaints.

Slide 24: Cover the tips to help defend against identity theft. Again, refer learners to the FTC website for additional information.

Slide 26: Provide an overview of the various federal and state protections for consumers. If time is short, provide only the name and a very short description. Refer learners to the *Servicemembers' Civil Relief Act Simplified* handout for additional information on the SCRA and let them know that they can contact their local Legal Service Office for additional information on any of these legal protections.

Sources of Help

Slide 27: Go over the resources on the *Sources of Help for Military Consumers* handout and end by inviting learners to the full *Consumer Awareness* course and to visit their CFS or FFSC financial counselor for additional information and assistance.

Deter, Detect, Defend

True/False: Indicate whether the statements below are true or false.

1. _____ Impulse shopping is a good way to be a savvy consumer.
2. _____ You should get all promises from your salesman in writing.
3. _____ Fraud is deliberate deception and is punishable by law.
4. _____ It is OK to open attachments from unknown email addresses.
5. _____ Cooling-off periods apply to all purchases, no matter what the cost.
6. _____ To ensure you remember your PIN, always use the same one.
7. _____ You should install antivirus and antispyware software on your computer and update it regularly.
8. _____ There is no way to make telemarketers stop contacting you.
9. _____ Identity theft is the most commonly reported type of fraud.
10. _____ There is no need to keep your ATM receipts.

Check the block next to the correct answer.

1. Which of the following is a good way to be a savvy consumer?
   a. _____ Trust salespeople who used to be active-duty service members.
   b. _____ Make all your purchases near the base.
   c. _____ Comparison shop before making a purchase.
2. To protect your identity, you should:
   a. _____ Give your personal information to friends.
   b. _____ Carry your Social Security card with you in your wallet.
   c. _____ Shred or destroy ATM receipts once you have reconciled them with your statement.
3. You can eliminate marketing and solicitation by:
   a. _____ Registering with the federal Do Not Call Registry.
   b. _____ Placing a hold on your mail.
   c. _____ Changing your email address.
4. Service members are perfect targets for identity theft because:
   a. _____ They deploy for long periods of time.
   b. _____ They may live in low-income housing.
   c. _____ They often work unusual hours.
5. When shopping online you should:
   a. _____ Shop with any website that has the product you are looking for.
   b. _____ Accept all pop-up advertisements and warnings.
   c. _____ Verify the company has a legitimate address and secure site.

The Servicemembers Civil Relief Act (SCRA) Simplified

Note: *This handout provides a basic overview of the provisions of the SCRA. Due to the complexity of the act and regular changes to the provisions, it is recommended that service members contact their Legal Service Office for questions and guidance.*

What Is the Servicemembers Civil Relief Act?

In 2003, the Soldiers and Sailors Civil Relief Act was rewritten and renamed the Servicemember Civil Relief Act (SCRA). The law governs protections for members of the U.S. military.

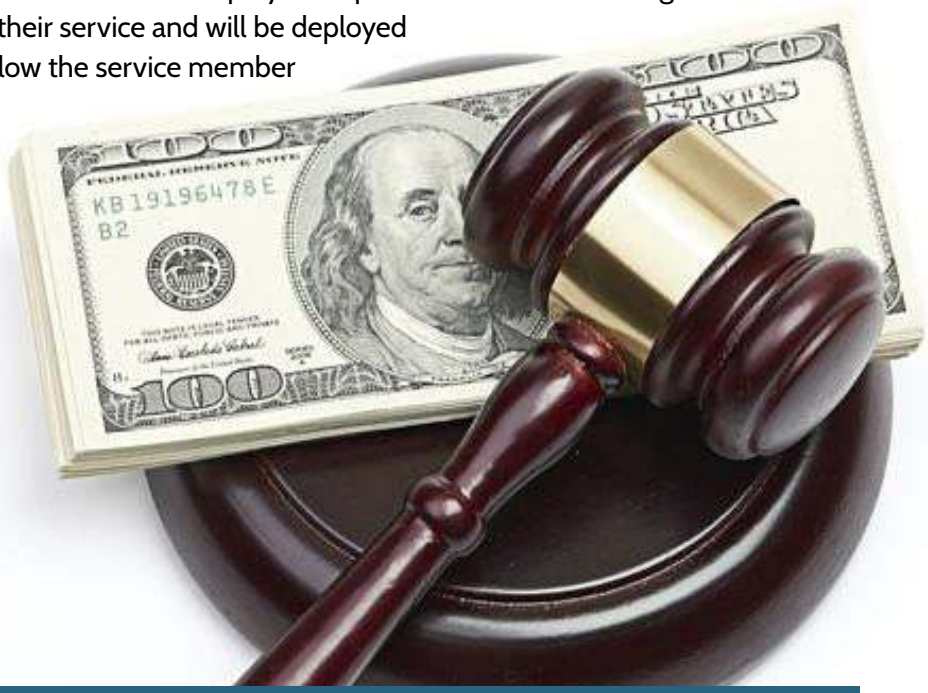
Who Is Covered?

Reservists and members of the National Guard (when in active federal service) also are protected under the law. SCRA (for all) begins on the first day of active duty, which means when the person ships out to basic training (basic training and job-school are considered active duty for Guard and Reserve personnel, as well as active-duty personnel). Some protections under the act extend for a limited time beyond active-duty discharge or release but are tied to the discharge/release date. Additionally, some of the act's protections extend to the member's dependents.

National Guard members recalled for state duty also are protected by the Servicemembers Civil Relief Act in certain circumstances. Guard members are entitled to SCRA protection when called to state active duty under Title 32, if the duty is because of a federal emergency; the request for active duty is made by the president or secretary of defense; and the member is activated for longer than 30 days.

Major Legal Protections

Termination of cellphone contracts: The SCRA requires providers to suspend or terminate cellphone contracts without charging any early termination fee, if the service member's deployment prevents them from using their services. If the service member does not wish to cancel their service and will be deployed outside the United States, the provider must allow the service member to suspend their service at no charge without requiring an extension of the contract. Note that the service member must make the request to their provider before leaving on deployment.



Automobile leases: If a service member enters into an automobile lease before going on active duty, they may request termination of the lease when called to active duty. Service members making a permanent change of station (PCS) move, or who deploy for a specified period of time, may also be able to terminate such leases.

Termination of residential leases: The SCRA allows a service member to terminate a residential lease entered into while in the military, if the member receives PCS orders or orders to deploy for a specified period of time.

Evictions from housing: Service members may seek protection from eviction under the SCRA. The rented or leased property must be occupied by the service member or their dependents, and the rent cannot exceed a certain amount, which is adjusted each year. The service member or dependent who has received notice of an eviction must submit a request to the court for protection under the SCRA. If the court finds that the service member's military duties have materially affected his ability to pay his rent on time, the judge may order a "stay" (postponement) of the eviction proceeding or make any other "just" order.

Relief from foreclosures: Depending on your duty status and situation, the SCRA may provide protection against foreclosure. The SCRA prohibits the "sale, foreclosure, or seizure" without a court order of a service member's personal property as long as the debt was secured before the service member entered military service.

Installment contracts: The SCRA gives certain protections against repossessions for installment contracts. If the contract was entered into before going on active duty and at least one payment was made before that time, the creditor cannot repossess the property while the member is on active duty, nor can they terminate the contract for breach without a court order.

Six percent interest rate: If a service member's military obligation makes it difficult to pay on financial obligations such as credit cards, loans, mortgages, etc., the service member can have the interest rate capped at 6 percent for the duration of the service member's military obligation. 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.

Court proceedings: If a service member is a defendant in a civil court proceeding, the court may grant a delay if you are deployed. The provision applies to civil lawsuits, suits for paternity, child custody suits, bankruptcy debtor/creditor meetings and administrative proceedings.

Enforcement of obligations, liabilities, taxes: A service member or dependent may, at any time during or within six months after their service, apply to a court for relief of any obligation or liability incurred before active duty or for relief of a tax or assessment made before or during active duty. The court may grant stays of enforcement during which time no fine or penalty can accrue.

Sources of Help for Military Consumers

Sample Complaint Letter

Your Address
Your City, State, Zip
Date

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

Dear (Contact Person),

Re: (account number, if applicable)

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

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

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

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

Sincerely,
(Your Name)

Enclosure(s)

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

State the problem.
Give the history.

Ask for specific actions.
Include copies of documents.

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

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

How to Complain Effectively

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

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

STOP IT!
Getting Your Name Off Solicitation Lists

Get Your Name Off Solicitation Lists:

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

How To File A Complaint About A Sales Call:

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

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

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

National Do Not Call Registry: www.donotcall.gov

Protect Your Personal Information

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

Think Before You Click: Practice Safe Computing

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

Websites for Consumers

The Consumer Action Handbook: www.consumeraction.gov

Consumer Protection

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

Emergency Financial Assistance

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

Financial Information and Counseling

Consumer credit counseling: www.nfcc.org

Credit reporting agencies:

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

Navy Fleet and Family Support Programs: www.cnic.navy.mil/ffr/family_readiness/fleet_and_family_support_program.html

Predatory Lending

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

Credit Management

Print Course

Print Handouts

COURSE DESCRIPTION

Credit Management is a 60-minute course to help learners establish and maintain good credit and avoid excessive debt. This instructor's guide contains more information than can be presented in the session. This additional content and information is included to deepen the facilitator's knowledge of the topic and prepare them to answer learners' questions. Facilitator information for an optional, shortened version of this course is provided at the end of the course content. The shortened version can be used when there is less than 60 minutes to facilitate the course or to customize a course to meet command needs.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to establish and maintain good credit and determine a safe debt load.

Enabling:

- During the *Credit Quiz* activity, learners will correctly answer questions to review content material about qualifying for credit, establishing a credit history and wise uses of credit.
- Participating in the *Take Five* activity, learners will list five ways to reduce the cost of credit.
- Learners will correctly calculate a debt-to-income ratio using the *Debt-to-income Ratio* handout.

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Useful Websites:

American Bankruptcy Institute: www.abiworld.org

Association of Independent Consumer Credit Counseling Agencies: www.aiccca.com

Free annual credit reports from the three major agencies: www.annualcreditreport.com

Bankrate, for comparison shopping of rates: www.bankrate.com

Consumer Financial Protection Bureau: www.consumerfinance.gov

National Consumer Law Center: www.consumerlaw.org

Credit card industry ratings: www.creditcards.com

Federal Reserve System: www.federalreserve.gov

Federal Trade Commission: www.ftc.gov

Bankruptcy information: www.legalconsumer.com

COURSE PREPARATION

Handouts:

- *Choosing Credit Cards*

- *Credit Quiz*
- *Credit Reports*
- *Debt-to-income Ratio*
- *Take Five*
- *Warning Signs of Credit Abuse*

Materials (vary depending on activities chosen):

- Chart paper or whiteboard
- Pens, pencils, paper
- Internet access (optional)
- Markers
- Note cards
- *Credit Management* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

- *Calculating Your Debt-to-Income Ratio:* A worksheet exercise in which learners calculate their debt-to-income ratio and evaluate their current debt load.
- *Credit Quiz:* Quiz activity to review the content.
- *Take Five:* Learners list five ways to apply the course material to save on the cost of credit.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. The Impact of Credit
    b. Agenda
2. Getting and Using Credit (10 minutes)
    a. Qualifying for Credit
    b. Establishing Credit
    c. Wise and Unwise Uses of Credit
    d. Credit Reports
    e. Your Credit Score

3. Reducing the Cost of Credit (10 minutes)
    a. Learner Activity: *Take Five* (Part One)
    b. The Cost of Credit
        i. Where You Borrow
        ii. How Much to Borrow
        iii. How Long to Repay
        iv. Minimum Monthly Payments
        v. Minimizing Interest Charges
4. Choosing and Using Credit Cards (10 minutes)
    a. Credit Card Features
    b. Credit Card Costs
    c. Cutting Credit Costs
    d. Learner Activity: *Take Five* (Part Two)
    e. Government Cards
5. Managing Your Debt (10 minutes)
    a. Calculating a Debt-to-Income Ratio
    b. Learner Activity: *Calculating Your Debt-to-Income Ratio*
    c. Warning Signs
    d. Recovering From Debt
    e. Use With Caution
6. Summary (15 minutes)
    a. Sources of Help
    b. Learner Activity: *Credit Quiz*

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

Credit has become a normal part of everyday personal financial management for most Americans. Used appropriately, it can be an excellent tool; poor credit management, though, can devastate a person's financial health.

THE IMPACT OF CREDIT

Trainer's note: Below are some general areas where poor credit can be detrimental. You may wish to add other points based on what you see at your base or installation.

SLIDE 2

Credit can influence almost every aspect of your life, not just your finances. If you have good credit, it can help you to be successful and reach your financial goals. If you have poor credit, it may prevent you from making your goals a reality. Most people realize that poor credit can affect their ability to obtain credit at a reasonable rate, or at all. But there are other adverse effects of poor credit and poor credit management that you may not be aware of, such as:

- inability to qualify for a mortgage or rental lease.
- inability to get insurance or paying much higher insurance rates.
- being unable to qualify for certain jobs.
- loss of or inability to qualify for security clearances.
- failure to qualify for overseas orders.
- possible discharge.

SLIDE 3

Agenda

To increase your credit knowledge and skills, this course will cover:

- getting and using credit wisely.
- reducing the cost of credit.
- managing your debt.

GETTING AND USING CREDIT

Credit can be a building block to your financial success. However, success or failure with your finances depends much more on knowledge and appropriate behavior than it does on the amount of money you have. If you do not have credit, your first step is to establish credit. If you already have an established credit history, you should aim to use it wisely to reach your financial goals.

SLIDE 4

Qualifying for Credit

So, what does it take to qualify for credit? When deciding to extend credit to a consumer, creditors look for both the ability and willingness to repay debts. The factors they use to evaluate a borrower are summarized by the three C's of credit: character, capacity and collateral.

Character: Will you repay the debt? Creditors will look at your credit history: how much you owe, how often you borrow, whether you pay bills on time and whether you live within your means. They will also look for signs of stability: how long

you have lived at your present address, whether you own or rent your home and the length of your present employment.

Capacity: Can you repay the debt? Creditors ask for employment information: your occupation, how long you have worked at your present job and how much you earn. They also want to know about your expenses: how many dependents you have, whether you pay alimony or child support, and the amount of your other financial obligations.

Collateral: Is the creditor fully protected if you fail to repay? Creditors want to know what possessions you may have that could be used to back up or secure your loan. They also want to know about other resources you have for repaying the debt, other than income, such as savings, investments or property. Creditors use combinations of these factors to reach a lending decision. Different creditors may reach different conclusions based on the same set of facts. One may find a borrower an acceptable risk, while another may deny the same borrower. Collateral is sometimes called "capital." Whichever term is used, both refer to a borrower's assets that can be used to secure the loan.

Establishing Credit

SLIDE 5

Consumers should start building their creditworthiness early so they will be able to get credit when they need it. As we just mentioned, lenders look for evidence of financial responsibility and stability when extending credit. For someone who does not have a credit history, the first step is to properly maintain a checking and/or savings account and pay existing bills (e.g., rent, utilities) on time. Next, check out options that can help establish a credit history. Here are some you may wish to consider.

Share-Secured Loan

A share-secured loan is secured by money in your savings or share savings account. Credit unions and banks will grant a loan up to the amount of money in your account. The money in your account is frozen until a portion or the entire loan is paid off. Since the repayment is already guaranteed, even if the borrower defaults on the payments, the interest rate on the loan is usually very low. In a way, the borrower is paying to borrow their own money, but the idea is to help establish a credit history, and a share-secured loan is an excellent tool with which to do that.

Co-Signed Loan

A co-signed loan is good option for borrowers with little credit history, but they will need someone with an established credit history who is willing to co-sign for the

loan. If you already have a good credit history, be cautious about co-signing a loan for a friend or a relative. When you co-sign a loan, you are guaranteeing the loan's repayment even if the other signer defaults. Additionally, the loan will show on both signers' credit reports. If the loan repayment is mismanaged or goes into arrears, this could reflect poorly on your credit report and hurt your creditworthiness.

Retail Cards

Another option is to get a charge card from a retail store or oil company. These often are the easiest types of credit cards to get. Start small, using just one card to make small purchases and pay the bill in full at the end of the month. Be careful about overspending, because these cards typically carry high interest rates.

Major Credit Cards

After establishing a credit history, consumers can usually qualify for a Visa or MasterCard from a major bank or credit union. Be aware that terms and rates for bank credit cards will vary considerably, from "secured" cards that often require a cash deposit, have low credit limits and high rates and hidden fees or "membership" costs, to the "premium" cards (often called gold or platinum) targeted at consumers with the best credit ratings.

Wise and Unwise Uses of Credit

SLIDE 6

Once you have established credit it is important to use it wisely. Good credit management is the result of understanding your options and planning effectively for how you will use credit. The best use of credit is for a planned purchase of assets – things that will grow or increase in value over time, such as a home or an education. You may use credit for convenience to avoid having to carry large amounts of cash or as a financial management tool. Of course, this assumes that you do not carry a balance from month to month or, if you do, that you have planned for the monthly payments. Using credit to take advantage of sales or discounts when you do not have immediate access to your cash may also be a wise way to use credit. Finally, credit can be useful for emergency travel and or in the event of a major repair to your home or car.

SLIDE 7

Unwise uses of credit revolve around behavior: poor or no planning, or emotional spending. Unwise uses include:

Impulse buying: Easy access to credit often leads to a "buy now, pay later" mentality. Impulse buying can occur when we are bored, nervous, sad, angry or happy. During these times, consumers will often charge items they might never buy if

they had to pay in cash. In addition, consumers buying an item on impulse tend to pay more than they would if they shopped around for the best price. By nature, impulse items are not planned expenses.

Spending to feel good: Using spending as a temporary fix to feel better can become addictive. Like other addictive behaviors, the good feelings are temporary, while the debt can last a long time. You should always decide – before charging any purchase – whether you are buying an item because you really need it or because you are stressed and want to feel better.

Spending for status: Many people believe they need to spend money to impress others. Advertising appeals to these emotions. Ads for credit cards often portray the person using the card as having power or status. The message the ads send is that if you use their card, you will be able to do great things, have more fun, attract others and be more successful. In truth, spending to impress others may only result in large credit payments that put a strain on your monthly budget.

Retaliatory spending: In a family where there is not a clear spending plan on which partners agree, each person may have a common tendency to spend on themselves first. After all, they work hard, so why should they not treat themselves to something nice occasionally? This can spin off into retaliatory spending: each partner buying (charging) more for themselves to even the score with the other.

Everyday living expenses: Meeting everyday living expenses is perhaps the most dangerous use of credit. If you do not have the cash to pay for regular living expenses today, what makes you think you will be able to pay for it next month? If you find yourself in a situation where using credit for living expenses is a necessity, you should see a Fleet and Family Support Center (FFSC) financial counselor or your Command Financial Specialist (CFS) to help you establish a plan to provide for these expenses.

Credit Reports

Trainer's note: Refer learners to the *Credit Reports* handout. Much of the information covered in this section is included on the handout. If a classroom Internet connection is available, you can show learners how to access the site for their free credit report. If time allows, you may also want to go to the Federal Trade Commission (FTC) website to show learners information on how to use their credit report to defend against identity theft. You can also refer to the *Consumer Awareness* course for more information on identity theft and tips to protect against it. You can get free credit report handouts from the FTC website (https://bulkorder.ftc.gov/publications/free-credit-reports).

SLIDE 8

A credit report is a detailed account of the credit, employment and residence history of an individual. Credit reports are used by a prospective lender to determine the person's creditworthiness. The report also lists any judgments, tax liens, bankruptcies or similar matters of public record entered against the individual.

The credit industry is dominated by three credit reporting agencies: Equifax, Experian and TransUnion. These agencies maintain independent databases and compete with one another to sell information to lenders, insurance companies and employers. For the most part, they do not share information with one another and may not have identical information about an individual. If you have moved a lot, your information may be incomplete with one agency, so you might want to request a copy from all three agencies to compare information.

It is important to review your credit report at least once a year to verify that your credit information is correct and complete. Mistakes happen and, if undetected, they could prevent you from getting future credit. Many times, instances of identity theft can be uncovered by reviewing your credit report. By federal law, every American with a credit history can get one free credit report a year from each of the big three credit reporting agencies. The reports are available at www.annualcreditreport.com or by calling (877) 322-8228.

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. The major credit bureaus all have websites and toll-free numbers through which you can request a copy of your credit report. Information on how to do this is included in your *Credit Reports* handout.

You can also request one free report a year if your report is inaccurate due to identity theft or fraudulent use. Otherwise, a credit reporting agency may charge you a reasonable amount for another copy of your report within a 12-month period.

Credit Report Contents

SLIDE 9

No matter which credit reporting agency you use to request your report, all will include the following information in one form or another:

Identification and employment information: Your name, date of birth and Social Security number are always included. Your employer and spouse's name may

also be included, as well as information about your employment history, home ownership and previous address, if a creditor requests this type of information.

Payment history: Your accounts with different creditors (also called trade lines) are listed, showing how much credit has been extended and whether you have paid on time. Related events, such as referral of an overdue account to a collection agency, can be included, too.

Inquiries: Credit reporting agencies must maintain a record of all creditors who have asked for your credit history within the past year, as well as a record of people or businesses requesting your credit history for employment purposes for the past two years.

Public record information: Events that are a matter of public record, such as bankruptcies, foreclosures or tax liens, may appear in your report.

Accurate negative information: When negative information in your credit report is accurate, only the passage of time can assure its removal. An agency can report most accurate negative information for seven years and bankruptcy information for 10 years. Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. There is no time limit on reporting information about criminal convictions; information reported in response to your application for a job that pays more than $75,000 a year; and information reported because you applied for more than $150,000 worth of credit or life insurance. There is a standard method for calculating the seven-year reporting period. Generally, the period runs from the date the event took place or the date of the last activity on an account.

Correcting Inaccurate Information

Trainer's note: Refer learners to the *Credit Report* handout. If time is short, do not spend a lot of time on this information.

Under the Fair Credit Reporting Act (FCRA), both the credit reporting agency 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 report. To take advantage of your rights under the FCRA, contact the credit reporting agency and the information provider if you see inaccurate or incomplete information. Dispute forms are available on credit reporting agency websites, or you can request a hard copy from the agency.

1. Tell the agency, in writing, what information you believe is inaccurate. Include copies (not originals) of documents that support your position. Send your letter by certified mail, return receipt requested, so you can document what the agency received. Keep copies of all documents, including correspondence.
2. Credit reporting agencies must investigate the items in question – usually within 30 days – unless they consider your dispute frivolous. They also must forward all relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the agency, it must investigate, review the relevant information and report the results back to the agency. If the information provider finds the disputed information is inaccurate, it must notify all three credit reporting agencies so the agencies can correct the information in your file.
3. When the investigation is complete, the agency must give you the written results and a free copy of your report, if the dispute results in a change. (This free report does not count as your annual free report.) If an item is changed or deleted, the agency cannot put the disputed information back in your file unless the information provider verifies that the information is, indeed, accurate and complete. The agency must also send you written notice that includes the name, address and phone number of the information provider.
4. If you request it, the agency must send notices of any correction to anyone who received your report in the past six months. A corrected copy of your report can be sent to anyone who received a copy for employment purposes during the past two years.
5. If an investigation does not resolve your dispute with the credit reporting agency, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the agency to provide your statement to anyone who received a copy of your report in the recent past. Expect to pay a fee for this service.

Your Credit Score

SLIDE 10

Credit scoring is a system creditors use to help determine whether to extend credit to you and how much to charge you for it.

Information about you and your credit experiences, such as your bill-paying history, the number and type of accounts you have, late payments, actions, outstanding debt and the age of your accounts is collected from your credit application and your credit report. Using a statistical formula, creditors compare

this information to the credit performance of consumers with similar profiles. A credit-scoring system awards points for each factor. 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.

You can get your credit score from the three credit-reporting agencies, but you will have to pay a fee for it. Many other companies also offer credit scores for sale alone or as part of a package of products. The Fair Isaac Corporation (FICO) score is the most popular credit-scoring model and will be used for our discussion in this course. However, there are others that are frequently used, such as VantageScore, TransRisk, and PLUS Score.

The FICO score takes into account five areas of information and weights each category:

- Payment history: 35 percent
- Amounts owed: 30 percent
- Length of credit history: 15 percent
- Types of credit in use: 10 percent
- New credit accounts: 10 percent

What is a Good Score?

SLIDE 11

Credit scores vary depending on the product offered and the range of scores the creditor is using. A "good" score is a subjective term, because it really depends on how much credit you are applying for, from whom and for what. For example, a "good" credit score to buy a house may be very different than a "good" score to get approved for a rental lease. Generally, however, the following is true for FICO scores:

750 and higher: Considered excellent. People in this range will get the best credit rates.

700 to 749: Considered very good credit. Individuals may or may not qualify for the very best interest rates and terms, depending on what they are applying for.

650 to 699: Considered good credit. Individuals may still qualify for a loan but will pay more for credit than those in the excellent or good ranges.

600 to 649: Considered fair credit. These individuals may find it difficult to get credit and will likely end up paying high interest rates.

599 and below: Considered poor credit. These individuals usually have some negative activity or adverse action on their report, such as foreclosures, liens and/or credit judgments. Individuals in this category will probably have to pay the maximum interest rates allowed by law, if given credit at all.

REDUCING THE COST OF CREDIT

Credit is a privilege, and the cost of that privilege is the interest you pay on your debt. As you saw from the discussion on credit scores, if you have good credit, you typically pay less in interest. But there are other ways to reduce the overall cost of credit. For starters, paying your existing bills on time and maintaining a spotless credit record can improve your creditworthiness and lower the overall cost of credit.

Credit is a product for which you should shop, as you would for a car, computer or home appliance. Because the amount of interest that can be charged on different types of credit can vary considerably, it is important to compare offers carefully. Try to get preapproved for large items by arranging financing before you go shopping. This will help you get a firm idea about what you can afford to pay and how much that credit will cost you.

LEARNER ACTIVITY: ***Take Five*** **(Part One)**

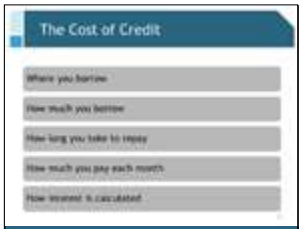
Time: Two minutes

Materials: *Take Five* handouts

Procedure: Distribute the *Take Five* handouts. Explain to learners that as you review the information on reducing the cost of credit, they should list five ways they can apply it to their own financial situation. Note: Give learners a few examples to get started, such as:

- I will save money by putting a down payment on my car purchase.
- I will look for a credit card that does not require an annual fee.

The responses will be reviewed at the end of the section.



SLIDE 12

THE COST OF CREDIT

Besides your personal creditworthiness, the cost of credit is determined by factors such as where you borrow, how much you borrow, how long you take to repay, how much you pay each month and how interest is calculated. We will look at each of these in more detail.

SLIDE 13

Where You Borrow

Trainer's note: When reviewing the following information, warn learners to avoid predatory lenders as a place to borrow. Explain that when their own bank or credit union denies them credit, it should be considered a warning sign of poor creditworthiness. The situation will not be improved by getting involved with a predatory lender. Additional information on predatory lending can be found in the *Consumer Awareness* course.

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

Credit unions: Credit unions are nonprofit organizations owned by its 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.

Retail merchants: Retail merchants can be an expensive place 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 an FFSC financial counselor or your CFS first.

SLIDE 14

How Much You Borrow

How much you borrow has a big influence on the total cost. A down payment often can result in substantial savings. The larger the down payment, the less the total cost.

How Long to Repay

Borrowing for a longer period lowers your monthly payment but results in a higher cost. The shorter your repayment period, the less interest you pay, which reduces the total cost.

Minimum Monthly Payments

Beware of making only minimum payments. Base your payment on what you can afford, but always try to pay as much as possible.

SLIDE 15

Here is an example of how paying more each month can benefit you. If you have a $1,000 balance on an 18 percent credit card and pay only the minimum, for example 2 percent of the balance, it will take 150 months (12.5 years) to pay off and cost you a total of $2,396.77 with interest. However, paying a fixed payment of $50 per month results in a two-year payoff and only $197.83 in interest. By paying more each month in this scenario, you would save $1,198.94 and more than 10 years of payments. (source: www.bankrate.com/calculators/managing-debt/minimum-payment-calculator.aspx)

Under the Credit Card Accountability, Responsibility and Disclosure (CARD) Act, your monthly credit card bill includes information on how long it would take to pay off your balance if you only made minimum payments. It will also tell you how much you would need to pay each month in order to pay off your balance in three years. This makes it important that you read your bill each month, since this information may save you a great deal of money.

Minimizing Interest Charges

> ***Trainer's note:*** If time allows, you can reinforce the concept that paying extra works for all types of debt (not just revolving credit) by providing the following example of a fixed-rate car loan. For a $12,000 fixed-rate car loan, financed at 9.9 percent for 60 months, the monthly loan payment would be $254.37 and the total loan price (including interest) would be $15,262.47. If you added $45.63 a month to your payment (rounded the payment up to $300), you would save $646.25 on the loan interest and pay the loan off in 48 months (an entire year early).

SLIDE 16

Interest on loans can be calculated in different ways. Be sure you know what you are being charged and how it is calculated.

Simple interest: With simple interest, the finance charge is computed by applying a percentage rate to the balance outstanding during each payment period. As you make payments, the interest charged decreases along with the loan balance

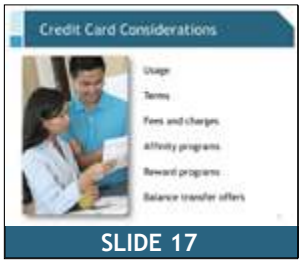
due. Credit unions always charge simple interest; banks normally do as well. This calculation method ends up costing you the least amount of money.

Add-on interest: With add-on interest, the finance charge is calculated on the amount financed and then added on to it at the beginning of the loan. The sum total has to be repaid. No matter how many payments you have made, or how quickly you repay the debt, the interest charged always stays the same.

Read all financing contracts carefully before signing. Example: $1,000 at 12 percent for one year. Using simple interest, you will pay $66 in interest. Using add-on interest, you will pay $120 in interest.

CHOOSING AND USING CREDIT CARDS

Trainer's note: Give each learner a copy of the *Choosing Credit Cards* handout. Note that a lot of the information you are about to cover is on this handout, including many helpful websites. If time is short, you can skip or spend less time on any of the information included in the handout.



SLIDE 17

There are many choices when shopping for a credit card. Credit card companies, like the credit cards they offer, vary in products, services, charges and fees. Here are some of the terms and facts about credit cards that you should know before you choose a company and a card:

Credit Card Features

When considering a credit card, think about how you plan to use it. If you plan to pay off the balance monthly, look for a card with no annual fee and check for a grace period during which no interest is charged on outstanding balances. If you routinely carry a balance, look for a card with a low annual percentage rate (APR).

As someone associated with the military, you most likely want a card that is accepted worldwide. You should have a sufficient credit limit to meet your needs, and you may be interested in the additional services and features offered by your credit card issuer.

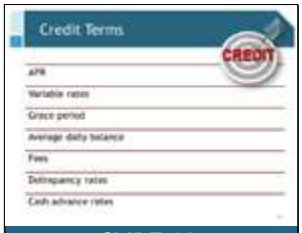
Here are some common features you may wish to consider:

Affinity programs: Affinity cards are all-purpose credit cards sponsored by professional organizations, alumni associations, etc. An affinity-card issuer often donates a portion of the annual fees or charges to the sponsoring organization and/or offers free services or other bonuses.

Reward programs: Reward programs give you points or cash back for making purchases with your credit card. There may be stipulations for specific purchase types to get rewards and conditions under which you can use your rewards. Cards with great reward programs sometimes have annual fees and higher interest rates. If, however, you are someone who pays your card off each month, reward cards are a great way to get extra benefits (cash, items or points towards travel) for using your card.

Balance transfer offers: Many credit card companies offer incentives for balance transfers (i.e., moving your debt from one credit card to another). All offers are not the same, and their terms can be complicated. Many credit card issuers offer transfers with low introductory rates that rise significantly after the introductory period, and some issuers also charge balance transfer fees. However, if the card to which you are transferring has a lower interest rate overall, the balance transfer may save you money in the long run.

Credit Card Costs



SLIDE 18

The terms associated with credit products can be confusing. If you are unfamiliar with the terminology, it could end up costing you in interest, charges and fees. Being knowledgeable is a key component to making wise decisions concerning your credit. Here are some terms you should understand:

Annual Percentage Rate (APR): APR is a measure of the cost of credit, expressed as a yearly rate. It must be disclosed before you obligate yourself to the debt and it must show on your account statements. The card issuer also must disclose the "periodic rate," the rate applied to your outstanding balance to calculate the finance charge for each billing period.

Variable rates: Some credit card plans let the issuer change the APR when interest rates or other economic indicators change. These changes can raise or lower the finance charge on your account. If you are considering a variable rate card, the issuer must tell you that the rate may change, how much it may change and how frequently, and how the rate is determined.

Grace period: The grace period lets you avoid finance charges by paying your balance in full before the due date. Without a grace period, the card issuer may impose a finance charge from the date you use your card or from the date each transaction is posted to your account.

Average daily balance: If you do not have a grace period, this is the most common finance charge calculation method. This calculation uses the average of your balance during the billing cycle to calculate your finance charges for the month.

Fees: There are numerous fees that can be related to your credit account. Some fees are charged for services (e.g., balance transfer, international transactions), some are charged for your actions (e.g., over-the-limit fees, late payment fees), while other fees are simply tacked on as part of your account. Issuers have names for these fees, including "annual," "activation," "acceptance," "participation" and "monthly maintenance" fees. These fees may appear monthly, periodically or as one-time charges and can have an immediate effect on your available credit. For example, a credit card with a $250 limit and $50 in fees leaves you with $200 in available credit. However, by law these fees cannot total more than 25 percent of the initial credit limit. (This limit does not apply to penalty fees, such as penalties for late payments.) Be sure to find out the fees associated with your account.

Delinquency rates: Some cards offer low rates with on-time payments but will apply a very high APR if you are late a certain number of times in any specified time period. In some cases, this could be one late payment. Information about delinquency rates should be disclosed in credit card applications and in solicitations that do not require an application.

Cash advance rates: Cash advances allow you to draw cash from a preset cash limit on your account. Most cards charge a higher interest rate for cash advances, and the interest starts to accrue immediately.

Cutting Credit Costs

SLIDE 19

To save on the cost of credit cards, ask the credit issuer about issues such as these, so you can make comparisons:

- Is there an annual fee? If so, how much? Can it be waived?
- What is the interest rate on any balances? If there is a low introductory rate, how long is it in effect? What rate will be charged after the introductory period?
- What is the grace period on purchases?
- What are the terms for balance transfers and cash advances?
- What additional fees apply, such as late payment, over the limit and others? Are there other hidden charges, such as an increase in the interest rate in the event of a late payment?
- Are other there other "services" tacked on to your account for which you will have to pay? (Avoid high-priced add-ons such as credit life, credit disability or credit unemployment insurance.)

One easy way to save money is to call your 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, carry a balance 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 to 6 percent 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 Legal Service Office.

LEARNER ACTIVITY: *Take Five* **(Part Two)**

Time: 10 minutes

Materials: *Take Five* handouts

Procedure: Review the different ways that the learners can apply the content material by going around the room and asking for volunteers to share some of their ideas. Encourage learners to take note of good ideas from their classmates, which they might also want to use to reduce their credit costs.

Government Cards

SLIDE 20

In addition to commercial credit cards, you may also wish or need to acquire a military and/or government credit card.

Military Star Card

Some military cards, such as a Military Star Card, are credit cards that can be used at all military exchanges. The application and screening process is similar to the process for other credit cards, and finance charges will be assessed if the bill is not paid in full each month. Although the government does not run the Military Star Card program, these credit card debts are considered debts owed to

the government. This means payment could be taken directly from your pay (i.e., garnishment of your wages) if you fail to pay your monthly payments.

Government Credit Cards

Unless otherwise exempted, all DoD personnel are required to use the government-sponsored, contractor-issued travel charge cards for all expenses arising from official government travel. Applicants undergo a credit check and will receive, depending on their credit score, a standard card, a restricted card or no card. This process is similar to when the applicant personally applies for credit, except that the only information subsequent credit grantors will see is that an inquiry was made. The application for a government travel card has little influence on a credit score.

Government travel cards are issued only for official travel-related expenses. Cardholders who misuse their DoD travel cards are subject to administrative or disciplinary action, as appropriate. Cardholders are responsible for making full payment of the balance on the monthly billing statement by the due date. Accounts are considered delinquent if they remain unpaid 60 days after the billing date and can affect the cardholder's credit report.

MANAGING YOUR DEBT

SLIDE 21

While credit can be a good thing, too much of a good thing can often be bad. If you are not using and managing your credit wisely, you could quickly become overextended. It is important that you are aware of how much debt you carry and find out what your acceptable debt load is. One means to determine debt load is to calculate your current debt-to-income ratio.

Calculating a Debt-to-Income Ratio

Trainer's note: Refer learners to the *Debt-to-Income Ratio* handout.

Calculating your debt-to-income ratio is an important part of avoiding excessive debt. This ratio tells you what portion of your income is used to pay debt each month. The *Debt-to-Income Ratio* handout helps you calculate the amount. Once you calculate your ratio, you can look at the scale (at the bottom of the handout) to see whether you are taking on too much debt. Lenders also use this figure before they decide whether to extend credit to you. We are going to look at an example of how to calculate a debt-to-income ratio and then do an exercise to allow you to practice performing this calculation.

SLIDE 22

Trainer's note: Read the scenario to the class and go through the calculations with them by reviewing the information on the slide.

Petty Officer Smith is an E-4 with dependents. His net income (after taxes) is $4,050 a month. The total of his minimum monthly payments is $810 a month. The debt-to-income ratio calculation would be:

810/4050 = .2
.2 x 100 = 20

Petty Officer Smith's debt-to-income ratio is 20 percent.

SLIDE 23

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

Less than 15 percent: Use caution when taking on more debt.

16 percent to 20 percent: Fully extended; refrain from taking on additional debt.

21 percent to 30 percent: Overextended; do not take on additional debt and establish a plan to pay down existing debt.

More than 30 percent: Seek help to reduce debt by using reputable debt-management tools and resources.

In this example, Petty Officer Smith is in the "fully extended" category and should refrain from taking on further debt payments.

Credit cards are often used for wants rather than emergencies or planned needs. This, along with impulse spending, can quickly get many people into the "overextended" debt range. If you find yourself with too much debt, there are resources available to you. These resources will be discussed at the end of the course.

LEARNER ACTIVITY: *Calculating Your Debt-to-income Ratio*

Time: 10 minutes

Materials: *Debt-to-income Ratio* handouts, pencils and calculators

Procedure: Distribute handouts and tell learners that they will now have an opportunity to calculate their own debt-to-income ratio. If learners do not know specific figures, instruct them to use estimated figures. When they get home, they can fill in the correct amounts and redo the calculations. Reinforce that lenders can use the debt-to-income ratio to help determine the learner's current debt load and whether it is manageable to take on additional debt in the future.

Step 1: Ask learners to estimate their net monthly income (all of their pays and allowances minus just their taxes).

Step 2: Next, ask learners to list each of their creditors and the monthly payment that goes to each creditor. Be sure they include any money owed to the government and any payments that are taken from their paycheck. Tell them not to include rent or mortgage amounts. Learners should put the total of all monthly payments in the space provided.

(Note: A different debt-to-income ratio is used when including mortgage debt, usually with 36 percent being the "safe" level. Assure learners that this nonmortgage debt scale is a valid financial planning ratio.)

Step 3: Using the formula in Step 3, ask learners to divide their total payments by net income ("big number into the little number"). The result is their debt-to-income ratio.

SLIDE 24

Warning Signs

Trainer's note: Refer learners to the *Warning Signs of Credit Abuse* handout and explain that the information you are covering is also on that handout.

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.

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.
- 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.

Recovering From Debt

SLIDE 25

> ***Trainer's note:*** Your local Legal Service Office should be the authority on dealing with collection agencies in all circumstances.

If you find yourself struggling with debt, here are some options that can help you better manage your current debt load:

Take charge: Develop a workable budget/spending plan. Do what is necessary to establish a positive monthly cash flow.

Prioritize debts: Major items, such as your mortgage and car payment, should be a top priority.

Use a power payment plan: After budgeting to get a positive cash flow, ensure that minimum payments are made on all monthly bills, and then apply all remaining available funds to whichever debt has the smallest balance. When the smallest balance is paid off, apply the money used for that payment to the next bill on your list and keep the others the same. Again, when that bill is paid off, apply all the money used for the payment to the next bill on your list. In this manner, you will "power pay" down your debt. FFSC financial counselors and CFSs have a computerized budgeting program and power payment plan that make setting up a personal debt payment plan easy and flexible.

Talk with your creditors: Stay in contact with your creditors; let them know whether there is a problem. Be honest about what you can or cannot pay. Be prepared to offer them a plan for paying your debt, but do not promise more than you can deliver. Once a plan is agreed upon, be committed to keeping your part of the agreement. Contact your local Legal Service Office for questions about dealing with collection agencies.

Change your behavior: Remember that overcoming debt is more about behavior than financial knowledge. Spend some time thinking about how you got into debt to begin with. Are you living beyond your means? Are you satisfying all your wants and sacrificing all your needs? Are you an emotional spender or an impulse shopper? An FFSC financial counselor or your CFS can help you figure out what to change so that your behavior moves you in the direction of building wealth, not drowning in debt.

Use With Caution

Trainer's note: Please note that questions beyond basic information on debt management should be referred to local, reputable debt management programs and or financial institutions who offer debt management plans. Bankruptcy questions should be referred to the local Legal Service Office. When discussing financial counseling services, note that many Consumer Credit Counseling Services (CCCS) offices have changed to Money Management International.

SLIDE 26

Debt-consolidation loans: In a consolidation loan, you take out one loan large enough to pay off several (or all) smaller loans and and/or debts. Consolidation loans may reduce the total amount of money expended each month on indebtedness, but the cost of credit (the interest paid) may increase because the repayment time has been extended, possibly at a higher interest rate. If indebtedness can be managed without a consolidation loan, it may save money in the long term. Note especially that behavior modification is critical for consolidation loans to work. Studies have shown that the majority of people who take out a consolidation loan have a higher debt-to-income ratio 18 months after getting the loan than before they took out the loan.

Debt-management programs: A debt-management program aims to help people reduce their debt using a creditor-approved payment plan. The program is personalized to your repayment capabilities and allows you to repay unsecured debt at reduced interest rates. You must agree to take on no new debt and to make one monthly payment to the debt management company, which will then send the approved payments to your creditors. Debt management programs ultimately benefit both the debtor and the creditor. The debtor has a realistic plan to repay their debt, and the creditor does not have to write off debt that may otherwise not get paid or be dismissed through bankruptcy. There are a lot of organizations that promote themselves as debt-management programs. You should look for an agency whose ultimate goal is a debt-management plan and not a consolidation loan or other extension of credit. There may be a nominal fee to participate in a

debt-management program because they have some administrative costs, but the fee should be affordable.

Credit clinics/credit-repair services: Many of these services charge up-front fees promising to "clean up your credit report" fast and get you out of debt. These services cannot do anything you cannot do for yourself. It is illegal for a company to charge a fee (up front) for this service. Violations should be reported to the Federal Trade Commission at www.ftc.gov or to the Consumer Financial Protection Bureau at www.consumerfinance.gov.

Debt-settlement companies: Debt-settlement companies promise they will negotiate with your creditors, on your behalf, and get your debt reduced. Debt settlement occurs when the company or lender holding a delinquent account offers to settle the amount (i.e., they take less than the actual amount owed and charge off, or settle, the rest). Debt-settlement companies advise you to stop making payments on current debt and have you send them payments, which they hold until they have enough that they can negotiate with your creditors, hoping to get them to settle. This is rarely a viable option to resolving debt issues. Your better option is to talk with a reputable, professional credit counselor. The U.S. Justice Department has a website (www.justice.gov/ust/eo/bapcpa/ccde/index.htm) that lists approved credit-counseling services, as does the National Foundation for Credit Counseling (www.nfcc.org).

Bankruptcy: Bankruptcy is often the last-resort option for protection from bill collectors, lawsuits and foreclosures. Bankruptcy does not allow you to walk away from problems and it may severely affect your ability to get credit in the future. It could also have a potential negative influence on your career. For service members, bankruptcy can make it difficult to get and/or retain your security clearance. If your military position requires a security clearance, loss of your clearance (or the failure to obtain or retain it) could result in having to change rates and could affect your ability to reenlist. A consultation with your local Legal Service Office is highly recommended before you make any decisions concerning bankruptcy.

SLIDE 27

SUMMARY

> ***Trainer's note:*** If you are using the *Credit Quiz*, omit this review and use the quiz responses to review the course material.

Considering the money companies stand to make by extending credit, it is no wonder it has become a regular part of our financial life. When managed

correctly, credit, whether loans or credit cards, can be a great tool. When abused, they can lead to higher costs, credit denials and even bankruptcy. Keep in mind these healthy tips for using credit wisely:

- Have a working budget or spending plan, keep it up-to-date and live within your means.
- Calculate your current debt-to-income ratio and keep monthly payments at 15 percent to 20 percent of your net income or less.
- Plan all credit purchases; make sure they fit into your budget.
- Shop around for credit; it is just like any other product you would buy. Look for the best deal.
- Check your credit report annually and keep it spotless.
- Use all of your available resources to help you manage your debt wisely and ultimately get out of debt.

Sources of Help

SLIDE 28

For help with your credit-related questions or concerns, you have a variety of resources at your disposal:

- Command Financial Specialists
- FFSC financial counselors
- Legal Service Office can provide assistance in a dispute over a bill or contract. They strongly encourage service members who are considering any major purchase to come in with a copy of the contract before signing it. They can also help you with any defenses you may have under federal or state laws.
- Your local military credit unions often have financial counselors available who provide a range of services to members, up to and including full-scale debt management programs.
- Nonprofit consumer credit counseling agencies also provide low- or no-cost financial counseling and debt management.
- The Consumer Financial Protection Bureau (CFPB) can be a valuable resource to address credit reporting agency issues.
- Military OneSource is a 24/7, online information-and-referral service funded by the DoD. All services are provided at no cost and are available to military personnel and their immediate family members.

Remember, financial success is more about behavior than it is about money. Be sure to use your available resources so you can build wealth, not debt, and achieve financial success!

LEARNER ACTIVITY: *Credit Quiz*

Time: 10 minutes

Materials: *Credit Quiz* handout

Procedure: Distribute the quiz to learners. Allow them a few minutes to answer the questions and then go over the answers to review the material.

1. Which one of the following is not one of the three C's of qualifying for credit?
    a. Character
    b. Collateral
    c. Capability
    d. Capacity
2. Which one of the following is considered a wise use of credit?
    a. Purchasing everyday living expenses
    b. Purchasing to relieve stress
    c. Purchasing consumables
    d. Purchasing assets
3. Which of the following is likely to have the best credit rates?
    a. Retail merchants
    b. Credit unions
    c. Consumer finance companies
    d. Rent-to-own companies
4. Debts accrued using a Military Star Card are owed to the government and can result in garnishment of a service member's pay.
    a. True
    b. False
5. By federal law, you are entitled to one free copy of your credit score annually.
    a. True
    b. False
6. Which of the following is the most commonly used credit-scoring model?
    a. VantageScore

   b. TransRisk Score
   c. FICO Score
   d. PLUS Score

7. If your debt-to-income ratio is 30 percent, you should be fine to take on additional debt without concern.
   a. True
   b. False
8. What is interest calculated on the full amount of the original principal and then immediately added to the original principal for a sum total?
   a. Simple interest
   b. Compound interest
   c. Add-on interest
   d. Adjusted interest
9. As a rule, you always should pay only the minimum payment on a loan or credit card, because that frees up your cash to spend on other important things.
   a. True
   b. False
10. The various fees often associated with credit cards are billed separately and do not affect your available balance.
   a. True
   b. False

Answer Key

1. c) Capability
2. d) Purchasing assets
3. b) Credit unions
4. a) True
5. a) True
6. c) FICO Score
7. b) False
8. c) Add-on interest
9. b) False

10. b) False

OPTIONAL SHORT COURSE

The following instructions and topics allow you to facilitate this course in 15 to 30 minutes. This shortened course content can be used as a marketing brief or when presentation time is limited. The instructions note what parts of the content to use for this shortened course and how to modify existing content. If you are using the PowerPoint slides as part of your brief or presentation, you may wish to hide unused slides.

Time: 15 to 30 minutes

Handouts:

- *Choosing Credit Cards*
- *Credit Quiz (optional)*
- *Credit Reports*
- *Debt-to-income Ratio*
- *Take Five*
- *Warning Signs of Credit Abuse*

Topics:

Welcome and Introduction

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

Getting and Using Credit

Slides 4 to 7: Discuss what is needed to qualify for credit and how to establish credit wisely. Briefly cover wise and unwise uses of credit on slides 6 and 7.

Slides 8 to 9: Use the *Credit Reports* handout to cover basic information about credit reports. Be sure to point out how they can receive their free credit reports annually. Encourage learners to keep this handout as a reference.

Slides 10 and 11: If time permits, cover this content as written in the full course. If time is short, facilitate the content for Slide 10 and omit Slide 11.

Reducing the Cost of Credit

Slides 12 to 16: For this section, provide a short overview of the content for these slides. Delete the *Take Five* activity but recommend that learners do the activity at home to establish ways they can reduce their own credit costs.

Choosing and Using Credit Cards

Slides 17 to 20: Use the *Choosing Credit Cards* handout to explain credit card features and how to choose and use them wisely. On Slide 20, provide a very brief explanation of the different types of government cards. Omit the remaining *Take Five* activity.

Managing Your Debt

Slides 21 to 23: Distribute the *Debt-to-income Ratio* handout and facilitate information on Slide 21 to 23 as written in the original course. Delete the *Calculating Your Debt-to-income Ratio* activity but instruct learners on the importance of using a debt-to-income ratio to avoid excessive debt and recommend that they complete their own calculations at home using the handout.

Side 24: Refer learners to the *Warning Signs of Credit Abuse* handout instead of facilitating this information.

Slides 25 to 26: Facilitate Slide 25 as written in the original course. On Slide 26 only provide a brief explanation of the different debt management and recovery options listed.

Summary

Slides 27 to 28: If time allows, use the *Credit Quiz* activity to review the course content. For a shorter review option, provide a brief summary on Slide 26. Cover sources of help on Slide 27 and refer learners to resources listed on the *Warning Signs of Credit Abuse* handout. End the course/brief by inviting learners to the full *Credit Management* course and to visit their CFS or FFSC financial counselor for additional information and assistance.

Choosing Credit Cards

INFORMATION YOU SHOULD KNOW:

- Is there an annual fee? If so, how much? Can it be waived?
- What is the interest rate on any balances? If there is a low introductory rate, how long is it in effect? What rate will be charged after the introductory period?
- What is the grace period on purchases?
- What are the terms for balance transfers and cash advances?
- What additional fees apply, such as late payment, over the limit and others? Are there other hidden charges, such as an increase in the interest rate in the event of a late payment?
- Are other there other "services" tacked on to your account for which you will have to pay? (Avoid high-priced add-ons such as credit life, credit disability or credit unemployment insurance.)
- How widely is the card accepted and what are the overseas transaction rates?
- Does the card have a rewards program?

MANAGING YOUR CARD:

- Pay on time.
- Aim to pay more than the minimum amount due.
- Keep your balance low.
- If you have a high balance, consider a plan to pay off or reduce your credit card debt by using a power payment schedule.
- Call the credit card company and request that they lower your interest rate and eliminate your fees. It costs nothing to ask.
- Are you eligible for rate-reduction benefits under the Servicemembers Civil Relief Act?
- Check your statements monthly and report suspicious or fraudulent charges to your credit card company immediately.

CREDIT TERMS:

Annual Percentage Rate (APR): APR is a measure of the cost of credit, expressed as a yearly rate. It must be disclosed before you become obligated on the account and shown on your account statements. The card issuer also must disclose the "periodic rate," the rate applied to your outstanding balance to calculate the finance charge for each billing period.

Average Daily Balance: If you do not have a grace period, this is the most common finance charge calculation method. This calculation uses the average of your balance during the billing cycle to calculate your finance charges.

Balance Transfers: Many credit card companies offer incentives for balance transfers (i.e., moving your debt from one credit card to another). Many credit card issuers offer transfers with low introductory rates that rise significantly after the introductory period, and some issuers also charge balance-transfer fees.

Delinquency Rates: Some cards with low rates for on-time payments apply a very high APR if you are late a certain number of times in any specified time period. Information about delinquency rates should be disclosed in credit card applications.

Grace Period: The grace period lets you avoid finance charges by paying your balance in full before the due date. Without a grace period, the card issuer may impose a finance charge from the date you use your card or from the date each transaction is posted to your account.

Variable Rates: Some credit card plans let the issuer change the APR when interest rates or other economic indicators change. These rate changes also can raise or lower the finance charge on your account. If you are considering a variable-rate card, the issuer must tell you that the rate may change, how much it may change and how frequently, and how the rate is determined.

USEFUL WEBSITES:

Bankrate.com: www.bankrate.com (comparison shopping of rates)

Consumer Financial Protection Bureau: www.consumerfinance.gov

Consumer Reports: www.consumerreports.org/cro/credit-cards/buying-guide.htm (card buying guide)

Creditcards.com: www.creditcards.com (credit card industry ratings)

Federal Trade Commission: www.consumer.ftc.gov/topics/credit-and-loans

Credit Quiz

Choose the correct option for each question.

1. Which one of the following is not one of the three C's of qualifying for credit?
   a. Character
   b. Collateral
   c. Capability
   d. Capacity

2. Which one of the following is considered a wise use of credit?
   a. Purchasing everyday living expenses
   b. Purchasing to relieve stress
   c. Purchasing consumables
   d. Purchasing assets

3. Which of the following is likely to have the best credit rates?
   a. Retail merchants
   b. Credit unions
   c. Consumer finance companies
   d. Rent-to-own companies

4. Debts accrued using a Military Star Card are owed to the government and can result in garnishment of a service member's pay.
   a. True
   b. False

5. By federal law, you are entitled to one free copy of your credit score annually.
   a. True
   b. False

6. Which of the following is the most commonly used credit-scoring model?
   a. VantageScore
   b. TransRisk Score
   c. FICO Score
   d. PLUS Score

7. If your debt-to-income ratio is 30 percent, you should be fine to take on additional debt without concern.
   a. True
   b. False

8. What is interest calculated on the full amount of the original principal and then immediately added to the original principal for a sum total?
   a. Simple interest
   b. Compound interest
   c. Add-on interest
   d. Adjusted interest

9. As a rule, you always should pay only the minimum payment on a loan or credit card, because that frees up your cash to spend on other important things.
   a. True
   b. False

10. The various fees often associated with credit cards are billed separately and do not affect your available balance.
    a. True
    b. False

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 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	TransUnion	Equifax
(888) 397-3742	(800) 916-8800	(800) 685-1111
www.experian.com	www.transunion.com	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.

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. 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. You may also want to sign up for a *Consumer Awareness* course at your local Fleet and Family Support Center.

Debt-to-Income Ratio

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

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

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

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

2. _____
Total Payments

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

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

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

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

Take Five

INSTRUCTIONS:

Credit is a privilege that often comes with some expensive charges and fees. We will discuss different ways that you can reduce the cost of credit. Take five concepts discussed and write five statements about how you might apply them. For example: "I will put a down payment on my car, because the larger down payment equals less total cost."

1. _____

2. _____

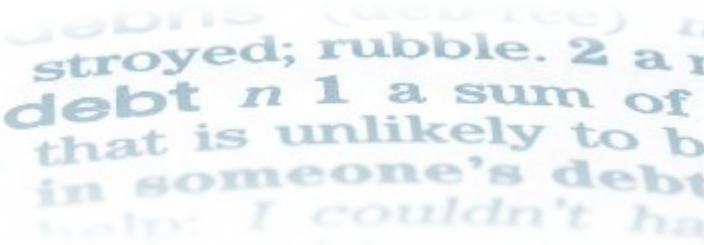
3. _____

4. _____

5. _____

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.

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

Developing Your Spending Plan

Print Course

Print Handouts

COURSE DESCRIPTION

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

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

LEARNING OBJECTIVES

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

Enabling:

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

REFERENCES

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USEFUL WEBSITES:

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

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

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

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

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

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

COURSE PREPARATION

Handouts:

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

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

Materials (vary depending on activities chosen):

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

SUMMARY OF LEARNER ACTIVITIES

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

CONTENT OUTLINE

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

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

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

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

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

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

Agenda

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

SUCCESSFUL FINANCIAL MANAGEMENT

The Financial Planning Pyramid

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

SLIDE 2

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

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

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

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

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

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

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

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

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

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

Before investing, it is crucial to first give attention to the Management and Savings levels of the Financial Planning Pyramid, because they are the building blocks of successful financial management. Once you have established your spending

and savings plans, you can then move into the investment arena. You work hard for your money; why not let it work hard for you? You can get more information on savings and investments from your Command Financial Specialist (CFS) or a Fleet and Family Support Center (FFSC) financial counselor. You can also get additional information by attending a *Saving and Investing* and/or *Planning for Your Retirement* class at your local FFSC.

SLIDE 3

SLIDE 4

Spending Plans

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

Effective Plans

An effective plan is:

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

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

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

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

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

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

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

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

SLIDE 5

Benefits

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

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

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

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

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

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

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

THE FINANCIAL PLANNING WORKSHEET

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

SLIDE 6

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

There are five major components to the worksheet:

- A net worth statement on Page 1.

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

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

SLIDE 7

The Net Worth Section

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

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

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

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

SLIDE 8

The Cash Flow or Budget Section

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

- Income

- Savings
- Living expenses
- Indebtedness

We will cover each in detail.

SLIDE 9

Income

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

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

Net income: Your gross income minus taxes.

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

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

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

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

- Allotments

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

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

SLIDE 10

Savings

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

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

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

Time: 15 minutes

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

Section 1 Answers:
(A) Total military compensation: $4,065.55

(B) Total deductions: $450.87

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

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

SLIDE 11

Living Expenses

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

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

SLIDE 12

Tracking Expenses

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

There are lots of ways to track expenses. There are forms on Pages 7 and 8 you can use, or you can keep a small notebook in your wallet or purse to record every purchase. Be sure to write everything down – the $3 for an energy drink, the $7 for lunch, the $5 for coffee, the $15 you loaned to a co-worker, etc. You can also try keeping receipts from every purchase and totaling them up at the end of the

week. There are also online sites and mobile apps that can help you track your transactions electronically. After you have tracked all expenses for a month, group your expenditures into categories similar to those listed on Page 3 of the worksheet and enter them on the form.

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

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

LEARNER ACTIVITY: *Spending Plan Exercise – Living Expenses*

Time: 10 minutes

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

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

SLIDE 13

Indebtedness

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

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

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

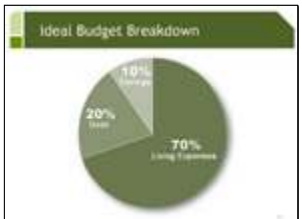
Do not include your mortgage in the indebtedness section. For our purposes, your mortgage is a living expense. Do include any rental property you have that is not your primary residence. When you have an accurate list of your debt, the total of your monthly debt payments is then copied into the appropriate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

SLIDE 14

Summary

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

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



SLIDE 15

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

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

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

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

Time: 10 minutes

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

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

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

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

Your Debt-to-Income Ratio

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

SLIDE 16

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

For example:

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

740/4729 = 0.1565
0.1565 x 100 = 15.65

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

SLIDE 17

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

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

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

SLIDE 18

Your Action Plan

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

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

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

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

What are some ways to increase income?

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

What are some ways to decrease living expenses?

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

What are some ways to decrease indebtedness?

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

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

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

Setting SMART Financial Goals

SLIDE 19

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

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

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

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

SLIDE 20

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

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

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

Here is one additional example of a SMART goal:

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

To achieve this goal, I will:

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

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

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

Time: 8 minutes

Materials: *Spending Plan Exercise* handout

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

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

The Spending Plan

SLIDE 21

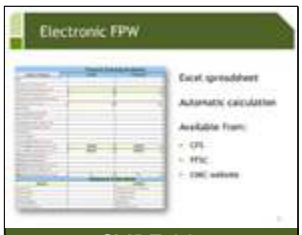
Page 6 of the *Financial Planning Worksheet* is a paycheck-by-paycheck spending plan. All of the details you have worked out can be put together on one page to provide you with a specific amount to spend in each category.

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

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

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

The Electronic Financial Planning Worksheet



SLIDE 22

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

SUMMARY

Sources of Help

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

SLIDE 23

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

Sources of help include:

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

SLIDE 24

Let's Review

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

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

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

OPTIONAL LEARNER ACTIVITY: *Bowling for Budgets* **Review Game**

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

Bowling for Budgets Review Game

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

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

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

OPTIONAL SHORT COURSE

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

Time: 15 to 30 minutes

Handouts:

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

Topics:

Welcome and Introduction

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

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

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

The Financial Planning Worksheet

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

Slide 6: Introduce the *Financial Planning Worksheet* and briefly cover the different sections. Explain that this is the worksheet the Navy uses and that the different sections are used to complete a comprehensive financial plan, provide a big

picture of their current financial situation and help to establish goals for the future.

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

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

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

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

Summary

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

Debt-to-Income Ratio

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

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

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

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

2. _____
Total Payments

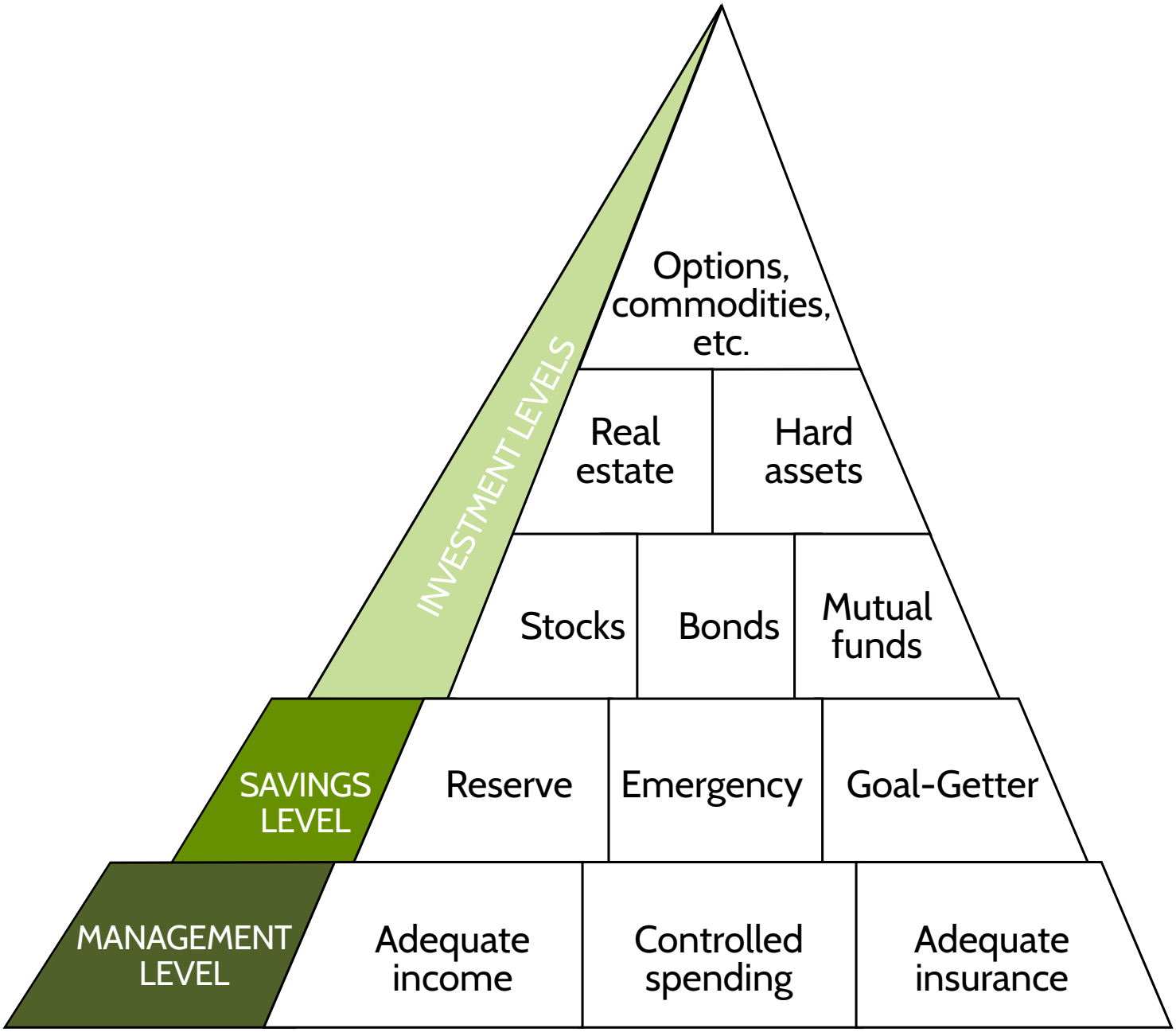
Divide the total payments in Step 2 by the net income in Step 1 and multiply by 100.

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

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

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

Financial Planning Pyramid



Financial Planning Worksheet

Date _____ Rate _____

Name _____ Age _____

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

Marital Status _____ Spouse's Name _____ Age _____

Spouse's Place of Employment _____

Number of Children and Ages _____

Home Address _____

Work Telephone _____ Home Telephone _____

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

Amount of SGLI Elected _____ Amount of FSGLI Elected _____

TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

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

LIABILITIES

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

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

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

MONTHLY INCOME

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

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

MONTHLY SAVINGS AND LIVING EXPENSES

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

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		
LIVING EXPENSES		**ACTUAL**		**PROJECTED**		**REMARKS**
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$____Long Distance=$____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

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

SUMMARY

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

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

ACTION PLAN

INCREASE INCOME

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE LIVING EXPENSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE INDEBTEDNESS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

REFERRALS/RECOMMENDED TRAINING

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

SETTING YOUR GOALS (Short and Long Term)

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

MONTHLY SPENDING PLAN

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

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

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

Financial Planning Worksheet Checklist

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

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

Other items needed:

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

Resources:

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

Sources of Help for Military Consumers

Sample Complaint Letter

Your Address
Your City, State, Zip
Date

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

Dear (Contact Person),

Re: (account number, if applicable)

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

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

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

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

Sincerely,
(Your Name)

Enclosure(s)

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

State the problem.
Give the history.

Ask for specific actions.
Include copies of documents.

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

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

How to Complain Effectively

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

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

STOP IT!
Getting Your Name Off Solicitation Lists

Get Your Name Off Solicitation Lists:

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

How To File A Complaint About A Sales Call:

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

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

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

National Do Not Call Registry: www.donotcall.gov

Protect Your Personal Information

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

Think Before You Click: Practice Safe Computing

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

Websites for Consumers

The Consumer Action Handbook: www.consumeraction.gov

Consumer Protection

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

Emergency Financial Assistance

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

Financial Information and Counseling

Consumer credit counseling: www.nfcc.org

Credit reporting agencies:

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

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

Predatory Lending

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

Spending Plan Exercise

SECTION 1: INCOME

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

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

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

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

A

B

CALCULATING TAKE-HOME PAY:

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

(A) _____ – (B) _____ = _____ Take-Home Pay

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

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

Jennifer's Pay info...

$1,000/month after taxes

TOTAL MONTHLY NET INCOME

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

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

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

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

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

Section 2: Monthly Savings

MONTHLY SAVINGS AND LIVING EXPENSES

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

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

TOTAL SAVINGS AND INVESTMENTS

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

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

Section 3: Monthly Living Expenses

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

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

Our monthly expenses:

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

Section 4: Indebtedness

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

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

INDEBTEDNESS 20%						
CREDITOR	PURPOSE	MONTHLY PAYMENT	BALANCE	PROJECTED PAYMENT	REMARKS (Mos Behind, Pd by Allotment, etc.)	APR %
1. US Govt.	Advance Pay				Automatic Deduction	
2. US Govt.	Overpayments				Automatic Deduction	
3.						
4.						
5.						
6.						
7.						
8.						
8.						
10.						
11.						
12.						
	TOTAL					

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

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

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

Section 5: Summary

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

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

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

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

Section 6: The Action Plan

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

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

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

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

Increase Income

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Decrease Living Expenses

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Decrease Debt

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Section 7: Financial Goal Setting

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

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

SETTING YOUR GOALS (Short and Long Term)

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

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

Family Financial Planning

Print Course

Print Handouts

COURSE DESCRIPTION

Family Financial Planning is a 60-minute course that illustrates the costs involved in starting a family, or adding to your existing family, and emphasizes the need for preparing financially to cover those costs. This course is suitable for anyone who will be starting or adding to a family.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to effectively prepare financially for the birth, adoption or addition of infants, children or teens to the household.

Enabling:

- In the *What Does it Cost?* activity, learners will list at least five cost considerations for a given scenario where family members are added to a household.
- In the *Make it Fit* activity, learners will provide at least five different options for making room for new expenses in an existing budget.
- During the *Goals and Actions* activity, learners will develop one SMART goal and list three actions that will help them prepare financially for a new family member.

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COURSE PREPARATION

Handouts:

- *Family Financial Planning Resources*
- *Financial Planning Worksheet*
- *Goals and Actions*
- *What Does it Cost?*

Materials (vary depending on activities chosen):

- Chart paper or whiteboard
- Pens, pencils, paper
- Internet access (optional)
- *Make it Fit* scenario cards
- *Family Financial Planning* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

Goals and Actions: A task-driven activity during which learners develop goals and actions to help them effectively prepare financially for a new family member.

Make it Fit: A brainstorming activity in which learners describe options to increase cash flow to fit additional expenses into an existing budget.

What Does it Cost?: A scenario-based activity in which learners brainstorm to determine the costs associated in each example of adding additional people to the family.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Overview and Statistics
    b. Agenda
2. The Cost of Children (15 minutes)
    a. Learner Activity: *What Does it Cost?*
    b. Prenatal and Newborns

c. Infants and Toddlers (ages 2 months to 5 years)
d. School-age Children (ages 6 to 12 years)
e. Teens (ages 13 to 18 years)

3. Preparing Financially for Additional Family Members (20 minutes)
   a. Financial Changes
      i. Evaluate Your Current Situation
      ii. Determine Future Needs
      iii. Evaluate Needs vs. Wants
      iv. Create a Plan of Action
   b. Learner Activity: *Make it Fit*
   c. Planning Ahead
      i. Savings
      ii. Debt
      iii. Insurance
      iv. College
4. Other Considerations (5 minutes)
   a. Adoption
   b. Blended Families
   c. Special Needs
5. Summary (15 minutes)
   a. Resources
   b. Learner Activity: *Goals and Actions*

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

Welcome to *Family Financial Planning*. This course will provide information about the costs involved in having a family and will help you prepare financially for new family members.

Overview and Statistics

Trainer's note: The U.S. Department of Agriculture annually releases new figures for the costs of child-rearing. You can update this portion of this course with figures from the USDA annual report, located at www.cnpp.usda.gov/expendituresonchildrenbyfamilies.htm.

SLIDE 2

According to the U.S. Department of Agriculture, parents of children born in 2013 will spend more than $245,340 from birth to 18 years old. When adjusted for inflation, that figure increases to more than $300,000. And the USDA predicts that the "annual child-rearing expenses per child for a middle-income, two-parent family ranged from $12,800 to $14,970, depending on the age of the child." These figures include housing, transportation, food, clothing, child care, education, health care and miscellaneous expenses but do not include the cost of college.

Even when you consider that military families may have reduced expenses due to housing allowances and healthcare coverage, very few families could handle more than $10,000 extra annually without making some changes to the way they currently manage their finances. But by planning ahead, you can modify your current financial situation and goals to help you to fund those expenses.

Agenda

SLIDE 3

To help you prepare financially for a family, we will discuss what children actually cost by looking at the different expenses from birth to 18 years old. We will also cover how to prepare financially for those expenses and provide you with some valuable resources.

THE COST OF CHILDREN

Trainer's note: This portion of the course looks at family expenses by using a life-cycle approach that considers the costs associated with children from newborn to 18. The lists of expenses are those that are common for each age, but it is recommended that you ask for additional input from the learners to encourage participation and gain additional input on expenses.

If you have never considered the cost of a family, it may seem that more than $10,000 annually is a little steep. We are going to break down some of those costs by age, but first we are going to brainstorm on the possible financial changes that occur when adding to your family.

LEARNER ACTIVITY: *What Does it Cost?*

Time: 10 minutes

Materials: *What Does it Cost?* scenario cards, scissors, chart paper or a whiteboard, markers and pens and/or pencils

Preparation: Cut the *What Does it Cost?* handout along the dashed lines so that you have three scenario cards for your learners.

Procedure: Divide the class into three groups. Explain that each group will have a different scenario. Distribute the *What Does it Cost?* scenario cards and instruct learners to come up with as many changes (financial and lifestyle) that are likely to occur with their scenario and the added financial costs.

Give each group chart paper and markers (or space on a whiteboard). Ask them to write their list of changes and costs. Allow five minutes for learners to brainstorm and create their lists. Afterward, have a learner from each group read their scenario and go over their list. Once all the groups have reported out, provide any additional information as needed and/or appropriate.

Scenario 1:

David and Allison have been dating for four years. They just moved to San Diego a few months ago where David, who is an E-4, reported to his new seagoing command. They were planning to marry after Allison finished college, but right after the move she discovered she was pregnant. Last week, they found out they are expecting twins.

Scenario 2:

Josh and Aimee have been trying to get pregnant for four years. Josh is an E-6 and Aimee works at a local department store. She is thinking of getting a part-time job to cover the costs of the loan they took out to fund various assistive reproductive treatments that were unsuccessful and not covered by TRICARE. They desperately want a family and are now looking into adopting a child. They have heard that the wait time for a newborn is very long, so they are hoping to adopt a toddler.

Scenario 3:

Susan is an O-4 who is getting married next month. Her fiancé, Brian, is a widower with a 15-year old son. They met and started dating when Susan was stationed in Norfolk. Susan has since been transferred to Washington, D.C., where she lives in a one-bedroom condo. Brian and his son, Andrew, will be moving to D.C. after the wedding. They are looking to live in one of the outlying areas. Andrew is an athlete, so they want to find a high school with good sports programs.

Prenatals and Newborns

Trainer's note: Explain to learners that the lists that accompany each age in this section of the course are not intended to be a checklist of must-buy items but a list of possible expenses. Learners can refer to the resources listed on the *Family Financial Planning Resources* handout for information on purchases. The purpose of this course is not to provide a list for shopping but to highlight the possible expenses that accompany a child at different ages, from newborn to 18.

SLIDE 4

Although our activity included adoption and blending families, most people who wish to start a family will do so by having a newborn. If you have never been around babies, it may seem absurd that something so small could cost so much. Depending on your choices and needs, newborns may add considerably to your current monthly budget, so be aware that there can be additional costs involved in setting up a nursery, prenatal care and delivery before the baby even arrives.

Here are some common prenatal, delivery and newborn expenses:

- Maternity clothes
- Possible change in food expenses
- Possible loss of income (if the expectant mother is unable to work and does not have benefits)
- Insurance (medical and dental premiums and/or copays)
- Uncovered medical costs
- Birthing classes
- Doulas (trained professionals who provide continuous physical and emotional support before, during and immediately following delivery)
- Increased utilities (to wash clothes or maintain a comfortable household temperature)
- Furniture and equipment (bassinet or crib, changing table, infant car seat, stroller, swing, baby monitor)
- Supplies (diapers, wipes, formula, bottles, toiletries)
- Clothing and linens

Keep in mind that these expenses will vary based on your situation and can typically be spread over several months. Some of the set-up costs of preparing for a newborn are one-time expenses that can be funded before the baby comes, so

they should not affect your monthly budget. Later in the course, we will be talking about different options when making purchases for your new baby.

Infants and Toddlers

SLIDE 5

As a child grows, their needs and expenses will change. If you purchased the furniture and equipment before the baby was born, most items should carry a child through at least the first year. If you require child care, you may find this is one of the largest expenses that you will have during this time period.

Here is a list of common expenses for ages 2 months to 5 years:

- Food (e.g., formula, baby food)
- Supplies (e.g., diapers, wipes, toiletries)
- Clothing
- Toys
- Increased utilities (to wash clothes or maintain a comfortable household temperature)
- Insurance (e.g., medical and dental premiums and/or copays)
- Uncovered medical and/or dental expenses
- Equipment (e.g., toddler bed, car seat, high chair, portable crib)
- Child care/preschool/baby sitter

School-age Children

> ***Trainer's note:*** You can obtain the current year's back-to-school statistics at the National Retail Federation website: www.nrf.com.

SLIDE 6

If you have been paying for full-time child care, you might be expecting your expenses to decrease when your child starts school. While this may be the case, you must also factor in school expenses. For 2014, the National Retail Federation estimated that the average family would spend more than $600 in back-to-school expenses alone. Additionally, you may have the costs of child care or camps in the summertime. And as children get older, they often become involved in additional activities that add to your expenses.

Here are some common expenses for school-age children:

- Food and utilities

- Clothing
- Toys and electronics
- Child care (e.g., baby-sitting, before- and after-school care, as well as summer camps and programs)
- School costs (e.g., tuition, school activities, uniforms, school supplies)
- Insurance (e.g., medical and dental premiums and/or copays)
- Uncovered medical costs (e.g., braces, sports and school physicals)
- Activities (e.g., karate, soccer, swimming)
- Lessons (e.g., tutoring, music, dance, language)

Teens

SLIDE 7

Although a teenager no longer needs child care and can start to earn their own spending money, they also have expenses that can put a strain on your monthly budget. According to one report, when you insure a teen driver, it can almost double your auto insurance premiums.

Other expenses common for teens include:

- Food and utilities
- Clothing
- Cellphone and electronics
- School activities and events (e.g., sports, band, clubs, dances, trips, etc.)
- Social activities (e.g., dating, movies, concerts)
- Insurance (e.g., auto premiums, dental premiums and/or copays)
- Uncovered medical costs (e.g., braces, sports and school physicals)
- Transportation (e.g, buying them a car)

PREPARING FINANCIALLY FOR ADDITIONAL FAMILY MEMBERS

SLIDE 8

As you can see, new additions to your family can be costly. Most of the time, however, you have at least a few months to prepare for the added expenses to your budget. You will need to consider the anticipated financial changes, understand how to make room in your existing budget for those changes and learn to plan ahead for future financial needs.

Financial Changes

With the exception of tax benefits and the initial increase to a service member's housing allowance, you do not normally have increases in income due to the addition of a new family member. In fact, income may be reduced if one parent was previously employed and opts to stay home with an infant or toddler. These financial changes will require that you examine your lifestyle and re-evaluate your priorities to establish a working financial plan.

Evaluate Your Current Situation

Trainer's note: Distribute the *Financial Planning Worksheet* handout. Because this section is only a brief overview of a spending plan, encourage learners to attend a *Developing Your Spending Plan* course and to make an appointment with their Command Financial Specialist (CFS) or a Fleet and Family Support Center (FFSC) financial counselor for additional information and assistance.

SLIDE 9

Your first step in handling financial changes is to evaluate your current financial situation. This will provide a clear picture of where you are financially so that you can prepare for new expenses. If you do not already have a written financial plan, start by creating a budget, also known as a spending plan.

A spending plan is a written method to achieve your financial goals by measuring and managing the money that comes in and goes out of your pocket. If you have never created a spending plan before, you will need to gather some documents and information so you can be sure your budget is accurate.

Here are some things you will need to complete your spending plan:

- Current Leave and Earnings Statement (LES)
- Other pay statements and income information
- Monthly bills and payments (e.g., housing, utilities)
- Monthly expenses (e.g., food, clothing, transportation, entertainment)
- Debt payments (e.g., credit cards, loans)

A spending plan is only as good as the information that goes into it. If you have a hard time accounting for some of your expenses, track them by keeping a list of everything you spend for one month. Tracking your expenses gives you a more honest picture of your spending than trying to guess how much you spend. If you cannot commit to tracking expenses for an entire month, try to do it for two weeks.

You can use the *Financial Planning Worksheet* to develop your spending plan. You can also make an appointment to see your Command Financial Specialist (CFS) or a Fleet and Family Support Center (FFSC) financial counselor, who can help develop your spending plan and assist in creating future financial goals.

Determine Future Needs

SLIDE 10

Once you have completed a spending plan, you should have a good idea of your current financial situation. Now it is time to determine your future needs so that you will know how to adjust your spending plan and financial goals.

First, you will need to make a list of any expenses you foresee for the addition of your new family member. Consider which of the expenses will be one-time expenses and which will be monthly expenses. For example, a crib would be a one-time expense that should cover a child for at least a couple of years. Diapers would be a monthly expense for at least the next couple of years. Your *Family Financial Planning Resources* handout has a list of online calculators that can help you estimate some of these costs. You might also want to attend a Budget for Baby class hosted by your local Navy-Marine Corps Relief Society. This class can help you estimate costs and establish your plan.

Evaluate Needs vs. Wants

Once you have a list of expenses, you should prioritize them based on needs versus wants. Starting a family is an exciting time and it is fun to make new purchases for your child. But shopping sprees for baby clothes, toddler toys or electronics for a teenager can quickly derail your budget. Make a list of the items you will absolutely need in order to cover the necessities of life for that new addition. Do you need a place for your new baby to sleep? Yes. Do you need a $1,500 furniture set for the nursery? No. If you have the money to spend and want to spend it on expensive items, that is fine, but start first with the needs and then decide whether the rest is worth the money. Also, take the time to consider how that purchase will fit into your life and your budget one year, two years or even five years from now. Will that baby even be using that furniture then?

Once your budget is in place, think about what it is you truly want for your new family member. If you cannot afford it in a reasonable amount of time, maybe you should reconsider making the purchase. Is there a cheaper option that could serve the same purpose? Maybe your 16-year-old does not really need a new laptop. Maybe a refurbished laptop will work just as well and save hundreds of dollars. Or maybe you can find a gently used stroller at a thrift store instead of

paying top dollar at department store prices. The bottom line is providing first for the needs and then finding ways to get the most important wants without spending a fortune.

Create a Plan of Action

SLIDE 11

When you have your list prioritized based on need, you should be able to predict how much your monthly budget will increase and how much you will need to cover basic start-up costs. Unless you currently have several hundred dollars left over each month, you will probably have to make adjustments to your current spending to accommodate the additional expenses.

You can increase your cash flow by increasing income, decreasing expenses and/or decreasing debt. The easiest of these options is to decrease expenses. Start first by seeing whether there are cheaper options for things you are already doing. For example, instead of stopping for gourmet coffee, brew a pot at home and take the coffee with you to work. Several small changes to your spending can make a big difference in your budget's bottom line.

We are going to do an activity to allow you an opportunity to brainstorm about how to increase cash flow.

LEARNER ACTIVITY: *Make it Fit*

Time: 8 minutes

Materials: *What Does it Cost?* scenario cards, chart paper or whiteboard, markers

Procedure: Start by reading Scenario 1 from the *What Does it Cost?* scenario cards. Follow up with this additional information (listed on the corresponding course PowerPoint slide):

David and Allison have prepared their spending plan based on David's income only. They do not have a lot of debt, but they have been spending most of what they make. They have a $200-per-month surplus based on their current expenses. They anticipate at least $1,500 to purchase basic furniture, equipment and supplies for twins and at least $350 per month in additional expenses based on Allison breastfeeding. They plan for Allison so stay home after the babies are born so they will not be paying for child care.

Ask: What are some options that can help David and Allison accommodate these additional expenses?

Remind learners that their three ways to increase cash flow are to increase income, decrease expenses and/or decrease debt. As learners call out their answers, write them on chart paper or on a whiteboard. Discuss answers and comment on additional options as necessary.

Answers may include:

- Marry
- Change Federal Income Tax Withholding (FITW) status
- Buy baby furniture at a thrift store
- Ask a friend or family member to throw them a baby shower
- Shop at the commissary
- Check into participating in the Women, Infants, and Children (WIC) program
- Reduce dining or entertainment costs
- If possible, Allison can work until closer to delivery

Planning Ahead

SLIDE 12

After you have a balanced budget that includes expenses for your new family member, you may want to start planning ahead for future financial goals or to pay for future expenses. Some things you might consider are increasing your savings, paying down debt, ensuring adequate insurance coverage and planning ahead for college.

Savings

SLIDE 13

It is important that everyone have an emergency fund to cover unforeseen emergencies and unplanned expenses. With additional family members, and additional expenses, it is crucial to build adequate savings. If you do not currently have an emergency savings fund, put aside at least a little each month to build up a minimum of $1,000 to fall back on in case of emergencies. Your goal should be to eventually have one to three months worth of monthly expenses and bills in your emergency fund. You can also save for planned expenses that are not paid on a monthly basis, such as birthdays and holidays.

If you have time to save, it makes funding the costs for your new family member more manageable. For example, if you are planning to conceive in the next few months, you have at least a year to save before the birth of that child. If you set

aside extra money each month, you could build your emergency fund and have the cash to pay for the purchases you will need to make.

Debt

Trainer's note: Refer learners to a *Credit Management* course for additional information on reducing debt.

SLIDE 14

Increasing your cash flow may require you to rethink your current debt. Though you may be managing your debt level well now, it could be difficult to fit new expenses into your budget if you have a lot of debt payments. Take the time, before you add to your family, to pay down your debt. If you cannot pay it off entirely, do what you can to reduce your overall debt and your monthly debt payments. Consider using a power-pay system to pay more monthly toward your debt in order to pay the debt off faster. Even if you have to reduce your payments after your new family member arrives, you will still have lower payments and less debt to fit into your budget.

Try to pay in cash as often as possible for the things you will need for your new family member. If you have to use credit to fund the essentials, charge the least amount possible and work out a plan for paying that debt off as quickly as you can. The last thing you want to do is start off in a hole with a large debt load. If your debt is already high, consult your CFS or an FFSC financial counselor for options to reduce your debt to a manageable level.

Insurance

SLIDE 15

The purpose of any insurance is protection from financial loss. Life, health, auto, homeowners and renters insurance products are all designed to protect you from losses you cannot afford to cover yourself. With the addition of a new family member, you should review your current insurance policies to ensure that you have sufficient coverage for your growing family.

TRICARE: While on active duty, most of your family members' care is covered at little or no cost to you by TRICARE. Maternity care (e.g., the medical services related to the conception and delivery of a child) is part of your TRICARE coverage. These services include prenatal care, postpartum care and treatment of any complications. There are limitations to this coverage, so be sure to check with your health benefits adviser for coverage information. Children of active-duty service members are also covered under TRICARE.

Servicemembers' Group Life Insurance (SGLI): SGLI is a program of low-cost group life insurance. SGLI coverage is available in $50,000 increments up to the maximum of $400,000. Family Servicemembers' Group Life Insurance (FSGLI) provides term life insurance coverage to the spouses and dependent children of service members insured under SGLI. FSGLI provides up to a maximum of $100,000 of insurance coverage for spouses, not to exceed the service member's SGLI coverage amount, and $10,000 for dependent children. FSGLI for spouses is available at minimal rates; however, the coverage for children is included at no additional cost. Children are covered whether or not there is a covered spouse.

Homeowners and renters insurance: With the addition of a new family member, you will likely be purchasing additional furniture, equipment and supplies. Be sure that your current insurance coverage is sufficient to protect these new possessions.

College

> ***Trainer's note:*** This portion of the course is intended to highlight the need for early planning to afford a college education. It is not intended to explain the various funding options. For additional information, you should suggest that learners attend the *Paying for College* course.

SLIDE 16

Many parents want to provide their children the opportunity to attend college. According to The College Board, the current average annual cost of public college is almost $18,000 and the cost for private college is almost $40,000. If you have a newborn, you have 18 years to plan and prepare for those expenses. If you adopt an older child, or blend your family when a child is older, it may take more aggressive planning to save the funds required for a college education.

There are many different college savings plans and programs from which to choose. Consider your current situation, explore your options and then outline a plan to meet your goals. You may wish to attend a *Paying for College* course at your local FFSC to help you understand the options for funding higher education.

OTHER CONSIDERATIONS

In addition to the expenses we have already covered, there may be additional costs and considerations based on your unique situation and needs.

SLIDE 17

ADOPTION

If you are considering adoption, the initial costs may seem challenging. However, if you understand the different types of adoptions and the available resources, you should be able to develop a plan to fund the adoption and initial expenses of

adding to your family. Costs for adoption can vary from a few thousand dollars for foster care adoption to more than $40,000 for an international adoption.

You should explore all adoption options and the associated costs for each. In some cases, resources may be available to help offset many or all costs. Understanding the costs associated with different types of adoption may help you decide which type of adoption to pursue, or whether to pursue this approach to building a family.

If you are just starting to investigate your adoption options, information on military adoption from the Child Welfare website may be a good place to start your research. This website is listed under adoption resources on your *Family Financial Planning Resources* handout.

Blended Families

Trainer's note: If learners have questions concerning child support, refer them to their local Legal Service Office. Due to the complexity of state and military laws governing child support and child support enforcement, learners should seek assistance from trained legal staff.

SLIDE 18

When two families join, there are bound to be changes to the household finances. This blending of families may result in an increase in income, but it will certainly cause an increase in monthly expenses. Additionally, the logistics of merging two families may result in large "start-up" costs.

Here are some considerations for finances of blended families:

Housing. The increase in family size could require a move to a new home or renovations to an existing home. In addition to the cost of the home or renovations, there are also the costs of the move to consider.

Transportation: More people in the family may necessitate purchasing a different or additional vehicle to accommodate everyone.

Increased household expenses. The more people there are in a household, the higher the monthly costs for food, clothing, supplies and utilities.

SLIDE 19

Special Needs

If your new family member has special needs, there may be additional expenses to cover in your budget. Special needs refers to a range of conditions and issues that vary in severity from mild food allergies to chronic conditions such as severe asthma. While TRICARE covers most treatment costs, there may be additional equipment,

educational and/or other special care costs involved. For information and resources, check with the FFSC Exceptional Family Member Program (EFMP) Liaison.

SUMMARY AND CONCLUSION

Although adding to your family will also add to your budget, with proper planning you can modify your current financial situation and goals to help you to fund those expenses.

RESOURCES

SLIDE 20

There are additional resources that can assist you in planning financially for the arrival of your new family member. Websites for many of these resources are listed on the Family Financial Planning Resources handout.

Command Financial Specialist (CFS): Each command with at least 25 personnel assigned is required to have a CFS who can help service members and their families develop a financial plan. Your CFS is trained to explain a variety of financial topics, from developing a spending plan to credit management to saving and investing.

Fleet and Family Support Center (FFSC): FFSC offers many programs for military personnel and their families. In addition to financial education and counseling, FFSC offers information and referral services, deployment support programs and personal and family wellness education and counseling.

Navy-Marine Corps Relief Society (NMCRS): NMCRS is a nonprofit organization that provides financial assistance and counseling as well as the Budget for Baby financial education program. Budget for Baby classes teach expectant parents how to budget for a new baby, and Navy and Marine Corps parents receive a free gift with layette supplies valued at $80. Financial assistance is available for short-term emergency needs on a case-by-case basis.

New Parent Support Home Visitation Program (NPSHVP): This free program was created to provide prenatal and parenting skills education to expectant active-duty service members, their spouses and those families with children younger than 4. The program offers a variety of services, including prenatal health and nutrition consultation, breastfeeding education, early child development education, parenting skills and home visitation services.

Exceptional Family Member Program (EFMP): This program serves military families with special needs. Enrollment in the EFMP ensures maximum provision of services to the family throughout the service member's career.

Military OneSource: Military OneSource is a 24/7, online information and referral service funded by the DoD. There is no cost and all services are available to active-duty, Guard and Reserve personnel and their immediate family members, regardless of activation status.

Women, Infants, and Children (WIC): WIC is a government-funded special supplemental food program. WIC services includes supplemental foods, healthcare referrals, and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age 5 who are found to be at nutritional risk.

LEARNER ACTIVITY: *Goals and Actions*

Time: 10 minutes

Materials: *Goals and Actions* handout, pens and/or pencils

Procedure: Explain that in order to plan effectively for your new family member, you will need goals and actions to guide you.

Ask: Based on the information you have learned today, what do you think you could do to put yourself in the best possible financial situation to start a family or add to your existing family?

Instruct learners to use their *Goals and Actions* handout to create at least one financial goal that will improve their financial situation. Explain that the handout includes space to define their goal, list the total cost of that goal, the date they want to achieve the goal and the monthly amount they would need to save or pay to achieve that goal. (Note that the following example is listed on the handout as a guide of how to construct their goals.)

For example, someone may want to save for baby furniture and supplies at a cost of $1,500 over 15 months and will need to save $100 per month to achieve that goal.

When learners have created their goals, ask them to list at least three actions that will help them prepare financially for a new family member. Ask for volunteers to share their goals and actions with the rest of the class. Take a few minutes to discuss these goals and actions.

Family Financial Planning Resources

Sources of Help

If you need help establishing a budget or establishing financial goals to help fund the initial expenses of adding to your family, check with one of the following:

- Command Financial Specialist
- Fleet and Family Support Center financial counselor
- Navy-Marines Corps Relief Society

You may also find assistance at one of the many websites listed on this handout.

Costs Calculators:

Practical Money Skills–Budgeting for a Baby:
www.practicalmoneyskills.com/calculators/calculate/budgetingForABaby.php?calcCategory=budget

Babycenter.com–First-Year Baby Costs Calculator:
www.babycenter.com/baby-cost-calculator

U.S. Department of Agriculture–Cost of Raising a Child Calculator:
www.cnpp.usda.gov/tools/CRC_Calculator/default.aspx

Assistance and Support:

Navy-Marine Corps Relief Society (Budget for Baby program):
www.nmcrs.org/pages/budgeting-for-a-baby

New Parent Support Program:
https://www.cnic.navy.mil/ffr/family_readiness/fleet_and_family_support_program/new_parent_support/new-parent-support-program-overview.html

Exceptional Family Member Program:
https://www.cnic.navy.mil/ffr/family_readiness/fleet_and_family_support_program/exceptional_family_member.html

Military OneSource:
http://www.militaryonesource.mil

Navy Child and Youth Programs (CYP):
https://qol.navyaims.net/CYPWeb/Web/Home/Home.aspx

Family Servicemembers' Group Life Insurance:
http://benefits.va.gov/insurance/fsgli.asp

TRICARE:
www.tricare.mil

USDA Women, Infants, and Children (WIC):
www.fns.usda.gov/wic/women-infants-and-children-wic

Adoption Resources:

Adopting.com:
www.adopting.com

U.S. Armed Forces Legal Assistance Locator:
http://legalassistance.law.af.mil/content/locator.php

Insight! Open Adoption Resources and Support:
http://openadoptioninsight.org/

Military Adoption Factsheet:
https://www.childwelfare.gov/pubPDFs/f_militia.pdf

National Foster Care and Adoption Direction Search:
https://www.childwelfare.gov/nfcad/

U.S. Department of Health and Human Services (Child Welfare Department adoption information):
https://www.childwelfare.gov/adoption/intro.cfm

Financial Planning Worksheet

Date _____ Rate _____

Name _____ Age _____

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

Marital Status _____ Spouse's Name _____ Age _____

Spouse's Place of Employment _____

Number of Children and Ages _____

Home Address _____

Work Telephone _____ Home Telephone _____

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

Amount of SGLI Elected _____ Amount of FSGLI Elected _____

TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

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

LIABILITIES

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

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

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

MONTHLY INCOME

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

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

MONTHLY SAVINGS AND LIVING EXPENSES

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

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		
LIVING EXPENSES		**ACTUAL**		**PROJECTED**		**REMARKS**
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$____Long Distance=$____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

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

SUMMARY

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

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

ACTION PLAN

INCREASE INCOME

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE LIVING EXPENSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE INDEBTEDNESS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

REFERRALS/RECOMMENDED TRAINING

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

SETTING YOUR GOALS (Short and Long Term)

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

MONTHLY SPENDING PLAN

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

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

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

Goals and Actions

Based on the information you have learned today, what do you think you could do to put yourself in the best possible financial situation to start or add to your family? In the space below, create at least one financial goal to improve your financial situation. Then list at least three actions that will help you prepare financially for a new family member.

Goal	Cost	Date Wanted	Monthly Amount Needed to Reach Goal
Baby furniture and supplies	$1,500	15 months	$100 per month

Actions to take:

- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

What Does it Cost?

Cut along the dashed lines to separate the scenarios for this activity.

SCENARIO 1:

David and Allison have been dating for four years. They just moved to San Diego a few months ago where David, who is an E-4, reported to his new seagoing command. They were planning to marry after Allison finished college, but right after the move she discovered she was pregnant. Last week, they found out they are expecting twins.

SCENARIO 2:

Josh and Aimee have been trying to get pregnant for four years. Josh is an E-6 and Aimee works at a local department store. She is thinking of getting a part-time job to cover the costs of the loan they took out to fund various assistive reproductive treatments that were unsuccessful, and not covered by TRICARE. They desperately want a family and are now looking into adopting a child. They have heard that the wait time for a newborn is very long, so they are hoping to adopt a toddler.

SCENARIO 3:

Susan is an O-4 who is getting married next month. Her future husband, Brian, is a widower with a 15-year-old son. They met and started dating when Susan was stationed in Norfolk. Susan has since been transferred to Washington, D.C., where she lives in a one-bedroom condo. Brian and his son, Andrew, will be moving to D.C. after the wedding. They are looking to live in one of the outlying areas. Andrew is an athlete, so they want to find a high school with good sports programs.

Financial Planning for Deployment

Print Course

Print Handouts

COURSE DESCRIPTION

Planned and unplanned deployments are a fact of life in the Navy. Financial Planning for Deployment is a 60- to 90-minute course that provides information to help learners effectively manage their finances during a deployment. Also included in this course is an optional training to help service members adjust financially following a deployment. This course is suitable for all audiences, including active-duty service members and their family members.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to effectively manage their finances during a deployment.

Enabling:

- During the *Name that Document* activity, learners will correctly answer questions about documents that are necessary to develop, acquire and/or update before a deployment.
- Given the *Let's Recap* activity, learners will summarize content material on managing finances and property management and present their summaries to the rest of the class.
- During the *How Can I Help You?* activity, learners will correctly identify sources of help available to them during deployment.

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"Passport Fees." *U.S. State Department, Bureau of Consular Affairs*, n.d. Web. June 9, 2014. http://travel.state.gov/content/passports/english/passports/information/costs.html#adult_first_time

"Servicemembers' Group Life Insurance (SGLI)." *U.S. Department of Veterans Affairs*, n.d. Web. June 9, 2014. http://benefits.va.gov/insurance/sgli.asp

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"Tax Return Filing and Payment Extensions for the Military." TurboTax Online. *Intuit*, 2015. Web. Dec. 23, 2015. https://turbotax.intuit.com/tax-tools/tax-tips/General-Tax-Tips/Tax-Return-Filing-and-Payment-Extensions-for-the-Military/INF23269.html

IA RESOURCES

Trainer's note: The following resources are intended as additional trainer information on individual augmentee (IA) mobilization process, entitlements and family information.

"Commander, Task Force-Individual Augmentee." U.S. Naval Forces Central Command. *U.S. Navy*, n.d. Web. Dec. 23, 2015. http://www.cusnc.navy.mil/ctf-ia/ctf-ia.html

"Navy Family Accountability and Assessment System." *U.S. Navy*, n.d. Web. 2014. https://navyfamily.navy.mil/

"Navy Individual Augmentee Handbooks." U.S. Fleet Forces Command. *U.S. Navy*, n.d. Web. 2014. http://www.ia.navy.mil

"Navy Individual Augmentee Policy, News and Resources." Expeditionary Combat Readiness Center. *U.S. Navy*, n.d. Web. 2014. www.ecrc.navy.mil

"Mobilization and Demobilization Information and Resources Guides." *Reserve Affairs, Office of the Assistant Secretary of Defense*, n.d. Web. 2014. http://ra.defense.gov/Programs/ManpowerPersonnel/MobilizationDemobilization.aspx

COURSE PREPARATION

Handouts:

- *CNIC Deployment Checklist* (downloaded from the CNIC website)
- *Financial Planning Worksheet*
- *How Can I Help You?*
- *Servicemembers Civil Relief Act Simplified*
- *That's a Match* note cards

Materials (vary depending on activities chosen):

- Brochures from Navy-Marine Corps Relief Society, American Red Cross, Fleet and Family Support Center and other relevant local resources
- Chart paper or whiteboard and markers
- Pens, pencils, paper
- Internet access (optional)
- *Financial Planning for Deployment* PowerPoint slides
- *Deployment Jackpot* PowerPoint game (optional)
- For the *Subject Matter Expert Panel* activity, set up four to six chairs in the front of the room and have a portable microphone available, if necessary

SUMMARY OF LEARNER ACTIVITIES

Standing Assessment (optional): An introductory activity in which learners stand to indicate how many extended deployments they have had.

Subject Matter Experts Panel (optional): A panel of experienced Sailors answers questions about deployments posed by the learners.

That's a Match: Matching activity in which learners identify the important documents for deployment.

Let's Recap: Review activity in which learners summarize the content material and present it to the rest of the class.

How Can I Help You? A quiz activity in which learners identify resources to assist during a deployment.

Deployment Jackpot (optional): An optional PowerPoint game-show-style presentation of program content that can be used in lieu of lecture or as a program review. This activity is especially useful when the majority of your audience has experience with deployments.

CONTENT OUTLINE

1. Welcome and Introduction (5-25 minutes)
    a. Topic Overview
    b. Agenda
    c. Optional Learner Activity: *Standing Assessment*
    d. Optional Learner Activity: *Subject Matter Experts Panel*

2. Deployment Preparation (10 minutes)
    a. Deployment Differences
    b. Important Documents
    c. Learner Activity: *That's a Match*
3. Managing Finances During Deployment (15 minutes)
    a. Budget or Spending Plan
    b. Saving and Investments
    c. Money Management Tips
    d. Tools to Help Manage Your Finances
    e. Credit Management
    f. Taxes
4. Property Management (10 minutes)
    a. Leases
    b. Payments
    c. Subletting or Renting
    d. Maintenance
    e. Insurance
    f. Vehicles
    g. Learner Activity: *Let's Recap*
5. Communication (10 minutes)
    a. Phone Calls
    b. Cellphones
    c. Email
    d. Regular Mail
    e. Care Packages
    f. Emergencies
6. Summary (10 – 25 minutes)
    a. Sources of Help
    b. Learner Activity: *How Can I Help You?*
    c. Optional Learner Activity: *Deployment Jackpot*

CONTENT MATERIAL

WELCOME AND INTRODUCTION

Topic Overview

SLIDE 1

The purpose of this course is to help you to successfully prepare and manage your finances during deployment. For service members experienced with deployment, this may be a refresher course. For those new to deployment, you will have a comprehensive "to do" list by the end of the course.

Agenda

SLIDE 2

Deployments can be exciting, but they can also be stressful. The better prepared you are, the less stress you are likely to experience. To help you handle the financial aspect of deployment, we will cover the following topics: preparation for deployment, managing finances during deployment, property management (e.g., dealing with your home, car and other belongings), communication and sources of help.

OPTIONAL LEARNER ACTIVITY: *Standing Assessment*

Time: Two minutes

Materials: None

Procedure: Ask everyone to stand. Ask learners who have never experienced a deployment to sit. (Family members who have been through a deployment with their service member, whether or not they are married, are considered experienced.) Next, ask those who have experienced one deployment to sit. Ask learners who have experienced two deployments to sit. Finally, ask those sitting to note those who are still standing. For those still standing, invite them to share the number of deployments they have experienced. Explain that these individuals are the "subject matter experts" and ask them whether they would be willing to share some of their "lessons learned" with the rest of the group throughout the presentation.

OPTIONAL LEARNER ACTIVITY: *Subject Matter Experts Panel*

The purpose of this activity is to allow learners to gain information about preparing and maintaining their finances during a deployment, based on the experiences and recommendations of those who have already successfully completed deployments. This activity is best for large groups where small-group or

classroom activities are inappropriate. Much of the class material can be covered in this activity if you plan and script questions for the panel ahead of time. If you set this activity up in advance by inviting panel members, you may want to have pre-written thank-you notes and/or small gifts to thank them for participating. To get the best overall information, include panel members with a variety of deployment experiences.

You can use this activity with the standing assessment by asking the last individuals standing (the most experienced) whether they would agree to participate on the panel. If possible, it is a good idea to include at least one spouse in your panel of experts. The commanding officer, executive officer and command master chief are often good choices to sit on the panel, in addition to other respected leaders of the command or your audience. Other individuals to consider for the panel are command financial specialists (CFSs). If you include CFSs from the deploying command, it can help service members understand their role as financial subject matter experts available at the command and during the deployment. If possible, you may want to prepare panel members in advance for this activity. Be aware that you cannot always guarantee the accuracy of panel answers, so be prepared to clarify responses, if necessary.

Time: 10 to 20 minutes

Preparation: Set up four to six chairs at the front of the room and have a portable microphone available, if necessary. You might choose to write down questions for the panel and give them to learners or have them available if the learners have difficulty coming up with their own questions. Sample questions include:

1. What do you think is the most important thing to do to prepare financially for deployment?
2. Is deployment a good time to increase TSP contributions or participate in the Savings Deposit Program?
3. What are some things that you recommend service members do with the extra pays received during deployment?
4. How much money will service members need for port calls?
5. What are the pay changes that can be expected during deployment, and does the money go away when the ship/unit/command returns?
6. How much do you recommend having in an emergency fund during deployment?

7. What financial resources are available to the families when the command is deployed?
8. Are goods and services really cheaper overseas?
9. How long before the extra pays will show up in the service member's pay?
10. What is the most common financial mistake that you have seen during deployment, and how can service members prevent making this mistake?

Procedure: Ask panel members (or experienced deployers from the audience) to come to the front of the room where you have the chairs set up. Ask panel members to introduce themselves and state how many deployments they have experienced. Proceed with either the pre-scripted questions or audience questions. Elaborate or clarify panel responses as necessary. At the end of the activity, thank panel members for their participation and ask the audience for a round of applause for them as they return to their seats. Comment that even though deployments can be stressful and challenging, they are survivable, as evidenced by the panel.

DEPLOYMENT PREPARATION

Trainer's note: Distribute the *Deployment Checklist* handout to learners and suggest that they review it as the class progresses. This CNIC handout can be downloaded from: www.cnic.navy.mil/content/dam/cnic/hq/pdfs/n91_fleet_and_family_support_program/deployment_readiness/DeploymentChecklist.pdf.

SLIDE 3

Financial planning for deployment is important for the following reasons:

It increases spending power. How many of you would like a 10 percent raise right now? By having a financial plan in place before you deploy, one that is realistic and flexible enough to follow during and after the deployment, you should be able to increase your spending power by at least 10 percent. Many service members and their families are able to save money due to the additional pays and allowances during a deployment. And pay and bonuses may be earned tax-free in some areas during deployment.

It reduces stress. It is challenging and stressful to handle routine issues such as bill paying, car repairs and home maintenance from a long distance. If you have a solid financial plan before you leave, much of this stress can be eliminated.

It prepares you for the future. If the plan you put into place for deployment works well during deployment, then it will provide a sound foundation for your post-deployment budget. Establishing goals and sticking to a sound financial

plan are lifelong skills that will serve you well during and after deployment and will set up you for lifelong financial success. Additionally, your next deployment will probably go even smoother, because you will have experience managing it successfully.

Deployment Differences

SLIDE 4

Although many of you will be dealing with common deployment issues, such as arranging for bills to be paid and property to be maintained, the specific issues you have to handle may vary depending on whether you are a single service member, married service member or single parent.

All service members have to prepare to manage their financial obligations while deployed. For single service members, this typically involves setting up automatic payments and arranging for the care and storage of property. While a single service member may ask a family member or trusted friend to handle some of these responsibilities during a deployment, the service member is ultimately responsible for not only their financial obligations but the actions of anyone they designate to act on their behalf. Choose someone you can trust to handle your finances responsibly, and leave detailed information and instructions. Check in frequently and ensure that you have ways of tracking that bills are paid and obligations are being managed appropriately. In addition to financial and property obligations, single parents have the extra responsibility of arranging for the care of their child or children in their absence.

Married service members have a partner in dealing with their financial responsibilities during deployment, which can make the process easier. For them, the focus should be clear and honest communications concerning financial obligations and decisions for managing the household budget during deployment. If both the service member and the spouse will be using the same account to withdraw funds and pay bills, establish a budget and plan for available funds to avoid overdrawing an account.

Important Documents

SLIDE 5

Deployments provide an opportunity to update important documents. Each personal situation is different, and you may have several types of documents to review. A few of the most common are:

Power of Attorney

- A general power of attorney gives someone the authority to act on your behalf for the entire period of time indicated. Make the authorization period the length of the deployment or no longer than one year. Because the person to whom you grant a power of attorney has the authority to do anything on your behalf, it could be tempting for someone to take advantage of these documents. Many businesses do not accept a general power of attorney, and many legal offices advise against them.
- A specific (or special) power of attorney gives someone the authority to act on your behalf in one specific area (e.g., selling or buying a car, selling or buying a home, signing tax returns). It is limited to the specific act noted on the document. Businesses prefer a special power of attorney because it is less likely to be abused or used fraudulently.
- For single parents, it may be wise to give a medical power of attorney to your child care provider to handle any medical emergencies that may arise while you are deployed. You may also need a special power of attorney for your child's caretaker to enroll your child in school, sign permission slips, etc.

A word of caution: Make certain that you trust the person to whom you give any power of attorney. A power of attorney authorizes another person to have complete control of your personal decisions, so be careful about granting it to someone who does not have deep ties to you. Some service members have had their financial lives destroyed by people who abused the power of attorney privilege.

Wills

A will is a document that provides direction regarding what you want to happen to your property in case of your death. If you have property, you should have a will, whether you are single or married. If you have children, you want to be able to choose a guardian for your children should you die unexpectedly. You make that designation in a will.

A will also allows you to have a say in how your assets are to be distributed. If you are married, all assets normally go to your spouse, but you may want to divide your estate differently or set up a trust for your children. See the base Legal Service Office to have your will drafted. Please note, however, that drafting a will is a multi-appointment process, so do not wait until the last minute to begin the process. Many commands sponsor a "Legal Day" and have a legal officer assist with drafting wills and powers of attorney. These services are free.

Next-of-Kin Designation (aka Page 2)

Check your Page 2, the emergency data on your service record, to confirm that your designation of next of kin is correct. Page 2 information can quickly become outdated due to life events such as marriages and births. Should you be injured or killed while deployed, notification of your loved ones is based on information contained on your Page 2.

ID Cards

If your end of obligated service expires during the deployment and you plan to reenlist, make certain that family members have the necessary information and forms to go to Personnel Support Detachment to get new ID cards. Children who turn 10 during the deployment will need to be able to get an ID card as well.

Servicemembers' Group Life Insurance (SGLI)

Verify that the beneficiary designated for your Servicemembers' Group Life Insurance (SGLI) policy is accurate. Funds will be paid to the beneficiary you have listed, so update this information if you have a change in your family member status. A will does not affect the beneficiary of life insurance, nor does a Page 2. To make changes to your beneficiary information, you will need to complete an election form (Veterans Affairs Form SGLV-8286). Check with your personnel office for more information. Note that the same information about beneficiaries holds true if you have a Thrift Savings Plan account. If you need to change your TSP information, go to their website for details.

Passport

Service members are allowed to travel without a passport on military orders. However, if you plan to travel while overseas, or if family members will be visiting you overseas, you will need a passport. Passports can take several weeks to process. As of December 2015, the cost of an adult passport starts at $140 and may cost more depending on whether you are renewing or getting your first passport. You can expedite the process, but there will be an additional fee for the service, as well as overnight postage to and from the State Department's passport department. If a passport is required for the service member (particularly with individual augmentees), it will be stated on the service member's orders.

Family Care Plan

If you are a single parent or a dual military couple, you will be required by OPNAVINST 1740.4D (*U.S. Navy Family Care Policy*) to complete a Family Care Plan. This plan establishes the guidelines and procedures that will be put into place to care for your minor children when you are deployed. This plan provides information on who will be caring for your dependent(s), how they will be supported and the legal authorities provided to support them (i.e., power of attorney, ID card, medical authorization).

Servicemembers Civil Relief Act (SCRA)

Trainer's note: Distribute the *Servicemembers Civil Relief Act Simplified* handout, so learners will have a reference guide for protections under SCRA and can follow along during this section. If time is short, you can cover the provisions very briefly and refer the learners to the handout for additional information. Due to the complexity of the act and regular changes to the provisions, it is recommended that service members contact their Legal Service Office for questions and guidance.

SLIDE 6

The Servicemembers Civil Relief Act (SCRA) is a federal law that provides protections for service members as they enter active duty. Major provisions include:

Termination of cellphone contracts: The SCRA requires providers to suspend or terminate cellphone contracts without charging any early termination fee, if the service member's deployment prevents them from using their services. If the service member does not wish to cancel their service and will be deployed outside the United States, the provider must allow the service member to suspend their service at no charge without requiring an extension of the contract. Note that the service member must make the request to their provider before leaving on deployment.

Automobile leases: If a service member enters into an automobile lease before going on active duty, they may request termination of the lease when called to active duty. Under certain circumstances, service members making a permanent change of station (PCS) move, or who deploy for a specified period of time, may also be able to terminate such leases.

Termination of residential leases: The SCRA allows a service member to terminate a residential lease entered into while in the military, if the member receives PCS orders or orders to deploy for a specified period of time.

Evictions from housing: Service members may seek protection from eviction under the SCRA. The rented or leased property must be occupied by the service member or their dependents, and the rent cannot exceed a certain amount, which is adjusted each year. The service member or dependent who has received notice of an eviction must submit a request to the court for protection under the SCRA. If the court finds that the service member's military duties have materially affected the ability to pay rent on time, the judge may order a "stay" (postponement) of the eviction proceeding or make any other just order.

Relief from foreclosures: Depending on your duty status and situation, the SCRA may provide protection against foreclosure. The SCRA prohibits the "sale, foreclosure, or seizure" without a court order of a service member's personal property as long as the debt was secured before the service member entered military service.

Installment contracts: The SCRA gives certain protections against repossessions for installment contracts. If the contract was entered into before going on active duty and at least one payment was made before that time, the creditor cannot repossess the property while the member is on active duty, nor can they terminate the contract for breach without a court order.

Six percent interest rate: If a service member's military obligation makes it difficult to pay on financial obligations such as credit cards, loans, mortgages, etc., the service member can have the interest rate capped at 6 percent for the duration of the service member's military obligation. 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.

Court proceedings: If a service member is a defendant in a civil court proceeding, the court may grant a delay if you are deployed. The provision applies to civil lawsuits, suits for paternity, child custody suits, bankruptcy debtor/creditor meetings and administrative proceedings.

Enforcement of obligations, liabilities, taxes: A service member or dependent may, at any time during or within six months after their service, apply to a court for relief of any obligation or liability incurred before active duty or for relief of a tax or assessment made before or during active duty. The court may grant stays of enforcement, during which time no fine or penalty can accrue.

LEARNER ACTIVITY: *That's a Match*

Time: 10 minutes

Materials: Note cards, *That's a Match* handout

Procedure: Prepare note cards for this activity. Using the *That's a Match* handout, cut and paste the document name and description on separate note cards.

Tell learners that you are going to give them a chance to prove what they know about the documents you just discussed. Give each learner one card (If it is a small class and you have time, you can do a couple of rounds to use all the cards. For larger audiences, have learners work in groups. If time is short, you can choose to read the description and have learners provide the document name.). Explain that on their card they either have a name or description of an important document or place; their task is to find the other person in the class who has the matching name or description. Give learners about five minutes to pair up and then go around the room and ask them to give the document name and read the description.

MANAGING FINANCES DURING DEPLOYMENT

Managing finances during deployment can be challenging, but an effective budget or spending plan will make handling your finances much easier, whether you are deployed or at home.

Budget or Spending Plan

Trainer's note: If time allows and you choose to use the optional *Financial Planning Worksheet* in this section, distribute it now.

SLIDE 7

A well-thought-out and flexible financial plan is the single most important tool you will need to make your deployment a financial success. Good financial planning includes determining where you are now and where you want to go financially. Once you know that, you can ask yourself how you will get there and use a budget or spending plan as a map to guide you in meeting your financial goals. Whether planning for a six-month deployment or a six-year saving plan, the principles are the same. Plan for the best-case scenario, prepare for the worst case and track your progress according to your plan. If you are in a relationship, it is wise to plan together so you and your partner understand and agree how finances will be handled during the deployment. Once you have completed a budget worksheet, review the numbers and ask yourself if you can live with your plan. If you have a monthly surplus, now is the time to think about what you can

do with the money. If you have a deficit, you should visit your Command Financial Specialist (CFS) or Fleet and Family Support Center (FFSC) financial counselor to work out a way to improve your cash flow.

These tips can help you achieve financial success:

Factor in pay changes: Be on the lookout for changes in your income that can result from a deployment, and make budget adjustments for any possible pay changes. Some of the more common changes are:

- Career Sea Pay
- Family Separation Allowance
- Hostile Fire/Imminent Danger Pay
- Hazardous Duty Pay
- Combat Zone Tax Exclusions
- Pay increase due to promotions or reenlistment

You should review your Leave and Earnings Statement (LES) for a list of allowances you are currently receiving. If you are working a job outside the military, you will need to make adjustments for loss of your second income. You will you also need to take into account additional child care costs and, if necessary, factor in the costs of boarding or caring for your pets in your absence.

Be realistic: Budget as realistically as possible for expenses you will have on deployment. Remember to include amounts for port visits, phone calls, souvenirs, a few meals off the ship, etc. Married service members need to budget realistically for both partners. Many service members find that one of the advantages of an extended deployment is that it provides an opportunity to save money. However, allowances must be made for some recreation to give everyone a break–both the individual on deployment and the family members at home.

Plan for the unexpected: Unanticipated expenses can throw your financial plan into a tailspin. Be sure to budget for expenses that do not occur each month, such as insurance premiums, car maintenance, home maintenance, holiday gifts, trips overseas and tax payments. If married, consider signing a preauthorization form with the Navy-Marine Corps Relief Society (NMCRS) if your savings are minimal. This will allow your spouse to apply for assistance from NMCRS in the event of a financial emergency.

Establish financial goals: What are your financial goals? The time before a deployment is a great opportunity to think about what you would like to accomplish financially. The added pays and benefits you may receive during deployment can provide the extra income to pay off credit cards, save for the down payment on a house or car, start investing or start a college fund. Goal setting forces you to decide what you want to accomplish with your money and clearly defines the steps to take to achieve your goals. Your CFS or FFSC financial counselors can help you to establish financial goals for future financial success.

Saving and Investments

SLIDE 8

Savings

Savings: Deployment can be a great time to save money. Consider contributing regularly to a savings account if you are not already doing so. It does not matter what you put in ($10, $25 or $50 per month), it is the fact that you contribute regularly that counts. This will make it a habit and help you to build a reserve. You can start saving by allotment before deployment. Setting up a bank allotment is a great way to "pay yourself first" and guarantee that you add to your savings on a regular basis.

Emergency fund: You can save a lot of financial stress by establishing an emergency fund for unexpected expenses. Experts recommend having one to three months of living expenses saved as an emergency fund to cover car and home repairs or sudden travel expenses if you have to return home for a family emergency. If you do have to return on emergency leave, the Navy will pay to get you only as far as your homeport–you must pay the remainder of the travel expenses.

Savings Deposit Program

If you will be deploying to a hazardous duty area, you may be eligible to participate in the Department of Defense Savings Deposit Program (SDP). The SDP provides a great opportunity to increase your savings by guaranteeing an annual return of 10 percent, compounded quarterly, on up to $10,000 in savings.

To participate, you must be entering an SDP-eligible combat zone and be receiving Hostile Fire Pay. You have to be in theater for 30 days before starting your SDP account. To sign up and make deposits, contact the disbursing or finance office at your deploying location or any military finance office in theater. You can make deposits via allotment, cash, check or money order, and the money will continue to accrue interest until 90 days after you leave a combat zone. You

can make withdrawals from SDP after you leave a combat zone by sending your request to ccl-sdp@dfas.mil. You can find additional information at the DFAS website: www.dfas.mil/militarymembers/payentitlements/sdp.html.

Thrift Savings Plan

The Thrift Savings Plan (TSP) is a federally sponsored retirement savings and investment plan which is open to all active-duty and Ready Reserve service members. You can enroll online through your myPay account or by completing the enrollment forms and returning them to your personnel office. Another benefit that can be gained during deployment is that contributions in a tax-free zone keep their tax-exempt status, so you will not pay tax on the funds even when you withdraw them. If you are not already enrolled in TSP, deployment is a great time to do so. Your CFS or FFSC financial counselor can provide more details on the program. You can also access the TSP – www.tsp.gov – for information.

Money Management Tips

SLIDE 9

As stated previously, deployment can provide a great opportunity to save money and realize your financial goals. However, there are some pitfalls that could derail even the best financial goals and plans. Try to avoid the following:

Compensating: When we become lonely or depressed, it can be easy to spend a lot of money without realizing what we are doing and why. Buying gifts to prove your love for family and friends can become expensive. They may get just as much satisfaction if you send email, cards, photos, etc.

Impulse spending: Those at home may engage in shopping to pass the time. Getting involved in other activities, such as participating with a command's Family Readiness Group, volunteering or exercising can help prevent unnecessary spending.

Instant gratification: Upon return, you may find yourself tempted to dip into your deployment earnings or savings account to satisfy your need for instant gratification and to fund lifestyle changes. Beware of this and think about your real reasons for spending. And consider whether you can continually afford lifestyle changes after extra deployment pays go away.

Rip-offs: When you do need to make purchases, shop around and compare prices. Be on the lookout for overpricing, particularly near fleet landing locations. Many people succumb to the allure of buying when overseas, but in reality, they may find a better-quality and lower-priced product at home. If you are having a purchase wrapped, watch carefully to make sure you are getting what you paid for.

SLIDE 10

Tips for Couples

Make the time to organize your accounts. Decide whether to maintain a joint account or separate accounts to manage your finances during deployment. Joint accounts demand extra caution and diligent bookkeeping to ensure you do not overdraw the account. Separate accounts are another option, but you may want to have a joint account for paying household bills with an allotment going into that account from your pay.

Check with each other before making major purchases. Deployment can make communicating with each other on financial matters difficult. However, it should not prevent you from discussing major purchases with each other. If you anticipate a major purchase during the deployment (e.g., appliance, electronics, car), plan the purchase ahead of time and set a price limit.

Be honest with your partner. Hiding facts about your credit, spending habits or purchases can only lead to arguments and distrust. Be straightforward with your partner about any concerns so that together you can develop strategies to manage your finances successfully.

Find something that will work for you. Whatever system you use, make certain both parties understand and are comfortable with it. Once your system is in place, it will eliminate some of the hassle and stress in preparing for the next deployment (particularly if it is a sudden one).

Plan for dealing with the unexpected: If there are any pay problems during the deployment, it may require dealing with your financial institution, with Defense Finance and Accounting Service (DFAS) or with both. Your financial institution will deal with anyone whose name is on your joint account. However, DFAS will not give any pay information to a spouse (or anyone else) unless they first receive a faxed copy of a power of attorney authorizing them to do so. Consider setting up an emergency fund and getting a specific power of attorney before deployment.

Seek help. If a non-deployed spouse has never worked with the family finances before, practice together with the agreed-upon system at least a month or two before the deployment. That way, any difficulties can be identified and corrected. If possible, see your CFS or FFSC financial counselor together to make sure you are on the right track.

SLIDE 11

Tools to Help Manage Your Finances

There are a number of tools that can help you manage your finances while deployed. You should periodically check your myPay account at https://mypay.dfas.mil/mypay.aspx to confirm you are being paid correctly regardless of your deployment status. In preparation for deployment, you may consider using some of the following tools to make managing your finances easier during deployment.

Allotments

Although electronic account access has made managing money a lot easier, there are still times when the military mission precludes easy access to a computer or telephone. Allotments can be great tools for handling your cash flow. You can use allotments to send money to family members, to pay bills, and to transfer money into savings and investment accounts.

An allotment to a spouse or other family member's checking account allows a service member to send the majority of the paycheck home, with the service member receiving the remainder in another account. This is particularly useful if a couple has accounts at different financial institutions. One advantage of using an allotment is that the person at home, who will normally be paying most of the bills, is guaranteed to receive the same amount every month. This is especially helpful for budgeting purposes. Any fluctuations in pay will occur in the deploying member's account instead of the bill-paying account. It is important to set up an allotment at least 60 days before deployment to let your budget adjust to the new financial situation.

NavyCash Card

The NavyCash Card is a debit card system that gives service members access to shipboard accounts as well as their home bank and/or credit union accounts. Given to each service member on a ship, the card has a PIN-protected "electronic-purse" chip on the front that allows the service member to pay for purchases and services aboard the ship. The debit function, operated by MasterCard through a magnetic strip on the back, can hold an amount up to the balance in the service member's account and can be used on shore. Additional service options include:

- Checking account balances.
- Moving money between accounts (financial institution and NavyCash account).
- Changing your PIN.

- Completing a "Ship Check In" (transfers account information to a new ship when you check in).
- Transferring money from your NavyCash account to another person's NavyCash account.

Using a split-pay option, service members can have part of their paycheck sent to their NavyCash account and part sent to their home bank or credit union. They also can transfer money to their NavyCash account via a kiosk aboard the ship, online, or by phone.

Online Banking

If regular Internet access is available, online banking may be an excellent option for managing your finances while deployed. Online banking is a regular service offered by most financial institutions, allowing you to conduct banking transactions over the Internet using a personal computer, smartphone, laptop or tablet. Access to online services is established with your bank or credit union. They will provide you with an access or login number, help you choose a password and show you how to access the services.

For deploying service members, online banking allows you to perform a wide range of transactions in one online location. With online banking you can keep up with your finances, check balances, transfer funds and pay bills. You may also be able to set up automatic transfers between accounts and for loan and credit card payments. Be sure to track automatic transfers and payments to ensure you do not overdraw your account by spending money that is designated for an automatic transaction.

Credit Management

SLIDE 12

Credit is a normal part of everyday personal financial management for most Americans. Used appropriately, it can be an excellent tool, but if mismanaged, it can be costly and damaging to your financial future. Here are some credit tools to help you manage your credit wisely:

Establish credit: If you currently have a limited credit history, you may want to use the deployment as an opportunity to establish credit by taking out a loan for a small amount and making regular payments by allotment. You can check with your CFS or FFSC financial counselor for other options to establish credit wisely.

Use credit wisely: If you currently have a good credit rating, the best way to keep it is to keep your balances low and make credit payments on time.

Overseas purchases: Visa and MasterCard are widely accepted overseas, while other credit cards may not be accepted by all merchants and businesses. Using a credit card for an overseas purchase will probably provide a better exchange rate than most places in town and may even beat the money exchange vendor on the ship. If the item you purchase is defective or damaged, using a credit card may allow you to recoup funds through the issuing institution. However, be aware that due to daily exchange rates, your billed purchase price may be slightly different when the credit card company actually bills you than when you made the purchase. Be aware that you may also incur an overseas transaction fee with your purchase.

Credit payments: If possible, plan to pay your credit card balances in full each month. If you cannot pay the balances in full, consider paying more than the minimum payment to avoid interest costs and pay off your debt faster. Keep in mind that paying more than the minimum payment one month does not mean that no payment is due the following month. Easy access to credit increases the chances of impulse spending. To prevent exceeding your budget, shop with a list and an upper price limit, keep a running tally of credit card balances or check your account summary online. In preparation for deployment, set up your accounts to receive online payment reminders or electronic statements via email. You may also opt to automatically pay your bill.

Managing debt: You should avoid overcharging and running up credit account balances that you cannot afford to repay. Because credit card companies charge over-the-limit fees, ensure that you do not go over your credit limit. Keep copies of credit card transactions to minimize credit card fraud. Keep a close eye on your card; use all the normal precautions and look over your statements to verify all the charges listed.

Credit report: A credit report is a written document compiled by one, two or all three major credit reporting agencies: TransUnion, Experian and Equifax. Companies report on payment timeliness, balances, types of credit, etc. Lenders, employers and other entities pay the credit reporting agency a fee to access data compiled on an individual before granting credit. Important decisions are made based on the content of a credit report. You can get one free credit report each year from each of the three agencies at www.annualcreditreport.com. This can also be accomplished by setting up an appointment with an FFSC financial counselor, where you can receive your free report and your free credit score.

Place an active-duty alert on your credit report: If you do not expect to seek new credit while you are deployed, consider placing an active-duty alert on your credit report. An active-duty alert requires creditors to take steps to verify your identity before granting credit in your name. It is effective for one year, unless you ask for it to be removed sooner. If your deployment lasts longer than one year, you may place another alert on your report. To place an active-duty alert, or to have it removed, call the toll-free fraud number for one of the three nationwide consumer credit reporting agencies. The agency you call is required to contact the other two. The law allows you to use a personal representative to place or remove an alert.

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Taxes

If income taxes are due during the deployment, decide how you want to take care of having your tax return completed. Tax assistance may be available, particularly on larger ships.

If the spouse at home is planning to file your joint return while you are gone, you need to complete and sign IRS Form 2848 (Power of Attorney and Declaration of Representative) and leave it with the spouse preparing the return. If you file a joint return and have the refund check mailed to you rather than directly deposited into your joint account, both parties must endorse the check.

If you want to wait until you return from deployment to do your taxes, you have an automatic 60-day extension (until June 15) to file your return and pay any federal income tax due. If you need more time, you can file for an additional extension using IRS Form 4868, downloadable from www.irs.gov/uac/Extension-of-Time-To-File-Your-Tax-Return.

If you are in a combat zone, you can receive additional extension time and relief from compliance actions, such as audits or enforced collections, until 180 days after you have left the combat zone. Taxpayers qualifying for such relief can notify the IRS about their status via email (combatzone@irs.gov) or by calling its help line at (800) 829-1040. You will be asked to provide your name, Social Security number, stateside address, date of birth and date of deployment to the combat zone. Notification can be made by the service member, spouse or authorized agent or representative. DFAS notifies the IRS when individuals enter and exit a combat zone.

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PROPERTY MANAGEMENT

The single largest expense in most budgets is the cost of renting or owning a home. The second-largest expense is a personal vehicle. Before you deploy, make certain your home or apartment and vehicle will be cared for.

Leases

If your lease expires while you are on deployment and you do not notify the landlord of your intentions, the lease will usually be renewed automatically and you will be liable for paying rent, even if you did not want to renew the lease. Review and understand the terms of your lease before you deploy. If you are sharing an apartment, it is wise to have your roommates sign the lease as co-tenants, so if something happens, you will not be fully responsible for the rent. The law allows you to break your lease without penalty for PCS or deployments longer than 90 days. If you have any questions about your lease, have a legal officer review it.

Payments

Make arrangements in advance to pay your mortgage or rent, just as you would any other regular bill. Some service members have left postdated checks with their landlord for rent. Postdating checks is illegal in most states. If those checks are cashed early, the landlord's bank might clear them. If that happens and the check bounces, you would have no recourse. Your best choice is to use an online bill-paying service (offered free at most banks and credit unions) so that you can schedule checks or electronic payments to be made to your landlord as the payments are due. Give your landlord your email address to contact you in case of emergency. Get any agreements in writing and keep copies of any receipts. You will also need to arrange for payment of your utilities. If your utilities are shut off due to non-payment, you will be required to pay deposits and reconnect fees to get them turned on again.

House Sitters, Subletting or Renting

You may consider renting your home while you are away or allowing someone to housesit and live there rent-free. Having someone live in and keep up your property can have its benefits, but make sure you can trust the person you leave in charge of your home and belongings. You may choose to rent or sublet your apartment to cover housing costs while you are away, but be aware that many leases do not allow subletting. Before subletting or renting, thoroughly check out any potential tenants. Run a credit check to confirm that they can pay the

rent and require that rent be paid via a direct deposit to your account. It is also a good idea to work through a rental agent when you are away so that they can be responsible for maintenance issues.

Maintenance

If someone will be living in your home, make certain they know the maintenance schedules for home items (e.g., furnace, air conditioning) and are comfortable with making repairs. If necessary, schedule in advance with repair services for regular maintenance or lawn care needs.

Insurance

Mortgage lenders require insurance on a dwelling they own. They do not, however, require insurance for the contents of a house. It is wise to have renters insurance for the contents of your apartment (whether you are deployed or not). The cost to you (depending on the amount and value of your possessions) can be as little as $15 per month. Some insurance companies provide a discount for having both automobile and renters insurance through them. Check to see whether you are eligible for any discounts and remember to insure your items at replacement cost.

Vehicles

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If you are single or in a family with multiple vehicles where one or more of them may go unused during a deployment, you will need to decide where you want to store your vehicle and who will take care of it. If leaving the vehicle with a family member, provide guidance regarding routine and emergency maintenance, and be clear about who will be responsible for paying for the maintenance. If you decide to leave your car with friends, notify your insurance company of alternate drivers. All drivers should have their own insurance coverage.

If available, vehicle storage on base or at a secured lot may be your safest bet. If you have proof of insurance, some storage facilities will provide a form to send to your insurance company to apply for a premium discount, because you will not be driving your car during the deployment and their lot is insured and has security. They may also provide other services, such as monthly start-ups, state inspections, tune-ups and repairs. Not all lots provide these services or are insured. Cars may only be parked behind a locked chain-link fence with a routine security patrol. Do your homework before determining the safest place for your vehicle during your absence.

Keep insurance payments, registration and inspection stickers current. Contact your insurance company and let them know your car will be off the road. Most insurers offer an inexpensive coverage for this type of situation.

LEARNER ACTIVITY: *Let's Recap*

Trainer's note: In this activity, you provide the topics from the content and learners will summarize the content from that topic.

Time: 10 to 15 minutes

Materials: Notepaper, writing utensils.

Procedure: Divide the class into small groups. Pass out paper to each group. Explain that you are going to see how much they recall of the content covered so far by doing a group summary of one topic. Tell them that the only restriction is that they have to provide the basic idea and benefit from their topic to the class in less than two minutes. Tell learners they are welcome to use the deployment checklist or other handouts to construct their summary. Going in order of the course outline, review the topics one group at a time. Time and class size may not allow for all topics to be covered, so you may wish to assign the topics with the most relevance for your audience. The topics covered so far are:

- Budget or Spending Plan
- Saving and Investments
- Money Management Tips
- Tools to Help Manage Your Finances
- Credit Management
- Taxes
- Property Management

Once learners have summarized the points from their topic, fill in any pertinent information. You can also ask the rest of the class to add any missing information.

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COMMUNICATION

One of the keys to a successful reunion after an extended deployment is good communication with friends and family while on the deployment. Communication during deployment takes many different forms at a variety of costs. You should carefully research your choices before deployment. Here are some of the common ways to communicate during deployment:

Phone Calls

Long-distance calls: Long-distance phone charges from overseas can be expensive. One good guideline is to try to use phone calls to exchange emotions (expressions of love, hearing each other's voice). Use regular mail or email to exchange information (the details of a child's birthday party, problems with the car, plans for summer camp, etc.). Basic rate plans and hours for your local phone company or cellphone plan will vary greatly. It is a good idea to research the different plans before deciding on one. When making comparisons, take into consideration any monthly plan fees as well as the per-minute rates for calls. For cellphones, also consider the costs for data and texting. Compare rates for the origin of the call as well as the destination. When you use the phone, use it cautiously and budget for the anticipated charges in advance. Prepaid phone cards can help cut down on costs.

Prepaid calling cards: Another option for communicating with friends and family is to purchase prepaid calling cards. The DoD has contracted with AT&T to offer service members AT&T Global Prepaid "Ship to Shore" cards with very reasonable per-minute prices. These are the only cards that can be used to place phone calls from sea. These cards are available on most Navy ships as well as most military exchanges. Although they can also be used to place calls when you are in port, the rates will most likely be higher than rates for calls made aboard ship.

A variety of telephone cards is available through many different sources. However, many phone companies that issue these cards bill for charges monthly. Research the hours, rates and service charges that will accrue on the cards and check the calling area covered by the rates. The rates quoted may not be applicable from areas other than the local calling area.

In-port calls: One of the most expensive ways to make a phone call is from a hotel room, whether you are in port overseas or in the United States. Avoid the surcharges added to phone usage by simply using the phone in the hotel lobby. Other in-port options are cellphones, Internet-based messaging services and video chats.

Other Calling Options: In addition to the options already discussed, free or inexpensive Internet-based alternatives may also be available. Instant messaging, online chats, chat rooms and Internet video conferencing provide many opportunities to keep in touch without breaking the bank. Most methods are relatively easy to use and generally do not require memberships or software purchases. However, to be safe, always read the fine print to make certain you understand under what circumstances you will be charged for services or calls.

Cellphones

Depending upon the circumstances of your deployment, there may be prohibitions on the use of personal cellphones. Your cellphone may not function outside the continental United States. Check with your command for more information. Under the SCRA, cellphone companies will allow you to cancel or "freeze" your account while deployed outside the United States without penalties or a contract extension. If you want to cancel or suspend your account, you will have to submit a request to your provider before you leave on deployment.

Email

Almost every adult has access to email, which is an easy, inexpensive way to have almost real-time communication. Keep in mind, however, that email may not always be available aboard ships, and forward-deployed service members, or those on the ground, may not have access to unsecured Internet. If family members/friends do not have a computer with Internet or email at home, they can access one at a community library or at cyber cafés. Most United Service Organizations (USO) centers provide free Internet service to military families in addition to many other activities. Free email accounts are available via websites such as Hotmail, Yahoo and Google.

Regular Mail

While they take longer to receive, letters are an inexpensive and more personal way to communicate. Long-distance telephone calls can quickly get expensive, and letters can be re-read during lonely moments or at times when phone and email are unavailable. Write often and remember that sometimes the best letters are simply about the events in your day. Keep in mind that mail can take weeks to reach you, and military operational schedules may delay mail even further.

Care Packages

Care packages remain popular, even though shipping costs can be expensive. Most service members consider care packages to be money well spent, so make sure that you discuss what to include in care packages and that friends and family members have your complete mailing address. Be careful what you include in your care packages and check with your shipper to find out whether there are specific restrictions for your package's destination. It may take weeks for your care package to reach your service member, so it is wise to avoid shipping most perishable items. There are a variety of shipping options, depending on where the service member is deployed, so shop around to get the best rate for mailing packages. Flat-rate Priority Mail boxes can be ordered free or picked up from the United States Postal Service by calling the USPS Package Supply Center at (800) 610-8734.

Emergencies

Before deployment, families should discuss what constitutes an emergency and develop a plan for how to deal with them. Leave accurate and complete contact information and Social Security numbers with immediate family members in case they need to send an American Red Cross message. To communicate emergency information, use official channels such as the command ombudsman or the American Red Cross to guarantee that the person who receives the information has emotional support available to them. You can reach the American Red Cross Emergency Communications Center seven days a week, 24 hours a day, 365 days a year by calling toll-free at (877) 272-7337.

SUMMARY

SLIDE 17

There is a lot of to do and consider when you are preparing financially for a deployment. Fortunately, there are many people and organizations that can provide information, guidance and assistance. It is wise to become familiar with these sources. Even if you do not need them personally, you may be able to refer a friend or shipmate to these individuals or organizations.

Navy-Marine Corps Relief Society

The Navy-Marine Corps Relief Society (NMCRS) is a source of financial assistance during an emergency. They can provide financial assistance for short-term emergency needs such as rent, utilities, food, medical bills, essential car repairs and emergency transportation. Each request for assistance is decided on a case-by-case basis.

If your spouse does not have a general power of attorney, go to NMCRS and complete a preauthorization form. This will allow your spouse to get limited financial assistance (up to the amount you designate) in an emergency from the society without having to wait for your approval via shipboard communication. You will still be notified and NMCRS must still approve the loan following their normal procedures. For further information, contact your local NMCRS.

American Red Cross

The American Red Cross provides official verification of an emergency situation within the service member's immediate family and transmits a message to the command. Your commanding officer is the only one with the authority to grant or deny emergency leave, although the Red Cross often provides the information necessary for making a determination on emergency leave. When a family member sends a message, they need to include the name and relationship of the person the message is about, and the name of the doctor, hospital or funeral home, as appropriate. The Red Cross also can provide emergency funds in locations without a NMCRS office.

Navy Operational Support Center

Families who do not live near a military installation can receive support from a Navy Operational Support Center (NOSC). These centers are located in every state and can assist families with resources in the local area and also provide support to the families for ID cards and Defense Enrollment Eligibility Reporting System (DEERS) enrollment.

Defense Finance and Accounting Service

The Defense Finance and Accounting Service (DFAS) is responsible for military pay. The myPay website (https://mypay.dfas.mil/mypay.aspx) is where members get their Leave and Earnings Statement, start and stop allotments, sign up for the Thrift Savings Plan (TSP), change their withholding and much more.

Fleet and Family Support Center

All Fleet and Family Support Centers (FFSC) throughout the world have a staff member who can provide information and referrals. Many FFSCs also have financial counselors on staff that can help you prepare a spending plan and set financial goals. In addition, there are numerous educational workshops offered on topics, ranging from moving to parenting to budgeting. Professional counselors are also available to help during emergencies.

Command Financial Specialist

Each command with at least 25 personnel assigned is required to have a Command Financial Specialist (CFS) who can help service members and their families develop a financial plan. Your CFS is trained to explain a variety of financial topics from savings and investing to car buying and credit management.

Command Ombudsman

An ombudsman is a military spouse appointed by the commanding officer to serve as a liaison between the command and family members. The ombudsman attends extensive training in problem solving and information and referral. They are a great first stop for information during a deployment or anytime.

Military OneSource

Military OneSource is a 24/7, online information and referral service funded by the DoD. All services are provided at no cost and are available to active-duty, Guard and Reserve personnel and their immediate family members, regardless of activation status.

LEARNER ACTIVITY: ***How Can I Help You?***

Time: 10 minutes

Materials: *How Can I Help You?* handouts, pens and/or pencils

Procedure: Pass out the *How Can I Help You?* handout. Tell learners that they are to write in the name of the resource next to the description of the service or support they provide. After learners have completed the handout, review the answers with the class.

Answers: 1. DFAS; 2. FFSC; 3. NMCRS; 4. CFS; 5. Military OneSource; 6. Ombudsman; 7. ARC; 8. NOSC.

Your Next Steps

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Preparing for a deployment can be overwhelming. Hopefully the information provided in this course will help you to successfully prepare for and manage your finances during your deployment. Be sure to keep your course handouts, especially your *Deployment Checklist*. If you have time before you deploy, arrange to meet with your CFS or FFSC financial counselor to review your budget and establish goals for your finances during your deployment. Have a safe, and financially fit, deployment!

OPTIONAL LEARNER ACTIVITY: *Deployment Jackpot* **Review Game**

(See "Introduction to the Courses: PowerPoint Games" for information on how to conduct this review activity.)

Question Bank for Deployment Jackpot

Categories: Legal, Finances, Property, Communications, Sources of Help

LEGAL

100 Q: Name the document that provides direction regarding what you want to happen to your property in case of your death.

A: A will

200 Q: Name the document where service members designate next of kin.

A: Page 2 or service record

300 Q: What is the life insurance benefit offered by the military at a small cost to the service member?

A: SGLI

400 Q: What is a legal document that allows a person to act on your behalf?

A: A power of attorney

500 Q: What is the law that may allow service members to reduce interest rates to 6 percent, among other benefits?

A: The Servicemembers Civil Relief Act

FINANCES

100 Q: Name a document that contains your history of bill paying and credit use.

A: Credit report

200 Q: Name the shipboard tool that allows a service member to have their pay divided between a primary banking account and a shipboard account via an onboard ATM.

A: NavyCash Card

300 Q: What allows a service member to send a payment or a portion of his/her pay to another financial institution or business?

A: An allotment

400 Q: What is the service that allows regular access to manage finances via the Internet?

A: Online or electronic banking

500 Q: What can provide a snapshot of your income, debts and expenses and might help you "find" money?

A: A spending plan or budget

PROPERTY

100 Q: What allows you to get out of a lease if PCS orders are received for more than 50 miles from the present duty station?

A: The Servicemembers Civil Relief Act (often referred to as a "military clause")

200 Q: What should you check to confirm a potential renter can afford to pay the rent?

A: A credit report (also accept LES or pay statement.)

300 Q: Name two things that you should look for in a vehicle storage unit.

A: Accept two of the following: secure location, monitoring, state inspections, routine maintenance, regular start-ups.

400 Q: This is not a wise option for paying your rent when on deployment and is illegal in most states.

A: Postdated checks

500 Q: Name the homeowners or renters insurance that pays full (not depreciated) value for your property if it is destroyed.

A: Replacement cost coverage

COMMUNICATION

100 Q: These are offered free through sources such as Google and Yahoo.

A: Email accounts

200 Q: Name the type of communication that offers cheap, written, almost real-time contact (when available).

A: Email

300 Q: When this runs out, your call is over.

A: A prepaid phone card

400 Q: What government agency will provide free shipping boxes that are perfect for military care packages?

A: United States Postal Service (USPS)

500 Q: Name two live-time communication options other than long-distance calls.

A: Accept two of the following: Instant messaging, online chats, chat rooms and Internet video conferencing.

SOURCES OF HELP

100 Q: Name the spouse of a service member serving at the command who is appointed by the commanding officer to serve as a liaison between the command and family members.

A: The command ombudsman

200 Q: Name the service member at the command who has been trained to assist with budget preparation and other aspects of financial management.

A: Command Financial Specialist

300 Q: What is the agency that provides interest-free loans and grants to military personnel in financial need?

A: Navy-Marine Corps Relief Society

400 Q: Name the military agency that provides information and referral, counseling and educational workshops.

A: Fleet and Family Support Center (FFSC)

500 Q: What do you call money set aside in an account to cover unexpected expenses?

A: An emergency fund

FINAL JACKPOT

Q: Name two of the three types of powers of attorney discussed in this program.

A: Accept two of the following: general, specific and medical powers of attorney.

ADDITONAL CONTENT:

FINANCIAL PLANNING FOLLOWING DEPLOYMENT

COURSE DESCRIPTION

Financial Planning Following Deployment is a 30-minute course that provides information to help learners effectively manage their finances following a deployment.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able understand the changes that occur following a deployment and make informed financial choices to adapt to these changes.

Enabling:

- In the *Changing Times* activity, learners will create a comprehensive list of the financial changes and expenses commonly experienced following deployment.
- During the *How Can I Help You?* activity, learners will correctly identify sources of help available to them following a deployment.

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COURSE PREPARATION

Handouts:

- *How Can I Help You?*
- *Post-Deployment Action Sheet*
- Handouts and brochures from relevant local resources

Materials:

- Chart paper or whiteboard and markers
- Pens, pencils, paper
- *Financial Planning Following Deployment* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

Changing Times: A brainstorming activity where learners list common financial changes and expenses that occur following deployment.

How Can I Help You?: A quiz activity where learners identify resources to help them regain financial stability following deployment.

CONTENT OUTLINE

1. Welcome and Introduction (2 minutes)
2. Changes and Adjustments (12 minutes)
   a. Learner Activity: *Changing Times*
   b. Changes to Pay
   c. Dealing with the Details
3. Moving Forward (8 minutes)
   a. Handling Planned and Unplanned Expenses
   b. Establishing a New Budget
   c. Putting Extra Money to Work for You
4. Summary and Conclusion (8 minutes)
   a. Sources of Help
   b. Learner Activity: *How Can I Help You?*

SLIDE 1

CONTENT MATERIAL

WELCOME AND INTRODUCTION

Homecoming is one of the best things about Navy life. It can also be a busy time for you, because there are typically many things you want to do–and need to do–once you return. For most people, sorting out a post-deployment financial situation is not at the top of the priorities. You have several months of lost time to make up for with friends and family, and it is important to settle back into your life. But it is also important to assess your post-deployment finances. This course will provide information to help you handle the financial changes and challenges following a deployment.

CHANGES AND ADJUSTMENTS

Trainer's note: Distribute the *Post-Deployment Action Sheet* handout and suggest that learners use this handout to make a list of financial action items as you cover the course content. Encourage them to keep this handout, because it contains resources they may find useful.

SLIDE 2

Returning from a deployment is a time of change. Some changes are great–getting to see your friends and family, leave time, being home–but other changes take some adjustment. Such is the case with your finances after deployment.

LEARNER ACTIVITY: *Changing Times*

Time: Five minutes

Materials:

- Chart paper or whiteboard
- Markers
- Paper, pens and pencils
- Clock, watch or timer

Procedure: Explain that the first step in adapting to change is to fully understand what is changing. Tell learners that they are going to make a list of possible financial changes and expenses following deployment.

If you are conducting the activity as a small-group activity, first divide the class into groups. Instruct each group to brainstorm and list on a sheet of paper as many post-deployment financial changes and expenses as possible in one minute. When time is up, ask each group to nominate a spokesperson. Have each group spokesperson read aloud the changes on their list. Keep a master list of responses on chart paper or a whiteboard. Fill in any changes that the class may have missed.

If you are conducting a whole-class activity, tell learners that you want to know how many post-deployment financial changes and expenses they can name in one minute. Ask for two volunteers–one to help you record learner responses and one to be the timer. When one minute is up, go over the responses. Fill in any changes that the class may have missed.

Responses might include:

- Changes to/loss of pays and allowances
- Additional expenses living off the ship (food, entertainment, transportation)
- Homecoming expenses (parties, lodging, gifts)
- Moving to a new location or into a new home
- Purchases (computers, cars, electronics, clothes)
- Entertainment (movies, clubs, sporting events, concerts)
- Vacation and/or family travel

Explain that they have just outlined the "agenda" for the course, because you will be discussing many of these changes.

SLIDE 3

Changes to Pay

The most obvious financial change following deployment is the loss of deployment pays, allowances and possibly tax-free benefits. You should check your LES to track which pays will be changing (or have changed) and calculate this loss to your monthly income. The most common extra pays you may have been getting are:

- Career Sea Pay
- Family Separation Allowance
- Hostile Fire/Imminent Danger Pay
- Hazardous Duty Pay
- Combat Zone Tax Exclusions

If you have been back from deployment for a couple of months and are still receiving deployment pays, check with your pay administrator to correct the error. If you receive pay for which you are not entitled, you will have to pay this back when the error is noted. Better to correct this now instead of having a large repayment later on.

SLIDE 4

Dealing with the Details

You had many financial details to take care of before you deployed. Now that you have returned, you will need to readdress many of those details. Since your situation has changed, many of the things you established before you deployed may no longer be necessary.

Power of Attorney

Many service members have a power of attorney drafted before deployment that authorizes a family member or friend to act on their behalf to carry out financial or legal matters. These legal documents remain in effect until they expire or are revoked. If you no longer need a family member or agent to act on your behalf, you can revoke the power of attorney by destroying the original document. If you do not have the original document, or need assistance revoking a power of attorney, contact your base Legal Service Office. You can use the Armed Forces Legal Assistance Locator to find the office closest to you at http://legalassistance.law.af.mil/content/locator.php.

Emergency Assistance Pre-Authorization

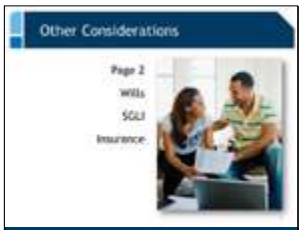
You may have signed a pre-authorization form with the Navy-Marine Corps Relief Society (NMCRS) before you deployed. This pre-authorization allows your spouse to apply for assistance from NMCRS in the event of a financial emergency. As with a power of attorney, this form will have an expiration date; however, you may not want this authorization to remain in place once you return. To revoke a pre-authorization form with NMCRS, contact the issuing office. You can find contact numbers for NMCRS offices at www.nmcrs.org.

Allotments and Automatic Payments

Allotments and automatic payments are excellent tools to help manage your finances during deployment. Following a deployment, you should verify each allotment and automatic payment (or transfer). You may wish to keep automatic payments and allotments in place for loans and credit payments to better manage your finances and make the next deployment easier. However, you may find that some allotments or automatic transactions are no longer necessary. If you set up an allotment to another person so that they could pay your bills while you were gone, you may need to stop this allotment. Or maybe you set up an allotment for savings that you need to change to a smaller (or larger) amount once your post-deployment pay stabilizes. To change an automatic payment or transfer, contact your financial institution. You can stop or change an allotment through your MyPay account at the DFAS website: https://mypay.dfas.mil/mypay.aspx.

Savings Deposit Program

During deployment, you may have participated in the DoD Savings Deposit Program (SDP). The SDP provides a great opportunity to increase your savings by guaranteeing an annual return of 10 percent, compounded quarterly, on up to $10,000 in savings. The money you invested in your SDP account continues to accrue interest until 90 days after you leave a combat zone. You can make withdrawals from SDP after you leave a combat zone by sending your request to ccl-sdp@dfas.mil. You can find additional information at the DFAS website: www.dfas.mil/militarymembers/payentitlements/sdp.html.



SLIDE 5

Other Considerations

Depending on your situation and the changes that have occurred during deployment, you may need to make changes to your service record, will and/or insurance.

Check the following to ensure that they are accurate and up-to-date:

- Service record next-of-kin designation (aka Page 2)
- Wills (e.g., beneficiaries, instructions, guardian designations)
- Servicemembers' Group Life Insurance (SGLI) beneficiary
- Other insurance deductibles and coverage amounts

MOVING FORWARD

Once you determine changes to your pay, you may need to re-evaluate your financial plan and goals. Here are some things to consider as you move forward:

SLIDE 6

Handling Planned and Unplanned Expenses

In addition to changes to your pay, it is likely that you will also have to adapt to changing expenses–both planned and unplanned. While some expenses are not recurring monthly payments, they can take a toll on your savings or increase the balances on your credit accounts. It is normal to want to do things you were unable to do or buy things you were unable to buy while you were deployed. The goal is to make wise, informed choices with your money on these expenses.

Homecoming: A homecoming can be very expensive. Family members want to welcome you back in style. This may mean decorations and new outfits, increased food expenses to prepare your favorite meals, and lodging and transportation costs for out-of-town guests. If possible, talk about these expenses before homecoming and set a limit on how much will be spent. There may be less-expensive alternatives for making homecoming a memorable and enjoyable event.

Travel: Many post-deployment plans include travel. You may want to take a vacation with your family or travel home to visit family. It will save you money to book travel several weeks in advance, but keep in mind that homecoming dates and schedules can change at the last minute. Be sure to find out the travel company's change and return policy. Base travel services may offer reduced fares or tickets to make travel more affordable.

Gifts and purchases: Returning service members often want to make up for lost time by buying gifts for family and friends or by making purchases for themselves. There is nothing wrong with buying a few items for yourself or others, but think closely about why you are making the purchases and avoid spending your entire deployment surplus immediately following deployment. And be cautious about where you make your purchases. Many predatory businesses target service

members, especially returning deployers. You could find yourself spending a lot more on your purchases than they are worth and spending much more overall than you planned. Shop around for the best deals and check with your local Better Business Bureau if you have concerns about a particular business. You may also want to attend a Consumer Awareness class at your local Fleet and Family Support Center (FFSC) for tips on how to make wise purchases and get the most for your money.

Moving and housing: You may have moved out of your home or apartment before deployment or your family may have relocated during deployment. Moving to a new home is a common change following deployment. After six months living on a ship, service members who are eligible to live off the ship are eager to quickly find a place to live in town. This is understandable, but be sure to take the time to evaluate your housing needs and research the costs of housing in your area. You should create a new budget and determine available housing funds before you decide on a new home. Contact your local FFSC or housing office for additional information regarding local housing opportunities.

Household costs: Whether single or married, once you leave the ship, you will be spending more money. Food, gas, transportation, insurance and utilities all go up when you are no longer living onboard. You may also need to change your insurance coverage and cellphone service. These are recurring expenses that will need to be factored into your new budget and financial plans.

SLIDE 7

Establishing a New Budget

It is normal for income to decrease following a deployment due to the loss of deployment pays and allowances. At the same time, it is normal to experience an increase in monthly expenses. If you created a budget for deployment, it is important to reassess your financial situation and establish a new budget. If you do not have a budget, now is a great time to create a budget or "spending plan," which will help you stay on track financially. A well-thought-out, realistic spending plan can:

- Help you to live within your means. If you are unsure of your income or expenses, you could be spending more than you make, which could result in a drain on your savings, increased debt or overdrawn account(s).
- Reduce financial stress and help prevent additional costs. A plan helps you to stay on track and may prevent overdrawn accounts, non-sufficient funds fees, late fees and higher interest on credit due to late payments.

- Allow you to plan for current and future expenses. This might include: covering monthly expenses, preparing for expenses that occur throughout year (i.e., insurance,, holidays, taxes, etc.) and saving for a family vacation or your retirement.
- Help you to achieve your financial goals. Maybe you want to pay off your car, start a college fund for your children or retire early. A good spending plan can help you spend and save wisely so that you can reach those goals.

If you have never created a budget or spending plan, check with your Command Financial Specialist (CFS) or a FFSC financial counselor for assistance in creating a plan and setting yourself on the road to financial fitness.

SLIDE 8

Putting Extra Money to Work for You

If you were able to save money during deployment or pay off some debt, you may be looking for ways to put your savings or extra money to work for you. Here are some suggestions:

Emergency Fund

You can save a lot of financial stress by establishing an emergency fund for unexpected expenses. Experts recommend you have one to three months of living expenses saved as an emergency fund to cover car and home repairs or sudden travel expenses for a family emergency. An emergency fund is the foundation of your savings.

Savings

Consider contributing regularly to a savings account, if you are not already doing so. It does not matter what you put in ($10, $25 or $50 per month), it is the fact that you contribute regularly that counts. This will make it a habit and help you to build a reserve. Setting up a bank allotment is a great way to "pay yourself first" and guarantee that you add to your savings on a regular basis.

TSP

The Thrift Savings Plan (TSP) is a federal government-sponsored retirement savings and investment plan open to all active-duty and Ready Reserve personnel. You can enroll online through your myPay account or by completing the enrollment forms and returning them to your personnel office. Contribution limits are currently $18,000 per year (2015). If you are not already enrolled in TSP, deployment is a great time to do so. Your CFS or FFSC financial counselor can provide more details on the program. You can also access the TSP website (www.tsp.gov) for information.

SLIDE 9

SUMMARY AND CONCLUSION

Sources of Help

Hopefully, this course has helped you to think about the financial expenses and changes you are experiencing (or will experience) following deployment. You may have created an extensive "to do" list on your *Post-Deployment Action Sheet* handout. Fortunately, there are many people and organizations that can provide information, guidance and assistance. It is wise to become familiar with these sources. Even if you do not need them personally, you may be able to refer a friend or shipmate to these individuals or organizations (which are also listed on your *Post-Deployment Action Sheet.*):

Command Financial Specialist

Each command with at least 25 personnel is required to have a CFS who can help service members and their families develop a financial plan. Your CFS is trained to explain a variety of financial topics, from savings and investing to car buying and credit management.

Fleet and Family Support Center

All FFSCs throughout the world have a staff member who can provide information and referrals. Many FFSCs also have financial counselors on staff that can help you prepare a spending plan and set financial goals. In addition, there are numerous educational workshops offered on topics ranging from moving to parenting to budgeting. Professional counselors are also available to help during emergencies.

Better Business Bureau

The Better Business Bureau (BBB) sets standards for ethical business practices and is a valuable resource to identify trustworthy businesses. You can also file a complaint against a registered business on the BBB website.

The Consumer Financial Protection Bureau

The Consumer Financial Protection Bureau (CFPB) is another great place to learn about financial programs, especially how to protect your money from consumer fraud. The CFPB Office of Servicemembers Affairs provides easy information to help military consumers protect their finances.

Defense Finance and Accounting Service

The Defense Finance and Accounting Service (DFAS) is responsible for military pay. The myPay website (https://mypay.dfas.mil/mypay.aspx) is where members get their LES, start and stop allotments, sign up for the Thrift Savings Plan (TSP), change their withholding and much more.

Military OneSource

Military OneSource is a 24/7 online information and referral service, funded by the DoD. All services are provided at no cost and are available to active-duty, Guard and Reserve personnel and their immediate family members, regardless of activation status. You can access Military OneSource services via phone at 800-342-9647 or through their website, www.militaryonesource.mil.

Navy-Marine Corps Relief Society

The Navy-Marine Corps Relief Society (NMCRS) is a source of financial assistance during an emergency. They can provide financial assistance for short-term emergency needs such as rent, utilities, food, medical bills, essential car repairs and emergency transportation. Each request for assistance is decided on a case-by-case basis.

LEARNER ACTIVITY: *How Can I Help You?*

Time: 10 minutes

Materials: *How Can I Help You?* handout, pens and/or pencils

Procedure: Pass out the *How Can I Help You?* handout. Tell learners that they are to write in the name of the resource next to the description of the service or support they provide. After learners have completed the handout, review the answers with the class.

Answers: 1. DFAS; 2. FFSC; 3. NMCRS; 4. CFS; 5. Military OneSource; 6. Ombudsman; 7. ARC; 8. NOSC

Financial Planning Worksheet

Date _____ Rate _____

Name _____ Age _____

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

Marital Status _____ Spouse's Name _____ Age _____

Spouse's Place of Employment _____

Number of Children and Ages _____

Home Address _____

Work Telephone _____ Home Telephone _____

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

Amount of SGLI Elected _____ Amount of FSGLI Elected _____

TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

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

LIABILITIES

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

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

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

MONTHLY INCOME

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

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

MONTHLY SAVINGS AND LIVING EXPENSES

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

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		
LIVING EXPENSES		**ACTUAL**		**PROJECTED**		**REMARKS**
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$____Long Distance=$____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

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

SUMMARY

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

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

ACTION PLAN

INCREASE INCOME

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE LIVING EXPENSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE INDEBTEDNESS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

REFERRALS/RECOMMENDED TRAINING

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

SETTING YOUR GOALS (Short and Long Term)

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

MONTHLY SPENDING PLAN

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

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

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

DAILY EXPENSES

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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.

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TAKE-HOME PAY FOR TWO WEEKS Dates

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

How Can I Help You?

Fill in the blank with the name of the organization or individual who can assist you during deployment.

1. _____ Their website allows service members to get real-time information about their pay accounts, start and stop allotments, sign up for the Thrift Savings Plan (TSP), change their withholding and much more.

2. _____ offers educational workshops on almost any topic and has professional counselors available to help during emergencies.

3. _____ are a source of financial assistance during an emergency. They are able to provide financial assistance for short-term emergency needs, such as rent, utilities, food, medical bills, essential car repairs and emergency transportation.

4. _____ are trained to explain a variety of financial topics, from savings and investing to car buying and credit management, and they are eager to assist a shipmate.

5. _____ 24/7, real-time information and referral service, funded by the DoD.

6. _____ appointed by the commanding officer to serve as a liaison between the command and family members of the command.

7. _____ provides official verification of an emergency situation within the service member's immediate family and transmits a message to the command.

8. _____ assists families with resources in the local area and also provides support to the families for ID cards and DEERS enrollment.

Post-Deployment Action Sheet

Use this area to note action items from the course.

- ☐ _____
- ☐ _____
- ☐ _____
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- ☐ _____

RESOURCE WEBSITES:

- Armed Forces Legal Assistance Locator: http://legalassistance.law.af.mil/content/locator.php
- Better Business Bureau: www.bbb.org
- Consumer Financial Protection Bureau: www.consumerfinance.gov/
- Defense Finance and Accounting Service (DFAS) myPay: https://mypay.dfas.mil/mypay.aspx
- DoD Savings Deposit Program: www.dfas.mil/militarymembers/payentitlements/sdp.html
- Fleet and Family Support Center: https://cnic.navy.mil/ffr/family_readiness/fleet_and_family_support_program.html
- Military OneSource: www.militaryonesource.mil
- Navy-Marine Corps Relief Society: www.nmcrs.org
- Thrift Savings Plan (TSP): www.tsp.gov

The Servicemembers Civil Relief Act (SCRA) Simplified

Note: *This handout provides a basic overview of the provisions of the SCRA. Due to the complexity of the act and regular changes to the provisions, it is recommended that service members contact their Legal Service Office for questions and guidance.*

What Is the Servicemembers Civil Relief Act?

In 2003, the Soldiers and Sailors Civil Relief Act was rewritten and re-named the Servicemembers Civil Relief Act (SCRA). The law governs protections for members of the U.S. military.

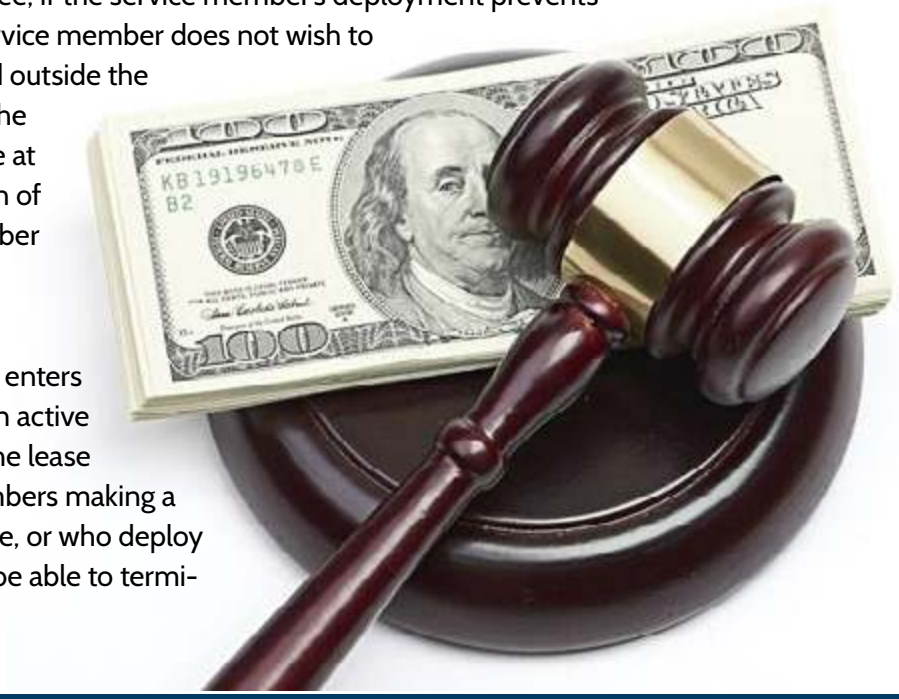
Who Is Covered?

Reservists and members of the National Guard (when in active federal service) also are protected under the law. SCRA (for all) begins on the first day of active duty, which means when the person ships out to basic training (basic training and job-school are considered active duty for Guard and Reserve personnel, as well as active-duty personnel). Some protections under the act extend for a limited time beyond active-duty discharge or release but are tied to the discharge/release date. Additionally, some of the act's protections extend to the member's dependents.

National Guard members recalled for state duty also are protected by the Servicemembers Civil Relief Act in certain circumstances. Guard members are entitled to SCRA protection when called to state active duty under Title 32, if the duty is because of a federal emergency; the request for active duty is made by the president or secretary of defense; and the member is activated for longer than 30 days.

Major Legal Protections

Termination of cellphone contracts: The SCRA requires providers to suspend or terminate cellphone contracts without charging any early termination fee, if the service member's deployment prevents them from using their services. If the service member does not wish to cancel their service and will be deployed outside the United States, the provider must allow the service member to suspend their service at no charge without requiring an extension of the contract. Note that the service member must make the request to their provider before leaving on deployment.



Automobile leases: If a service member enters into an automobile lease before going on active duty, they may request termination of the lease when called to active duty. Service members making a permanent change of station (PCS) move, or who deploy for a specified period of time, may also be able to terminate such leases.

Termination of residential leases: The SCRA allows a service member to terminate a residential lease entered into while in the military, if the member receives PCS orders or orders to deploy for a specified period of time.

Evictions from housing: Service members may seek protection from eviction under the SCRA. The rented or leased property must be occupied by the service member or their dependents, and the rent cannot exceed a certain amount, which is adjusted each year. The service member or dependent who has received notice of an eviction must submit a request to the court for protection under the SCRA. If the court finds that the service member's military duties have materially affected his ability to pay his rent on time, the judge may order a "stay" (postponement) of the eviction proceeding or make any other "just" order.

Relief from foreclosures: Depending on your duty status and situation, the SCRA may provide protection against foreclosure. The SCRA prohibits the sale, foreclosure, or seizure without a court order of a service member's personal property as long as the debt was secured before the service member entered military service.

Installment contracts: The SCRA gives certain protections against repossessions for installment contracts. If the contract was entered into before going on active duty and at least one payment was made before that time, the creditor cannot repossess the property while the member is on active duty, nor can they terminate the contract for breach without a court order.

Six percent interest rate: If a service member's military obligation makes it difficult to pay on financial obligations such as credit cards, loans, mortgages, etc., the service member can have the interest rate capped at 6 percent for the duration of the service member's military obligation. 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.

Court proceedings: If a service member is a defendant in a civil court proceeding, the court may grant a delay if you are deployed. The provision applies to civil lawsuits, suits for paternity, child custody suits, bankruptcy debtor/creditor meetings and administrative proceedings.

Enforcement of obligations, liabilities, taxes: A service member or dependent may, at any time during or within six months after their service, apply to a court for relief of any obligation or liability incurred before active duty or for relief of a tax or assessment made before or during active duty. The court may grant stays of enforcement during which time no fine or penalty can accrue.

That's a Match

Document or Organization	Description
General Power of Attorney	This document gives someone else the authority to act on your behalf for the entire period of time indicated.
Specific Power of Attorney	This document gives someone else the authority to act on your behalf in one specific area (e.g., selling or buying, a car, selling or buying a home, and signing tax returns).
Medical Power of Attorney	This document is typically given to your child care provider in order to handle any medical emergencies that may arise while you are deployed.
Will	This document provides direction regarding what you want to happen to your property in case of your death.
Page 2 (Next-of-kin designation)	Information from your service record that is used to notify your family, or designated representative, in the event of an emergency.
Military ID Cards	If your end of obligated service expires during the deployment and you plan to reenlist, ensure that family members have the necessary information and forms to go get these documents.
Servicemembers Group Life Insurance (SGLI)	Prior to a deployment, you should verify the beneficiary information on this form. In the event of your death, funds will be paid to beneficiary you have listed (even if you have a will that states otherwise).
Passport	If you plan to take leave and travel overseas during the deployment, you will need one of these.

Family Care Plan	Single parents and dual-military parents are required to prepare this document, which establishes the guidelines and procedures that will be put into place to care for minor children when they are deployed.
Servicemembers Civil Relief Act (SCRA)	This federal law is designed to protect service members against a variety of civil obligations while on active duty.
Legal Service Office	This is where service members can go to have wills drafted.
U.S. State Department	This is the organization responsible for processing and issuing passports.
Personnel Support Detachment	To have your ID card renewed you would need to go to this organization.
The Thrift Savings Plan (TSP)	Like SGLI, this organization will use the beneficiary stated in their documentation versus a will to render benefits to your beneficiary.
Residential Leases	The SCRA allows a service member to terminate this document if they receive permanent change of station (PCS) orders or deploy for a specified period of time.

Gambling Awareness

Print Course

Print Handouts

COURSE DESCRIPTION

Gambling Awareness is a 60-minute course that discusses gambling statistics, the prevalence of gambling problems, military directives and the warning signs of compulsive/pathological gambling. This course is suitable for all audiences.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be aware of their level of gambling risk and know what resources are available to assist with a gambling problem.

Enabling:

- In the *Gambling Awareness* activity, learners will perform a self-assessment to determine whether they may have a gambling problem.
- During the *Gambling Case Studies*, learners will identify the warning signs of problem gambling and identify appropriate referrals from a list of resources.

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COURSE PREPARATION

Handouts:

- *Gambling Awareness*
- *Gambling Case Studies*

Materials (vary depending on activities chosen):

- Chart paper or whiteboard and markers
- Pens, pencils, paper
- *Gambling Awareness* PowerPoint slides

Facilitator prerequisites:

The facilitator should be fully familiar with all of the *PFM Standardized Curriculum*. In addition, any facilitator who will be conducting this course should read "Problem Gamblers and Their Finances: A Guide for Treatment Professionals," produced by the National Endowment for Financial Education and the National Council on Problem Gambling. This document can be downloaded free from http://store.samhsa.gov/product/Problem-Gamblers-and-Their-Finances-A-Guide-for-Treatment-Professionals/PG-GUIDE-07.

SUMMARY OF LEARNER ACTIVITIES

Gambling Awareness: A self-assessment that gives learners the opportunity to assess whether they may have a gambling problem.

Gambling Case Studies: Brief scenarios that give learners the opportunity to indicate how they can help someone with a gambling problem, reinforcing available sources of help.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
2. Orientation to Gambling Issues (15 minutes)
    a. The Gambler's Fallacy
    b. Facts About Gambling
    c. Gambling and the Military
    d. Types of Gamblers
    e. The Stages of Problem Gambling
3. Assessment (25 minutes)
    a. The House Edge
    b. Learner Activity: *Gambling Awareness*
    c. Signs of a Problem Gambler
4. Resources and Application (10 minutes)
    a. Resources
    b. Learner Activity: *Gambling Case Studies*
5. Conclusion (5 minutes)

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

Welcome to Gambling Awareness. The purpose of this course is to talk about gambling and the risk it can pose to you, your family, your friends, your career and maybe even your life. During this course, you will take a self-assessment to gauge your level of gambling risk and look at the typical warning signs of a gambling problem. You will leave today with a list of resources that can help you or someone else who might have a gambling problem.

ORIENTATION TO GAMBLING ISSUES

SLIDE 2

It is obvious that most, if not all of you, have no problem with gambling. It would not be surprising to find out that there are people here who never have gambled and never plan to gamble. However, research shows that 2 to 4 percent of the adult population are problem gamblers, and 1.5 percent are compulsive gamblers. We will define those two terms in a few minutes, but for now, just understand that they both have a negative influence on your life. If you think you or someone you know might have a problem with gambling, you will leave today with concrete steps you can take to deal with it. If you think you have no reason to listen to this because you do not have a gambling problem, then listen for your shipmates, friends and family, because we will talk about the warning signs and you might be able to help someone else.

Let's start by seeing what you already know about gambling.

THE GAMBLER'S FALLACY

Trainer's note: This interactive discussion works directly with the slide animations. Practice the script with the slide animations before presenting. This discussion shows how, in a fair game of chance, historical results have no bearing on future results. Follow the prompts on the slide by clicking through the coin, narrating as you go. A sample dialogue is provided with instructions on how to engage the learners during the discussion.

SLIDE 3

SAY: This is a coin. It has a heads side, and it has a tails side. It is balanced; it is a "fair" coin.

SLIDE 4

ASK: You toss this coin. What is the chance it comes up heads? (Allow learners a chance to respond.)

SAY: The answer is 50 percent: You have a 1-in-2 chance to get heads.

SLIDE 5

SAY: You toss this coin nine times and it comes up heads each time.

ASK: What is the chance it will come up heads again on the 10th toss? (Allow learners a chance to respond.)

SAY: The answer is 50 percent or, again, 1-in-2. (Note: Do not yet explain why; there is a second example of this probability.)

SLIDE 6

SLIDE 7

SLIDE 8

SLIDE 9

SLIDE 10

SAY: On a roulette wheel, there are 18 black spaces, 18 red spaces and two green spaces.

ASK: When you spin the wheel, what is the chance the ball will fall in a black space? (Allow learners a chance to respond.)

SAY: 18-in-38.

ASK: If the last 20 spins all landed on black, what is the chance that it will land on black on the 21st spin?

SAY: 18-in-38.

ASK: What is the chance it will land on red after 20 black spins? SAY: 18-in-38.

ASK: Who can tell us why this happens? (Take any responses.)

EXPLAIN: In a fair game of chance, previous results have absolutely no influence on future results. If you believe anything else other than this fact, "This is not your lucky day." (Note: This tag line will be used in two additional examples.)

Facts About Gambling

Gambling is an acceptable form of entertainment in this country and abroad. There are more than 1,500 legal gambling casinos in the United States and thousands of online opportunities to gamble. Gambling is big business, as anyone who has been to (or seen the commercials for) Las Vegas would know. And there is an increasing availability of casinos near military bases, which can mean increased financial problems from gambling losses. The good news is that of the 60 percent of Americans who gambled last year (whether in a casino, buying a lottery ticket or by other legal means), more than 80 percent of them budgeted for their gambling money. The bad news is that for those who might have a problem with gambling, the average debt tops $63,000, and there are tremendous negative effects not only on your finances but on your personal and professional life, and your mental and physical health.

Gambling and the Military

As you can see, gambling, although an accepted form of social entertainment, is a lot like alcohol use: There are acceptable social levels, a time and a place for it, and if abused it can lead to significant problems in every area of your life. Although there is no specific military directive that says a service member may not gamble, there are rules regarding gambling on ships, general rules on ethics, on correct behavior and on keeping your finances in good order. The Navy cannot prohibit

you from engaging in legal gambling; however, it has high expectations that your behavior will not discredit the service.

When a person joins the military, they take an oath to uphold the Navy's core values of honor, courage and commitment. High moral and ethical standards are set for all service members, as each goes about maintaining mission readiness as an individual and as a member of a command. When gambling becomes a problem, readiness and retention are threatened and negatively affected.

Types of Gamblers

SLIDE 11

Trainer's note: Before reviewing the types of gamblers, tell the learners that you want them to listen to the descriptions and characteristics and think about whether it might describe them and their gambling behavior. Tell them they will soon have a chance to do a quick self-assessment to determine more formally whether they have a gambling problem. Also, remind them that by learning this material, they may put themselves in a position to recognize a problem in a shipmate, friend or loved one and to be able to lend assistance.

There are three types of gamblers that we are going to discuss today: social gamblers, problem gamblers and compulsive gamblers.

Social Gamblers

SLIDE 12

Social gamblers bet for the fun of it, to spend time with family members or friends, to win some money, to show friends the local casino – basically to share a good time. Loss limits are set before gambling, and they will not let gambling interfere with work, family life, financial stability or reputation. They are in control of gambling. Most of us would fall into this category, where if we gamble, we are social gamblers.

Problem Gamblers

SLIDE 13

Problem gamblers may be heavy or frequent gamblers who do not quite meet the criteria for pathological or compulsive gambling. Problem gambling typically is defined as "participation in any form of gambling to the extent that it creates negative consequences to the gambler, their family, place of employment or community." Problem gamblers, although not technically addicts, have a greater risk of becoming gambling addicts. A problem gambler can be any age and gender and from any social, ethnic or economic group. Characteristics of problem gamblers include the following:

Youth: Young people (ages 14 to 22) have a higher rate of problem gambling than the general population.

Undiscriminating: A problem gambler wagers on any form of legal and/or illegal gambling.

Substance abuse problems: If a person has had a problem with substance abuse, they are a higher risk to be a problem or compulsive gambler.

Mental or emotional disorders: People with serious mental or emotional disorders (especially depression) have a higher risk for problem gambling.

Denying, minimizing or rationalizing: Problem gamblers usually deny they have a problem and wait to ask for help until the situation is desperate. A problem gambler also may minimize the problem, acting as though it is no big deal, or try to rationalize their way out of the situation.

Pathological/Compulsive Gamblers

SLIDE 14

Compulsive, or pathological, gamblers suffer from an addiction. These gamblers suffer from a mental health disorder that is the most severe form of a gambling problem. To be diagnosed as a pathological gambler, five or more of the following criteria have to be met:

- The gambler is preoccupied with gambling.
- The gambler wagers with increasing amounts of money to achieve the desired excitement.
- The gambler makes repeated unsuccessful efforts to control, curtail or stop the behavior.
- The gambler experiences restlessness or irritability when attempting to curtail or stop gambling.
- The gambler wagers as a means to escape from problems or to relieve feelings of helplessness, guilt, anxiety or depression.
- The gambler "chases" losses (tries to get the money back by gambling more).
- The gambler lies to their family/therapists/others to conceal the extent of the wagering.
- The gambler commits illegal acts such as forgery, fraud, theft or embezzlement to finance wagering.
- The gambler jeopardizes or loses a significant relationship, job or career opportunity because of gambling.
- The gambler relies on others to provide money to relieve a desperate financial situation.

The Stages of Problem Gambling

SLIDE 15

Every problem gambler is different, and not every problem gambler becomes a compulsive gambler. Mental health experts have identified four typical phases through which a problem gambler may pass: winning, losing, desperation and hopelessness.

Winning: During this phase, the gambling is considered to be a fun and entertaining activity. The gambling may begin to increase, but it is not interfering with the individual's responsibilities. A big win or series of smaller wins may contribute to a person's optimism and belief that they are a talented gambler or have something special that other gamblers do not.

Losing: In this phase, the gambling frequency increases and begins to replace other activities. The amount wagered begins to increase, and the gambler is losing more than winning. A preoccupation with gambling as well as how to finance the gambling begins. The gambler also may begin to hide or downplay the gambling.

Desperation: The gambler will have significant feelings of depression, anxiety and guilt about the gambling. The gambler may pull away from family and friends or blame them for the gambling losses. During this time, the gambler may begin to sell personal or family items, given that other monetary resources have been depleted. The gambler also may engage in illegal acts to fund the gambling.

Hopelessness: Once a problem gambler reaches this phase, there are overwhelming feelings of no escape. A person in this phase experiences such a sense of hopelessness that suicide becomes an option. Also during this phase, the problem gambler may reach out for, or return to, treatment.

ASSESSMENT

The House Edge

Trainer's note: This series of slides is the second of three examples depicting how gambling is a losing proposition. In this series, the subject is the "house edge." Read through the content and practice with the slides so you can present this information in an informative and entertaining manner. Again, the series ends with the "This is not your lucky day" tag line.

SLIDE 16

Before we move on to the self-assessment, here is another aspect of gambling you may not have considered. There are certain facts about gambling that remain true, no matter what you may think. The coin flips and roulette wheel results were an example of such truths. The "house edge" is another fact in gambling.

The "house edge" is the profit built into a gambling activity. By profit, we mean the profit guaranteed to the people running the gambling activity, not the people playing. So, for a state running a lottery, there is a guaranteed profit built into the game, usually about 25 percent (e.g., they pay 75 percent in winnings and keep 25 percent for the state). All games have a built-in "house edge."

Let us look at a simple mathematical example of the "house edge." Assume you have 100 coins, and you play one coin in a slot machine. After playing all 100 coins, one at a time, if the "house edge" is 10 percent, you will have 90 coins left to play.

SLIDE 17

If you run all your coins again, the house will keep another 10 percent of your coins (nine coins), and you will be left with 81 coins.

SLIDE 18

If you run all your coins again, you will end up with about 73 coins.

SLIDE 19

Clearly, if you keep running your coins, you will end up with fewer and fewer as the house keeps its profit. This gradual grinding down of your money is, in fact, called "the grind."

There are a few things you should note about the "house edge." For one thing, it cuts into how much you gamble. You cannot beat the "house edge" – cities like Las Vegas and Atlantic City were built on it. And the "house edge" does not have to be a lot for you to lose, because it counts on your continued gambling so that "the grind" can take effect.

SLIDE 20

Here is another example to reinforce "the grind" concept. If you think that you are going to gamble with $500 and lose only $25 because of a 5 percent "house edge," you would be correct, but only if you bet the whole $500 at once. Casinos count on you making smaller, continuous bets so you give "the grind" a chance to work. If you think you can beat the "house edge," this is not your lucky day!

LEARNER ACTIVITY: *Gambling Awareness*

Time: 10-15 minutes

Preparation: Distribute pens and pencils and the *Gambling Awareness* handout.

Procedure: First, tell the learners that this activity is confidential; they will not be sharing their answers. Ask each person to first read the 20 questions and circle any statement to which they respond "Yes." When they are done, tell them a score of seven or more "Yes" answers may indicate a gambling problem and the need to talk with a professional clinical counselor for further assessment and help.

Next, tell learners that if they are wondering whether someone in their family has a gambling problem and are looking for some answers, suggest learners complete "friends and family" part of the quiz.

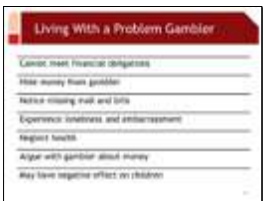
Complete the activity by telling the learners that you will now look a little more at some indicators of a gambling problem.

Signs of a Problem Gambler

SLIDE 21

Problem gamblers often try to blame family members for their gambling, resulting in feelings of guilt and shame. Family members begin to doubt themselves and their judgment. Dishonesty, manipulation and isolation from loved ones are inherent in pathological gambling. The family of a pathological gambler is often left confused and angry about their behavior. Over time, however, there will be signs that gambling has become a problem. The problem gambler may display these behaviors:

- Neglects responsibilities at home or work.
- Believes that gambling will solve financial problems.
- Gambles away money needed for daily necessities.
- Accumulates large gambling debts.
- Promises to cut back on or quit gambling, but with minimal effort.
- Denies anything is wrong.
- Offers seemingly reasonable excuses for unreasonable behavior.



SLIDE 22

If you live with a problem gambler, you have probably experienced one or more of the following:

- You are having problems meeting your financial obligations due to the gambler's debt.
- You begin to hide money, checkbooks and credit cards from the gambler.

- Mail often is missing, because the gambler gets to it first and removes the unpaid bills.
- You may feel lonely, helpless or embarrassed and may withdraw from family and friends.
- You generally neglect your health and have difficulty eating or sleeping.
- Arguments about money, often resulting in verbal and/or physical attacks, become more common.
- The situation may negatively affect your health, as well as the health and behavior of your children.

Indicators at Work

SLIDE 23

It is highly likely that problem gambling will directly or indirectly affect the workplace. Warning signs of a problem gambler in the workplace may include:

- frequently being late for work or absent from work.
- frequent mood swings.
- conflicts with co-workers about unpaid loans.
- requests for advances in pay.
- diminished work quality.
- abuse of phone privileges.
- organizing office betting pools.
- visits to gambling websites.
- reading gambling literature.
- displaying or wearing gambling paraphernalia.
- selling personal or stolen goods at work.
- stealing office equipment or other items to sell elsewhere.
- defrauding clients or embezzling money.
- using business or government credit cards or other government funds to gamble.

So what do we do when we see these indicators? Whether it is your own behavior, a family member's, a friend's or a co-worker's, there are many resources available to help.

RESOURCES AND APPLICATION

Resources

SLIDE 24

Trainer's note: Ask learners to refer to the bottom of the last page of their *Gambling Awareness* handout, where they will find a resource listing. When reviewing gambling resources, also provide any local agencies and contact information when available.

Your gambling resources include the following sources of help:

Fleet and Family Support Center (FFSC): FFSC clinical counselors and financial counselors are available to offer assistance to all active-duty and family members, as well as active Reservists and retirees. Clinical counselors can help with short-term therapy to address your specific needs. Financial counselors can help you develop money management skills, but understand that if you do not take care of the gambling problem first, the money problems will continue, no matter what you try.

TRICARE mental health programs: For assistance through the TRICARE system, you will need to go online to get the contact information for your region. The Web address is included in your handout. The staff will do an assessment and make the proper referrals.

Hotlines: You can obtain 24-hour assistance through various national hotlines, including Gambler's Anonymous, the National Council on Problem Gambling and Military OneSource.

Internet sites: If you would like more information, you can do an Internet search on problem gambling and find easy-to-understand information that will help guide you in dealing with gambling issues.

The main thing to remember is that help is available for any type of gambling problem 24 hours a day, seven days a week, through national hotlines, local Gambler's Anonymous organizations and your FFSC staff. Keep this handout handy, in case you or someone you know needs help.

LEARNER ACTIVITY: *Gambling Case Studies*

Time: Use the remaining class time for this activity.

Materials: *Gambling Case Studies* handouts.

Procedure: There are several options for conducting this activity. The method you choose will depend on the time remaining, the group size and your classroom facilities.

There are four review case studies to be used as time allows. Options for presentation include:

- The facilitator reading the case studies to the whole group and the group responding.
- Printing the case studies on cards and giving them to volunteers to read.
- Providing the case studies to groups for group brainstorming and then debriefing suggestions in a large group format.

Determine your method and distribute materials as necessary for the option you chose. Explain to learners that you will be reviewing what we have learned today by applying it to some small case studies.

Case Study 1: A Co-worker

One of your co-workers seems to come in every Monday with stories about his visits to a casino. He is particularly proud of a big win he had a few months ago and keeps saying he is about due for another. What else might he say or do that would indicate a possible gambling problem?

The answer might include any of the indicators listed in the previous section. Follow-up: What can you do for this person? Provide resources, or talk to his supervisor if there are security or safety risks involved.

Case Study 2: A Spouse

Your wife has not been herself lately, coming to bed later and later and seeming depressed. In doing some unrelated Internet research, you notice the Web browser's history shows multiple visits to online casinos. Because your wife usually handles the household budget, you decide to take a look at your bank account and note that a savings account that had $10,000 three months ago is down to $5. You pull your credit report and see that there are five credit cards in your name that are maxed out for a total of $15,000 in debt. You are shocked and angry but also very concerned for your wife's health. What could you do to help?

Answers might include:

- Seeking help from the various resources for advice on how to talk with her.
- Getting financial counseling.
- Asking her point-blank where the money has gone.
- Removing her from bank and credit card accounts.
- Reminding yourself that she might have an illness and that there is help if she wants it.

If a family member has a gambling problem, you can help them get treatment and offer your support. This does not mean bailing the gambler out of trouble or covering up the problem. It is important to hold problem gamblers responsible for their actions – including the consequences. It is also important to take care of yourself. You have a right to protect yourself emotionally and financially. Do not blame yourself for the gambler's problems. You do not control your family member's behavior; the choice to stop gambling is theirs alone. Take over the family finances, review bank and credit-card statements, pull your credit report, monitor Internet use, be honest about how you are feeling, get counseling for yourself (Gam-Anon for family members), and encourage the gambler to get treatment.

Case Study 3: A Friend

You have a good friend (a civilian) who confides that he has a gambling problem and needs to talk with you about it. He swears you to secrecy. He explains how his gambling habit has resulted in his spending all of his family's money, is causing tremendous tension between him and his pregnant wife, and that he even has become physically ill over what he has done. He explains that he has stopped gambling, but now he does not have money to make his house payment and thinks it could be the last straw for his marriage and maybe even himself. He asks you to lend him $1,500 so he can make his payment and put this issue behind him. What will you do?

Answers might include saying "no" and suggesting he get counseling – marital, mental health and financial. It is not a good idea to lend this person money, given his gambling habit.

Case Study 4: You

Your friends ask you to join them for a day at the racetrack for some fun. One of them mentions he has a lot of experience at the horse races and has a system for betting that will double your money. What do you do?

Answers might include: Go if you want, but set a budget before you go and stick with it. Enjoy yourself, but remember that when your fun money is gone, the gambling is over. Do not make a habit of it. Invite learners to attend a financial class, such as *Developing Your Spending Plan*, so they can learn to budget their money and build wealth.

CONCLUSION

We hope you have learned a few things about gambling and understand that if you are going to gamble, you need to gamble responsibly and be aware of the signs of problem or compulsive gambling. You have completed an assessment today, and if you answered "yes" to seven or more of the questions, talk with someone who can give you professional advice. Even if you never have gambled and never plan to gamble, keep the *Gambling Awareness* handout in case you can help a friend.

Gambling Awareness

SELF-ASSESSMENT:

(Circle "Yes" responses)

1. Have you ever lost time from work because of gambling?
2. Has gambling ever made your home life unhappy?
3. Has gambling affected your reputation?
4. Have you ever felt remorse after gambling?
5. Have you ever gambled to pay debts or otherwise solve financial difficulties?
6. Has gambling caused a decrease in your ambition or efficiency?
7. After losing, have you thought you must return as soon as possible and win back your losses?
8. After a win, have you had a strong urge to return and win more?
9. Have you often gambled until your last dollar is gone?
10. Have you ever borrowed to finance your gambling?
11. Have you ever sold anything to finance gambling?
12. Have you been reluctant to use "gambling money" for normal expenditures?
13. Has gambling made you careless about your own or your family's welfare?
14. Have you ever gambled longer than you planned?
15. Have you ever gambled to escape worry or trouble?
16. Have you ever committed, or considered committing, an illegal act to finance gambling?
17. Has gambling caused you to have difficulty sleeping?
18. Have arguments, disappointments or frustrations created an urge to gamble?
19. Have you ever had an urge to celebrate any good fortune with a few hours of gambling?
20. Have you ever considered self-destruction because of your gambling?

Most compulsive (pathological) gamblers will answer yes to at least seven of these questions. If your answers concern you, seek help from one of the resources in the "Gambling Assistance" list at the end of this handout.

FOR FAMILY AND FRIENDS OF A GAMBLER:

(Circle "Yes" responses)

If you have been wondering whether someone in your family has a gambling problem and are looking for some answers, we suggest you take the following quiz. Some of the questions may seem unrelated to gambling. That's because the clues to gambling problems often are subtle. Some gamblers may exhibit a number of these traits and others only a few. These clues often are unrelated to the severity of the gambling or to how much the gambler is wagering. They will help you realize that you are involved with someone who gambles too much.

1. Are you puzzled because your family is always short of money?
2. Does the person you are wondering about sometimes borrow money to pay ordinary monthly bills, although there has been no known change of income or specific increased expenses?
3. Has anything of personal value disappeared mysteriously?
4. Have you sold anything of personal value to pay the gambler's debts?
5. Is the person secretive about money?
6. Does the person seem to be more reckless about money than other people and not really weigh his or her chances?
7. Have you discovered secret loans?
8. Does the person continue to acquire different credit cards?
9. Has this person ever urgently requested you to co-sign a loan?
10. Do you have any reason to question whether the person has filed an accurate tax return or, for that matter, any tax return?
11. Has there been a change in the way the person handles money? Example: Paying bills late, in part or not at all.
12. Has the person reordered spending priorities? Example: Giving up his or her car and taking public transportation, not buying needed new clothes, neglecting basic home maintenance.
13. Has the person let health or life insurance lapse?
14. Do you have to resort to subterfuge to get money you need from the person? Example: Overestimating some expenses, under-reporting your own income, stealing from the person.
15. Has the person ever been in trouble with the law because of money?
16. Does the person sometimes pay bills far in advance for no apparent reason?
17. Have you noticed that the person avoids certain friends, acquaintances or family members?
18. Do you suspect the person has taken money from you?
19. Does the person use double-talk when you try to discuss spending, income or assets?
20. Has the person dipped into savings, pensions or other assets or reduced or stopped contributions?
21. Is the person seeking new ways to earn extra money? Does he or she already have a second job or work overtime although there are no known additional expenses and you see no evidence of additional earnings?

The following questions relate more directly to a known gambler.

1. Do you often hear the person on the phone buying and selling stock or commodities? Do statements regarding purchases and sales come regularly in the mail?
2. Have you ever lied to someone to hide the financial consequences of the gambling?
3. Are you aware that the wagers have increased?
4. Is the person gambling with greater frequency?
5. Does the person disguise how much is at stake when gambling?
6. Have you ever received lavish gifts – the results of the gambler's winnings?

If you answered more than seven of the first 21 questions with a firm "yes," then something is wrong, and it well may be gambling. In addition, if you answered two of the last six questions with a firm or even tentative "yes," gambling has become a problem.

– Adapted from Linda Berman and Mary-Ellen Siegel, *Behind the 8-Ball: A Recovery Guide for the Families of Gamblers*, Excel Press, Lincoln, Neb., 1998, Pages 65-69

GAMBLING ASSISTANCE

- Fleet and Family Support Center clinical counselors and financial counselors
- TRICARE Military Health Plan Mental-Health Services (www.tricare.mil) (See website for regional toll-free numbers)
- Military OneSource (www.militaryonesource.mil) 1-800-342-9647
- Gamblers Anonymous (www.gamblersanonymous.org) 1-888-424-3577 (directory of local meetings)
- National Council on Problem Gambling (www.ncpgambling.org) 1-800-522-4700 (24-hour hotline)
- Information on Signs, Symptoms and Treatment for Gambling Addiction and Problem Gambling (www.helpguide.org/mental/gambling_addiction.php)

Gambling Case Studies

CASE STUDY 1: A CO-WORKER

One of your co-workers seems to come in every Monday with stories about his visits to a casino. He is particularly proud of a big win he had a few months ago and keeps saying he is about due for another. What else might he say or do that would indicate a possible gambling problem?

CASE STUDY 2: A SPOUSE

Your wife has not been herself lately, coming to bed later and later and seeming depressed. In doing some unrelated Internet research, you notice the web browser's history shows multiple visits to online casinos. Since your wife usually handles the household budget, you decide to take a look at your bank account and note that a savings account that had $10,000 three months ago is down to $5. You pull your credit report and see that there are five credit cards in your name that are maxed out for a total of $15,000 in debt. You are shocked and angry but also very concerned for your wife's health. What could you do to help?

CASE STUDY 3: A FRIEND

You have a good friend (a civilian) who confides in you that he has a gambling problem and needs to talk with you about it. He swears you to secrecy. He explains how his gambling habit has resulted in his spending all of his family's money, is causing tremendous tension between him and his pregnant wife, and that he even has become physically ill over what he has done. He explains that he has stopped gambling, but now he does not have money to make his house payment and thinks it could be the last straw for his marriage and maybe even himself. He asks you to lend him $1,500 so he can make his payment and put this issue behind him. What will you do?

CASE STUDY 4: YOU

Your friends ask you to join them for a day at the racetrack for some fun. One of them mentions he has a lot of experience at the horse races and has a system for betting that will double your money. What do you do?

Home-Buying

Print Course

Print Handouts

COURSE DESCRIPTION

Buying a house is the most significant purchase many people will ever make. This 60-minute course is designed to increase the knowledge and comfort level of first-time home buyers and serve as a refresher for repeat home buyers.

A panel of experts (such as a real estate agent, a mortgage lender and an insurance agent) can facilitate parts of this course. Guest speakers must agree not to solicit for their businesses before they participate in the panel.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to determine whether they are ready to purchase a home, know how to choose a real estate agent and mortgage and be able to negotiate and close on the deal.

Enabling:

- During a mock interview activity, learners will practice interviewing real estate agents.
- Learners will correctly answer 10 fill-in-the-blank questions on contracts, negotiation and closings.

REFERENCES

Department of the Navy. (2005). *SECNAV Instruction 1754.1B: Family Support Programs.* Office of the Secretary of the Navy, Washington, D.C.

Department of the Navy. (2010). *OPNAV Instruction 1740.5B Change Transmittal 2, United States Navy Personal Financial Management (PFM) Education, Training, and Counseling Program.* Chief of Naval Operations, Washington, D.C.

Department of the Navy. (2009). *Command Financial Specialist Training Manual*. Commander, Navy Installations Command, Washington, D.C.

"Buying a Home." *U.S. Department of Housing and Urban Development.* N.p., n.d. Web. Sept. 22, 2014. http://portal.hud.gov/hudportal/HUD?src=/topics/buying_a_home

Useful Websites

www.ambest.com (A.M. Best Co. for insurance ratings and analysis)

www.ashi.org (American Society of Home Inspectors certified home inspector locator)

www.annualcreditreport.com (Free annual credit report from the three major agencies)

www.bankrate.com (Bankrate, for comparison shopping of rates)

www.consumerfinance.gov/ (Consumer Financial Protection Bureau)

www.responsiblelending.org (Center for Responsible Lending)

www.federalreserve.gov (Federal Reserve System)

www.freddiemac.com (Freddie Mac home-buying information and education)

www.fsbo.com (For Sale by Owner website)

www.benefits.va.gov/homeloans/ (U.S. Department of Veterans Affairs Home Loan Program)

http://portal.hud.gov/hudportal/HUD (U.S. Department of Housing and Urban Development)

www.militarybyowner.com (Military By Owner real estate network for sales and rentals near military installations)

www.mls.com (Multiple Listing Service for real estate)

www.realtor.com (National Association of Realtors)

www.zillow.com (Zillow website for estimating home values)

COURSE PREPARATION

Handouts:

- *10 Important Questions To Ask Your Home Inspector*
- *Checklist for Financing Your Purchase*
- *Checklist for Your House Hunt*
- *Closing the Deal*

- *Figuring Your Monthly Payment*
- *Financial Planning Worksheet*
- *Home-buying Debt-to-income Ratio*
- *Interviewing Agents*
- *Mortgage Loan Types*
- *Mortgage Shopping Worksheet*
- *Requesting a Quote for Homeowners Insurance*

Materials (vary depending on activities chosen):

- Chart paper or whiteboard
- Pens, pencils, paper
- Internet access (optional)
- Markers
- *Home-buying* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

Practice Interview: A mock-interview activity for learners to practice interviewing real estate agents.

Closing the Deal: A quiz activity in which learners test their comprehension of contracts, negotiation and closings.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Topic Overview
    b. Agenda
    c. Are You Ready to Buy?
        i. Renting vs. Buying
        ii. Choosing Your Home
        iii. Choosing Your Location
2. What Can You Afford? (10 minutes)
    a. Calculate Your Budget

   b. Debt-to-Income Ratio
   c. Creditworthiness
   d. Down Payments
3. Lenders and Loans (15 minutes)
   a. Choosing a Lender
   b. Choosing a Mortgage Loan
   c. Borrower Beware
   d. The Mortgage Application Process
4. Selecting a Real Estate Agent (10 minutes)
   a. Real Estate Professionals
   b. Interviewing Agents
   c. Learner Activity: *Practice Interview*
   d. Can You Do It Yourself?
   e. Beginning the Search
5. Negotiating the Deal (5 minutes)
   a. Property Values
   b. Home Inspection
6. The Closing (10 minutes)
   a. Closing Costs
   b. Prepaid Costs
   c. The Closing
   d. Reducing Payback Time
   e. Learner Activity: *Closing the Deal*
7. Homeowners Insurance (5 minutes)
   a. Minimal Coverage
   b. Additional Coverage
   c. Reducing Premium Costs
8. Summary (5 minutes)

SLIDE 1

CONTENT MATERIAL

WELCOME AND INTRODUCTION

A home is one of the most complicated and expensive purchases you will ever make. Getting the best deal on the purchase can reduce life-of-the-loan costs by

thousands of dollars. This course will provide information to help you determine whether the time is right to purchase a home and better equip you to negotiate the financial pitfalls you may encounter during the home-purchase process.

Agenda

SLIDE 2

Some of the topics this course will cover include:

- Choosing a home
- Determining what you can afford
- Choosing a lender and loan
- Selecting a real estate agent
- Negotiating and closing the deal

Are You Ready to Buy?

SLIDE 3

Buying a home is a big decision. You may be unsure whether it is the best choice for you at this time. Even if you have the funds to buy a home, it may not be the right time or the right place. If you are looking to purchase a home and you are not sure how long you will be in an area, consider the risks associated for short-term home ownership, which include losing money or having to find renters to cover your mortgage payments. The bottom line is, a home is an expensive purchase. You should put a lot of thought into when and where the right opportunity will be, so that you will have the home you want and it will be one that provides a return on your investment.

Renting vs. Buying

> ***Trainer's note:*** Engage the learners by eliciting pros and cons from them on renting versus. buying.

SLIDE 4

To evaluate whether renting or buying is the best option for you and your family, consider some of the pros and cons of each choice.

Renting may be a better choice if ...

- You move a lot. Unless you live in one place at least a few years, you may lose money when selling your home. Or, you may be unable to sell and end up renting your home to cover the mortgage. Not all homeowners want to be landlords.

- You are unfamiliar with the area. Before taking the plunge and buying a home, you may want to identify a neighborhood and rent there first to determine its long-term desirability.
- You do not have enough money saved to cover the down payment and initial costs involved in purchasing a home.
- You do not care to commit the time, effort and expense of maintaining a home. A home is an expensive purchase and requires maintenance and upkeep to protect your investment.
- You prefer more fixed expenses. There are many variable, unplanned expenses when you own a home.
- You do not want to lose any equity (you will not gain any, either).
- You do not mind living in an impersonal dwelling. When renting, you often take the dwelling as is, and the landlord may not be willing to let you paint or change anything.
- You do not need or want the tax advantages that come with owning a home.

SLIDE 5

Buying may be better if ...

- You want your equity to grow. If you are moving to an area that enjoys high appreciation in the value of residential property, your equity can grow and offset the costs of selling should you be transferred.
- You are ready for stability and a sense of community.
- You do not mind the possibility of becoming a landlord.
- You have the money for the large initial investment involved in buying a home.
- You like to personalize your home.

Choosing Your Home

SLIDE 6

Your goals might seem obvious – your growing family needs a larger home or you need a place to live. Once you have made the decision to buy, you need to determine what type of house you want to purchase.

- Do you want a condominium, a duplex or a single-family home?
- Do you desire an older home or new construction?
- Do you prefer a ranch or two-story home?

- How large a home do you need or want: 1,500 square feet, 3,000 square feet, more or less?
- How many bedrooms do you need, and how many do you want?
- Do you want a big backyard or no lawn to mow?

Sit down with your family and talk about your dream house. Make a list. Try to balance your needs and wants. Start by thinking about your present home and identify the features that are necessary, those you really like and those you would like to have if it fits into your budget for your new home. Highlight the items that are absolute necessities, such as adequate square footage, bedrooms and bathrooms to accommodate your family. These are the needs that your prospective home must have. Next, prioritize the remaining items on your list based on how important they are to you. Keep in mind that few people will find everything on their list in a home that actually fits into their budget.

Choosing Your Location

SLIDE 7

Location is often the most important consideration in purchasing a home. Be sure to do your research and survey prospective neighborhoods. Get to know various areas by selecting several homes from real estate listings and ads and make a day of visiting them. The goal is not to find the house but to narrow your search to the most desirable neighborhood. Check out the amenities and services available in each neighborhood.

There are many factors that go into determining the perfect location for a home. These include:

The commute: Many people have strong feelings about the distance they drive from home to work. This defines the areas where they are willing to look for a home. Do you have a car or do you plan to use public transportation?

Schools: Do you have school-age children? Contact the local school administration or go online to determine which schools can meet your child's academic, athletic or special needs. If you do not have children, still consider the local school system, because that will affect the resale value of the home.

Safety: Contact the local police department to get crime statistics for different neighborhoods.

Neighborhood: Do you prefer the city, a suburb or the country? How close do you want your neighbors to be?

Services: How close are schools, libraries, parks, shopping, highways, hospitals, fire stations and other services? Is child care easily available?

And remember that it is much easier to fix up a house than a neighborhood.

Once you find a couple of areas that you like, you should check the price range of available homes in those neighborhoods. You can research home costs and values through many different websites. Here are some places to start doing your own research. A real estate agent can also help you narrow down location and neighborhoods based on your budget and needs.

Zillow.com: www.zillow.com

Realtor.com: www.realtor.com/homevalues?source=web

MLS.com: www.mls.com

WHAT CAN YOU AFFORD?

SLIDE 8

You may have decided to buy a house and determined your needs. But before you start looking for your new home, you have to make sure your finances are in order and that you can afford to buy. It may be the right time and the perfect place to buy a home, but if you cannot afford the mortgage payments, it may not be an option. Before you start shopping for your dream home, figure out how much you can afford by calculating a budget, determining your creditworthiness and factoring in how much money you will need to set aside for a down payment and to cover the other costs associated with the purchase.

Calculate Your Budget

Trainer's note: Distribute the *Financial Planning Worksheet* and *Figuring Your Monthly Payment* handouts.

SLIDE 9

If you do not already keep track of your income and expenses with some type of written budget, then your first step should be to take a long, accurate look at your family's income and expenses. How can you know how much you can afford if you do not know how much you spend? You can use the *Financial Planning Worksheet* to construct your budget. If you need help, make an appointment with your Command Financial Specialist (CFS) or Fleet and Family Support Center (FFSC) financial counselor. Even if you have a working budget, you may make an appointment with your CFS or FFSC financial counselor to review your budget

before making such a large purchase. You may also want to attend the *Developing Your Spending Plan* course at your local FFSC.

Use information from your budget to determine the price limits for your home search. Considering homes that are beyond a comfortable price limit will only result in frustration and wasted effort. The upper limit of your price range is the mortgage loan amount for which you qualify. However, keep one thing in mind: You may not want to purchase a home whose price is at your upper limit. Some people refer to that as being "house rich and cash poor." Make an honest assessment of your lifestyle. There may be other things you like to do rather than put most of your budget into mortgage payments and maintenance. You can use the *Figuring Your Monthly Payment* handout to determine what the monthly payment would be for any loan amount, or use an online calculator to help you crunch the numbers. Be advised that your mortgage payment will include the principal, interest, taxes and insurance (PITI).

Also take a look at how much money you currently have in savings. You should have adequate funds set aside, before buying a home, not only to cover the costs of the purchase but to also pay for incidentals, repairs, improvements and emergencies after you move in.

Debt-to-Income Ratio

Trainer's note: If time allows, you can complete the *Calculating Your Home-buying Debt-to-income Ratio* handouts in class. Otherwise, distribute the handouts and provide brief instructions on how learners can complete the handout at home.

SLIDE 10

Many lenders use a 28/36 qualifying ratio. This means that your mortgage payment (PITI plus any homeowners dues) should not exceed 28 percent of your gross monthly income. All monthly debt obligations, including your mortgage payment and other recurring debt, should not exceed 36 percent of your gross monthly income. The Department of Veterans Affairs and many other lenders will allow a higher monthly debt-to-income ratio than you may find comfortable, as high as 29/41. With these ratios, you can determine whether you are financially ready to take on a mortgage payment, or whether you need to pay down some of your other recurring debt first.

SLIDE 11

Creditworthiness

Before applying for a mortgage loan, obtain a copy of your credit report. You get one free credit report a year from all three credit reporting agencies by going to

www.annualcreditreport.com. Your credit report is a detailed account of your credit history, including accounts, usage and payment history and any judgments, tax liens, bankruptcies or similar matters of public record entered against you. These factors can determine your overall creditworthiness.

You will also want to know your current credit score. Credit scoring is a system creditors use to help determine whether to extend credit to you and how much to charge you for it. Depending on the model used, credit scores usually range from 300 to 850. The higher your score, the less risk a lender believes you will be and the less you will have to pay for credit.

Lenders base mortgage loan decisions on both your credit score and their own professional judgment of your ability to repay. Their judgment may be based on the application you fill out, which will list income, expenses and assets, your credit report and possibly a personal interview. Lenders will also look at other factors, such as specific employment history and the type of credit you are seeking. From a lender's perspective, the ideal customer will have a high credit score, a low level of recurring debt, a long history of on-time payments, steady and reliable employment and sufficient assets, such as savings and investments.

Down Payments

SLIDE 12

Another factor that influences financing is a down payment, or the money you agree to pay toward the price of the home at the time of purchase. Your down payment will probably affect your price range because the loan amount is based on the purchase price minus the down payment.

These are the typical down payment requirements for various loans:

Conventional: 20 percent of the loan amount, with a minimum requirement of 5 to 10 percent. Conventional loans are not guaranteed or insured by the federal government.

Federal Housing Administration (FHA):

- 3 to 5 percent
- Available in all 50 states
- Government insured

Veterans Affairs (VA):

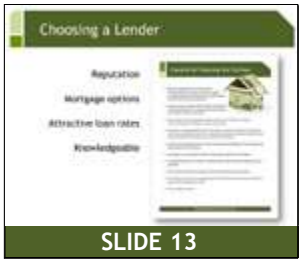
- No down payment required
- Loan amounts are generally higher than FHA

- Both FHA and VA maximum loan amounts change periodically
- Guaranteed by the Department of Veterans Affairs

LENDERS AND LOANS

Trainer's note: Distribute the *Checklist for Financing Your Purchase* and the *Mortgage Shopping Worksheet* handouts. Refer to them as the topics arise in this part of the course.

Choosing a Lender



SLIDE 13

Finding a reputable lender with a variety of mortgages and attractive loan rates is important. Friends and co-workers can be an excellent source for finding a lender you are comfortable with. Your real estate agent will also make recommendations. Use a lender that offers several options, is knowledgeable about those options and takes the time to explain them to you.

The *Checklist for Financing Your Purchase* handout has the typical steps involved in obtaining a mortgage, including a list of documents to bring with you when you visit a lender. The *Mortgage Shopping Worksheet* provides an extensive list of variables you can use to compare loans and lenders.

SLIDE 14

When comparing loans, pay special attention to:

Annual percentage rate (APR): The total interest rate of a mortgage, including the stated loan interest as well as any up-front interest paid in starting the loan.

Discount points: A discount point is 1 percent of the loan amount, paid at closing; the lower the interest rate, the higher the number of points. Go for the lowest APR possible. Not only will a low interest rate save you money, it is an attractive feature when it comes time for you to sell. Be sure you will own the house long enough to recover the cost of the points. In your offer to purchase, ask the seller to pay most of the points. If the seller will not pay points, the lender will allow you to fold the points into the loan (i.e., offer the seller a higher selling price, which includes the amount of the points). This allows you to finance the points, which adds to the tax-deductible amount of interest you pay.

Loan-origination fee: A loan-origination fee is imposed by the lender for processing the loan and is payable at closing. The loan-origination fee is generally about 1 percent of the loan amount and is applied toward the lender's cost of making the loan. The buyer usually pays it. You may negotiate the payment of points and loan-origination fees with the lender. In a hot buyers' market, many sellers will pay all or some of these closing costs.

Lock-in options: Lenders may offer different options to lock in the interest rate at the time you apply for the mortgage. Lenders usually honor guaranteed lock-in rates for a specific time, such as 45 or 60 days or more. If you close the transaction within that period, the lender guarantees to provide the interest rate you locked in, regardless of whether the rates rise or fall during the interim. Be sure to get a written lock-in agreement if you choose to lock in your rate. If rates are anticipated to fall before you close on the loan, you may prefer to let the interest rate and points "float," to give them time to go down.

Choosing a Mortgage Loan

Trainer's note: Distribute the *Mortgage Loan Types* handout and suggest that learners follow along on the handout during this section, because there is a lot of information to cover. If time is short, go over only the main loan types, referring learners to the description on the handouts for the remaining ones.

SLIDE 15

There are many types of loans to choose from. A bank or credit union, and many educational and mortgage websites, can help you determine the best type of loan for you. Mortgage calculators can help you determine how much loan you can afford, what your monthly payments will be and can evaluate the different types of loans available.

Common loan types include:

Fixed rate: These are the most popular loans because they offer stable, consistent payments throughout the life of the loan. The most common is the 30-year fixed rate. Other options are the 15-year (save half the interest over a 30-year loan), the 20-year (save thousands of dollars of interest over a 30-year loan), and a 40-year (reduces the payment below a 30-year but adds three times the loan amount in interest).

Adjustable rate: These loans have a variable interest rate that fluctuates according to the financial index they are tied to and the type of adjustable-rate mortgage obtained. Some features that make them attractive, even when the fixed interest rate is low, include:

- The first-year rate (teaser rate) is usually one or two points below the market rate.
- The interest rate is capped. It can rise only five or six points, depending on whether it is an FHA or conventional loan, over the life of the loan.
- The increase in interest rate is limited to one or two points a year, depending on type of loan.

- Can save you money if you are looking at a short-term investment. These loans are best for home buyers who stay in a home no more than five to seven years.

FHA: Government-backed Federal Housing Administration loans are designed for first-time or lower-income home buyers. The interest rate is usually less than the rate for a conventional loan. FHA loans are available as fixed-rate and adjustable-rate mortgages. The down payment is 3 to 5 percent of the loan amount. There are limits to the maximum loan amount.

VA: These loans are available to veterans of the U.S. Armed Forces and backed by the Department of Veterans Affairs. Have your lender check the current VA funding fee. No down payment is required. The seller must pay points. If the seller is reluctant to pay points, the buyer can increase the offering price to include the cost of points. Congress controls the maximum loan amounts. Multiple VA loans are available at the same time up to the maximum limits established by the VA. Check with your lender or the VA website for current maximums. You may want to explore other mortgage loan options rather than use your VA entitlement. If you have to sell and a buyer comes along who wants to assume your mortgage, your VA entitlement will be unavailable to you until that mortgage is cleared by a home sale with a substitution of a new mortgage or your entitlement is restored by release from the previous mortgage by the VA.

Assumptions: Consider assuming the seller's existing loan and interest rate if the rate on the assumable loan is lower than the prevailing rate for a new loan. By assuming a loan, you take responsibility for paying the mortgage owed by the seller.

Buy-down: If you cannot afford the prevailing interest rate, consider a buy-down mortgage. The buyer can pay extra points to buy down the mortgage for the first few years. For example, a 3-2-1 buy-down with a prevailing rate of 7 percent means that the first year you would pay 4 percent, the second year 5 percent, the third year 6 percent, and then in the fourth and remaining years the interest rate would be 7 percent. Note that buy-downs are common among new construction and first-time home buyers.

Step loans: These combine the stability of a fixed-rate loan with the lower rates of an ARM. There are two options: 5/25 and 7/23: The interest rate is fixed for the first five or seven years, and then the loan adjusts once into a one-year ARM or a fixed-rate loan. Step loans offer lower interest than the prevailing rate for 30-year fixed-rate mortgages.

Balloon loans: Interest paid during the term of the loan does not fully pay off the mortgage. At the end of the loan term, the homeowner must pay the remaining principal in one lump sum. Balloon loans usually have lower interest rates than fixed-rate loans. Balloon loans are most useful to home buyers who stay in home no more than the term of the loan but typically are not a good choice for a first-time home buyer.

Seller financing: The seller takes on the role of lender and gives the buyer a loan to purchase the property. Generally, the seller owns the property outright and can finance the entire purchase or has significant equity and can "carry back" a second mortgage, which can be used to finance the buyer's down payment. The best bets for seller financing are elderly homeowners who do not need the cash from the sale of their home to finance their next home. The advantage for buyers is they get the prevailing interest rate or a better rate without paying points or fees. The advantage for sellers is they get a higher return on their money from the sale and receive a monthly stream of income.

State veterans program: Many states offer veterans benefits. These benefits may include educational grants and scholarships, special exemptions or discounts on fees and taxes, home loans, veteran's homes, free hunting and fishing privileges, and more. Each state manages its own benefit programs. Be sure to take advantage of the benefits you have earned by linking to your state department of veterans affairs.

Borrower Beware

SLIDE 16

The following practices and terms fall under the predatory lending category. Protect yourself by being aware of and avoiding these practices.

Interest-only mortgage: An interest-only mortgage allows you to pay only the interest for a specified number of years. Since there is no payment on the loan principal, a borrower who takes this type of loan is depending on the housing market to increase the value of the home. Most interest-only mortgages have adjustable interest rates, which means the interest rate and monthly payment will change over the term of the loan. The interest-only mortgage payment period is typically between three and 10 years. After that, your monthly payment will increase even if interest rates stay the same, because you must pay back the principal as well as the interest.

80/20 mortgages: An 80/20 mortgage is essentially two mortgage loans that equal the total amount of the purchase price, with the first mortgage being 80

percent and the second mortgage covering the remaining 20 percent. The first is typically at the going rate for a conventional mortgage, the second is usually significantly higher.

Subprime lending: Subprime lending, also called "B-Paper," "near-prime" or "second chance" lending, is a general term that refers to the practice of making loans to borrowers who do not qualify for market interest rates because of problems with their credit history. Because subprime borrowers are considered at higher risk to default, subprime loans typically have less-favorable terms than their traditional counterparts. These terms may include higher interest rates, regular fees or an up-front charge.

You can learn more about these loan products and how to avoid them at the Center for Responsible Lending (www.responsiblelending.org).

The Mortgage Application Process

SLIDE 17

Pre-qualification

Pre-qualifying is an informal way to see how much you may be able to borrow. You can be pre-qualified over the phone or online with no paperwork by providing information about your income, your debts and how large a down payment you can afford. This helps you arrive at an estimate of the amount you may have available to spend on a house, without any obligation. Prequalifying helps you figure your budget and the type of loan that would work best, but it is not a guarantee that you will qualify for that loan.

Pre-approval

Pre-approval, however, is different from pre-qualifying. Pre-approval is a lender's actual commitment to lend to you. It involves assembling the financial records and going through a preliminary approval process. Pre-approval gives you a definite idea of what you can afford and shows sellers you are serious about buying. Sellers like pre-approved buyers, because they know these buyers can get the money to purchase their house. This can work in your favor by putting you in a better negotiating position.

Formal Application

If a buyer is not pre-approved when the offer to purchase is accepted by the seller, the buyer is expected to formally apply for financing within three to five days. If you have already pre-qualified, application time is minimal. If you have

been pre-approved, then processing of your loan begins when the purchase offer is accepted.

Processing Time

Loan processing times vary greatly depending on the type of loan, the lender and the complexity of your financial situation. In some situations, processing can be sped up depending on successful completion of a title search, home inspection, termite inspection, well inspection, etc. Talk to your mortgage lender about processing times so you will know what to expect.

SELECTING A REAL ESTATE AGENT

SLIDE 18

The importance of choosing a real estate agent cannot be overemphasized. Agents should be interviewed, just like a job applicant. If you are about to pay someone 6 percent of the value of your home, you want to make sure you get a good agent for the money spent.

A good real estate agent can save you time, effort and money in the purchase of your new home. Real estate agents can:

- target suitable neighborhoods.
- provide listings of available homes that fall within your budget and meet your needs.
- compare the cost per square foot of nearby homes that have recently sold.
- help assess your financial situation.
- manage the details of your purchase.

SLIDE 19

Professionals associated with real estate include:

Agent: Agent is the generic name for any licensed real estate professional (e.g., broker, Realtor).

Buyer's agent: A buyer's agent helps the buyer find the house, terms and conditions that will be most favorable to the buyer. The relationship is defined in a contract. Buyer's agents usually split part of their commissions with their brokers or may charge a fee for services.

Principal broker: A principal broker is a self-employed individual who is licensed to operate a real estate office. He or she may work independently or hire other agents. All real estate professionals must work under a principal broker's license.

Realtor: A Realtor is a member of the National Association of Realtors, a state Realtor's association and a local Board of Realtors. Realtors are bound by the Realtor's Code of Ethics.

Listing agents: Listing agents sign up the home seller with a broker and "list" the home with the Multiple Listing Service (MLS). As a buyer, you may never meet the listing agent. When the house sells, both the listing agent and the selling agent split part of their commission with their respective brokers.

Selling agents: A selling agent usually learns about the for-sale house through the MLS and then finds the buyer. This agent works with the buyer but legally represents the seller and must get the best possible deal for the seller.

Interviewing Agents

Trainer's note: Distribute the *Interviewing Agents* handout to learners.

SLIDE 20

Ask friends and co-workers for a personal recommendation for a real estate agent. It is still the best way to find a good agent. If you cannot get a personal recommendation, look for agents and companies that have the most signs in the neighborhoods you like. However, keep in mind that the agent with the most for-sale signs in the neighborhood may not be the best to work with buyers. Ask the managing broker to pair you with an agent who works with buyers. Look for solid credentials. Find someone who listens well and can translate your wishes into homes and neighborhoods you like.

No matter what kind of agent you use, take the time to find one you are comfortable working with. The *Interviewing Agents* handout lists information you should get from an agent before agreeing to work with them.

Once you have decided upon an agent:

- Arrange a meeting with the agent and your family to discuss house-hunting goals. The more the agent knows about your family, the more effective the home search.
- Review positive features of your previous homes.
- Discuss areas you have visited and ask for recommended neighborhoods you have not seen yet.
- Have the agent recheck your loan qualifications or pre-approval. Armed with this information, the agent will arrange appointments for you to see homes in your price range.

Do not be pressured to choose a neighborhood or a house that does not suit you after visiting only four or so prospective properties. Your agent works for you and should respect your wishes, needs and desires.

LEARNER ACTIVITY: *Practice Interview*

Time: 5 minutes

Materials: *Interviewing Agents* handout

Procedure: After reviewing the information in this section, give learners the chance to practice. Ask learners to turn to their neighbor and ask some of the questions on the handout. Allow a few minutes for the interview and, if time permits, have the couples switch roles. After five minutes, stop the interviews and ask learners how the exercise worked for them. Explain that practicing will help them make better choices when they choose their real estate agent.

Can You Do It Yourself?

SLIDE 21

Many people prefer not to use a real estate agent to help them buy a home. The Internet is a helpful resource. Also, networking with family and friends can help you find the right home for sale. Other sources include:

FSBO: This abbreviation stands for "for sale by owner." These homes can be excellent buys but are more difficult to find because they may not be listed in the MLS or shown by agents unless the seller contracts for this service. They are usually advertised in the newspaper or online (check www.fsbo.com, www.craigslist.com and www.militarybyowner.com for starters). If you have found a house you wish to buy directly from its owner, you should seek the help of an attorney who specializes in real estate transactions. The downside to FSBO transactions can be that sellers may have an inflated idea of what their property is worth. You should do some research on homes sold in the surrounding area to compare prices.

Rent to own: Many rental properties give the option of purchasing the home and will even apply rent payments to the purchase price.

Foreclosures: Foreclosures can be great bargains, but remember that most foreclosures are sold in an "as is" condition and may require extensive work and repair. Look in the newspaper for houses for sale by the Department of Veterans Affairs (VA), Department of Housing and Urban Development (HUD), Federal Housing Administration (FHA), Federal Deposit Insurance Corporation (FDIC) and other government agencies. Some local lenders may have foreclosed properties for

sale. These are called real estate owned (REO). Some come with excellent terms; others are sold at public auctions and require cash payment or a letter of credit. Many foreclosures need repairs ranging from cosmetic to structural. Ask your local agent for lists and acquisition information.

Multiple Listing Service (MLS): Most real estate sales are listed in an Internet-based system called the Multiple Listing Service. The MLS is accessible to anyone at www.mls.com.

Beginning the Search

Trainer's note: Distribute the *Checklist for Your House Hunt* handout. If time is short, review this handout as an alternative way of covering the material in this section.

The *Checklist for Your House Hunt* handout will help you evaluate features you like, and dislike, in a home. It can also help you develop your needs and wants list.

Make a copy for each home you consider. A Realtor will likely generate computerized listings for you from the MLS; attach them to the back of the checklist. Some of the items on the checklist may be duplicated in a Realtor-provided printout. If possible, take pictures of the homes you are looking at and attach them to the checklist as well.

To highlight a few areas of the checklist:

Price per square foot: When comparing homes, it is important to know the price per square foot of each, especially if you are unfamiliar with local property values. To find the price per square foot, divide the home's asking price by its square footage. For example, a 2,000-square-foot home listed at $125,000 has a price per square foot of $62.50. Because of potential legal liability, some agents prefer not to disclose a home's estimated square footage. Others simple do not have this information. If your real estate agent does not provide these figures, get them from your local tax assessment agency or the home's builder. Price per square foot can serve as an objective benchmark to help you establish a home's value relative to other similar-sized homes in the area.

Unique features: You also should consider any unique features, which may affect the cost of insuring the home. Older homes and those built on a slope, for instance, may cost more to insure.

Builder reputation: Research the reputation of a home's builder. Start with the state consumer protection agency or the state attorney general. You can also go

to the Better Business Bureau website (www.bbb.org) and look at a report on the homebuilder.

Utility costs: Examine the previous owner's utility bills to get a sense of routine costs. Rural homes usually have a septic system and a well. Ask to see copies of the percolation (perc) test made before the septic system was built. It will show whether the drainage on the property is adequate to handle waste disposal. Also ask to see reports certifying the quality of the home's well water.

Home warranty: Ask the seller to provide a home buyers warranty. They can be purchased for as little as $300 to $600 annually to cover major repairs such as the appliances, heating, plumbing, etc. The cost can be reflected in the purchase price of the house.

NEGOTIATING THE DEAL

Property Values

SLIDE 23

A list of comparable sales during the last six months is important to determine property values. Ask your agent for a list of "comps," which shows the price and square footage of neighborhood homes that have sold recently. Besides the comps, there are intangibles that go into determining the asking price, including the market (buyer's market or seller's market), location and the buyers' emotional attachment to the home. If you plan to buy a home without the assistance of an agent (or, if you are looking for preliminary information), there are sources of information available online through your state and local offices of property taxation and from home value websites such as Zillow.com, Realtor.com, and MLS.com.

Use property value information to highlight or eliminate certain neighborhoods. If your budget limits you to $200,000, for example, it really makes no sense to concentrate on (and perhaps fall in love with) a neighborhood where the average sale prices are in the $300,000 range. It is far better to focus on those areas where the average sale prices are well within your budget range, looking for a neighborhood that will give you the best value for your money.

SLIDE 24

When you find the home you want, the next step is to present an offer to purchase contract. After you make an offer, the seller may accept it, reject it or make a counteroffer. If a counteroffer is made, and they are quite common, you may accept it, reject it or make another counteroffer. This process continues until both parties agree or until one refuses to negotiate further. Be certain to put everything in writing.

- Set your price.
- List the personal property you may wish to have included, such as the refrigerator, washer and dryer, curtains, dining room ceiling fan, etc.
- List the needed repairs that you want the current owner to complete.
- List any contingencies, or circumstances, that must be met for you to go through with the sale, such as selling your current house, getting financing, a satisfactory home inspection, etc.

You may be asked to put down an earnest-money deposit, which, although not required, shows your good faith while negotiating. The amount of the deposit may vary. It can be as little as $500 or as much as 10 percent of the sale price. If you cancel the contract, the earnest-money deposit is usually forfeited to the seller; therefore, try to limit the amount of the deposit. Earnest money is applied to the total purchase price of the home.

Home Inspection

Trainer's note: Distribute the *10 Important Questions to Ask Your Home Inspector* handout and review the questions with learners.

SLIDE 25

Many home purchasers, either in the desire to save the $300 to $500 that a good inspection costs or due to simple ignorance, have spent enormous sums of money repairing items that any good home inspector would have pointed out. Any purchase offer you make should be contingent upon (subject to) a whole-house inspection with a satisfactory report. Do not let anyone – not the agent, not your family or friends, and especially not the seller – dissuade you from having the property thoroughly inspected! A professional inspection can give you an escape hatch from a contract on a defective house. If the contract is written contingent on an acceptable inspection, any defects in the home must be repaired or monetarily compensated for. If you are not satisfied, you have the option to cancel the contract.

Inspections are designed to disclose defects in the property that could materially affect its safety, livability or resale value. They are not designed to disclose cosmetic deficiencies (for example, an interior wall that needs repainting). You will need to determine on your own those types of items that will need attention: Do not expect a whole-house inspection to reveal them to you. You can find certified home inspectors by visiting www.ASHI.org. The *10 Important Questions to Ask Your Home Inspector* handout will guide you through the selection process.

THE CLOSING

Closing Costs

SLIDE 26

Closing costs are fees paid to complete the mortgage loan. They usually total approximately 2 to 5 percent of the loan amount and may be paid by the buyer or seller.

Examples of one-time types of closing costs include:

Appraisal: An estimate of current value of a home.

Attorney's or title company's fee: The buyer usually pays the fees.

Credit report: Furnishes lenders with information about the buyer's current indebtedness and payment history.

Escrow company: Acts as a third party to both buyer and seller, handles the paperwork and collects and distributes the various financial transactions, such as prepaids, real estate commissions and down payments.

Home inspection: An independent, professional inspection of the property and its electrical, plumbing, heating and cooling, and kitchen systems.

Home warranty programs: Offers first-year protection from a breakdown of many household systems, including plumbing, water heater, disposal, heating and cooling, and appliances.

Loan origination fee: A fee charged by the lender for making the loan; varies from zero to 2 percent.

Pest inspection: Separate from the home inspection; mortgage companies, particularly for VA loans, require a pest and water damage inspection.

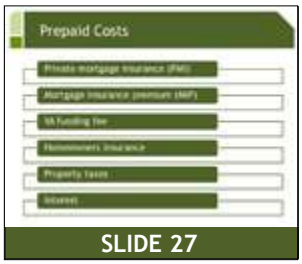
Recording fee: The cost to record your deed and your mortgage with the city or county in which the home is located.

Survey: The measurement of the property by licensed engineers or surveyors to determine its area and attest to its boundaries.

Title search and insurance: Researches the records and ensures that the property's title is free from any encumbrances and that the property will transfer with a clear title. The insurance protects the mortgage company (required) and the buyer (optional) against any claims on the property not found during the title search.

In a buyer's market, the buyer can ask the seller in the offer to purchase contract to pay for all or a portion of the closing costs.

Prepaid Costs



SLIDE 27

At closing, the buyer will pay a number of recurring costs up front, with the money placed in escrow with the mortgage company and drawn when needed. Various prepaid costs are as follows:

Private mortgage insurance (PMI): Protects the lender against default on the loan. This can be a lump-sum payment, a monthly payment added to the mortgage payment or a higher interest rate. Example: $200,000 purchase price, 10 percent down ($20,000), $180,000 loan amount, monthly PMI = .0052 x loan amount divided by 12 months = $78/month added to mortgage payment. PMI can be avoided by putting 20 percent down on the home purchase.

Mortgage insurance premium (MIP): FHA requires a mortgage insurance premium for its home-buying programs. An up-front premium of 1.75 percent of the loan amount is paid at closing and can be financed into the mortgage amount. In addition, there is an annual premium, which varies based on the length of the loan, the amount borrowed and the initial loan-to-value (LTV) ratio. Condominiums do not require upfront MIP, only a monthly MIP.

VA funding fee: For the VA to guarantee the home loan, there is a closing cost assessed by the VA to originate the loan. This is called a funding fee. This fee will vary, depending upon the type of VA loan, the down payment, whether this is your first time to use your entitlement, whether you are a disabled veteran, and whether you served active duty or in the National Guard or Reserve.

Homeowners insurance: A total of 14 months' premium payments are collected, 12 of which are used to pay the first year's policy premium. The extra two months are collected and placed in escrow account from which future premium payments are made.

Property taxes: Prorated buyer's first month's share of taxes and additional months of payments are placed in escrow from which future tax payments are made.

Interest: The buyer pays a prorated share of the first month's interest due on the loan amount, depending on the closing date.

The Closing

SLIDE 28

Closing is the final step in transferring home ownership from the seller to the buyer. It usually takes place at a lender's office, an escrow company, a title company or an attorney's office. It occurs when all of the promises in the purchase contract are fulfilled, the loan documents are prepared and the loan is finalized. Take possession, collect all keys and change all locks. Request these from the seller:

- Operating instructions for appliances and heating and cooling systems.
- Names of contractors.
- Paint colors.
- Locations of utility shutoffs.
- Security system combinations, if applicable.

While rent payment is made in advance, mortgage payments are paid in arrears – they are due on the first of a month for the previous month. Set your closing date as close to the end of the month as possible. It will minimize the amount of prorated interest charges you have to pay and you can skip a month before your first house payment is due. For example, if you close on March 30, you will pay prorated interest for March 30 and March 31 and your first house payment will not be due until May 1.

Reducing Payback Time

SLIDE 29

Many of us dream of retiring debt-free with nest egg large enough to sustain us in our later years. For many, this dream involves paying off a home mortgage. There are two ways a buyer can reduce the payback time on a loan:

Apply for a shorter-term loan. You can do this with a surprisingly modest monthly payment increase compared with a 30-year loan.

For example: a 30-year mortgage of $100,000 at 6 percent interest carries a principal and interest payment of $600 a month; a 15-year mortgage with 5.5 percent interest has a principal and interest payment of $817. In most cases, lenders offer lower interest rates for loans with shorter maturities. A 15-year loan will generally have a lower rate than a 30-year loan.

Prepay the principal. This will reduce a 30-year fixed-rate loan's payback time to 20, 15 or even 10 years and will sharply reduce the amount of interest you pay over the life of the loan. If you are a disciplined money manager, and if your loan has no prepayment penalty, you may consider paying off a 30-year mortgage in 15 years

and one month by doubling the principal payment each month. Or you can take a 30-year loan and pay it back in 20 years in one of the three following ways:

- Make an extra lump-sum payment each year.
- Increase monthly payment by one-twelfth.
- Pay bi-weekly; that means making one-half mortgage payment every other week.

Be sure to fully explore the cost of such prepayments, making sure there are no prepayment penalties or additional fees associated with prepayment.

The option of paying off your mortgage has advantages and disadvantages.

Advantages

SLIDE 30

Emotional security: Paying off your mortgage provides emotional relief from the anxiety of owing money. You may simply feel more secure owning your home free and clear. This sense of security may matter a great deal if you plan to live in your home when you retire. Also, you may desire to leave a debt-free home to your heirs.

Future investing: Without a mortgage payment, you will have more money to invest for the future. Your retirement savings can grow more quickly. Mortgage interest on a large or high-rate loan may be costing you a hefty sum. Instead of paying interest, you could be earning interest with your money.

Retirement needs: If you are retired, paying off your mortgage can free your money for other things. Experts recommend accumulating enough retirement savings to have at least 70 percent of your working income. If you are short of this goal, eliminating mortgage payments will free monthly income for living expenses. This approach is especially helpful if you have a large mortgage with high payments.

Reducing loan stresses: Paying off your loan removes loan-related stresses, too. Houses gain and lose value, depending on local conditions. These market changes affect the equity you have built in your home. Without a loan, you remove the risk of owing more than you own. Also, you avoid being hit by climbing rates if the interest on your loan is variable.

Disadvantages

SLIDE 31

Missed investment opportunity: You can lose the opportunity to invest and build up a secure retirement nest egg. If you use your resources to pay off your mortgage, you will have less money to devote to growing your investments. If the

interest rate on your loan is reasonably low, you may be able to earn more by investing. You can build wealth by investing in higher-rate earnings vehicles.

This drawback particularly applies if you have more than 10 years remaining before retirement. With this extra time, you could grow your money if it is invested well. So, paying off a mortgage may not make sense if you are focused on accumulating wealth at this point in your life.

Lost tax savings: Another disadvantage of paying off your mortgage is lost tax savings. The interest on your mortgage is tax deductible. This tax deduction may mean considerable savings for some homeowners. If you pay off your mortgage, you will lose the interest deduction. This could hurt, especially if you are or expect to be in a high tax bracket during retirement, when you could really use the deduction. It also has a greater effect if you have more than 10 years left to pay on a 30-year mortgage. During the early years of repaying your loan, you pay more in interest and stand to benefit from a larger deduction.

Payments: Large monthly payments or more frequent payments.

LEARNER ACTIVITY: *Closing the Deal*

Time: 5 minutes

Materials: *Closing the Deal* handout, pens or pencils

Procedure: Pass out the *Closing the Deal* handout. Tell learners that they are to write in the answers to the questions on the handout. When learners have completed the handout, review the answers with the class.

Questions:

1. You can expect to pay 2 percent to 5 percent of the home's purchase price for _____.
2. _____ protects the mortgage company (required) and the buyer (optional) against any claims on the property.
3. An _____ acts as a third party to the buyer and seller, handles the paperwork and collects and distributes the various financial transactions, such as prepaid insurance, real estate commissions and down payments.
4. Private mortgage insurance (PMI) protects _____ against default on the loan.
5. When searching for a home, use _____ information to highlight or eliminate certain neighborhoods.

6. While rent payment is made in advance, mortgage payments are paid in _____.
7. A _____ offers protection from a breakdown of many household systems, including plumbing, water heater, garbage disposal, heating and cooling, and appliances.
8. Prepaying the _____ reduces a 30-year fixed-rate loan's payback time to 20, 15 or even 10 years and will sharply reduce the amount of interest you pay over the life of the loan.
9. The closing occurs when all the promises in the _____ are fulfilled.
10. _____ are designed to disclose defects in the property that could materially affect its safety, livability or resale value.

Answers:

1. Closing costs
2. Title insurance
3. Escrow company
4. Lenders
5. Property value
6. Arrears
7. Home warranty
8. Principal
9. Purchase contract
10. Inspections

HOMEOWNERS INSURANCE

Trainer's note: Distribute the *Requesting a Quote for Homeowners Insurance* handout.

SLIDE 32

Because your home usually represents your largest purchase, it only makes sense to protect your investment from possible hazards. Many homeowners are underinsured; be sure to assess your needs and purchase adequate coverage. Of homeowners policies, HO3 policies are the most popular because of its broad-based, comprehensive coverage. Remember, if you are renting now or

choose to rent later, always protect your possessions and liability to others with renters insurance.

Minimal Coverage

At a minimum, you need to cover the cost:

- to rebuild your house should it be destroyed.
- of replacing the contents of the dwelling.
- of daily living expenses incurred when the homeowner is unable to stay in the home while repairs are under way.
- personal liability up to a maximum for each occurrence, usually up to $100,000.
- medical payment for injuries that occur on the premises.

Additional Coverage

Replacement cost coverage: Allows for rebuilding the home with exactly the same materials with which it is currently constructed. Replacement cost coverage also allows you to replace your contents at current market prices rather than depreciated amounts, also called "actual costs" in some contracts.

Umbrella policy (usually for $1 million): Should be considered if the homeowner has a lot of assets, high earning potential or an attractive hazard (such as a swimming pool, trampoline or an aggressive dog) to protect property and future earnings from lawsuits.

Riders: Additional coverage can be added for valuable personal property, such as gun collections, antiques and valuable jewelry. The insurance company may require appraisals.

Flood insurance: Mandatory at extra cost if a survey indicates your new home is in a flood zone. However, if you are not in a flood zone, have no flood insurance and your home is flooded by a freak storm, you will not be covered.

Earthquake insurance: This works in much the same way as flood insurance. If the new home is in an earthquake-prone area, the homeowner may be required to carry the extra insurance at an additional cost.

Reducing Premium Costs

To reduce insurance costs:

- Shop around for the best rates. Be sure coverage quoted is identical and the company is financially sound and reliable.
- Raise the deductible to $1,000 or more.
- Ask about nonsmokers' discounts.
- Install fire and burglary detection systems.
- Use the same insurance company for homeowners, auto and life insurance.

SUMMARY

SLIDE 34

This course has covered a lot of material. Keep in mind these six main concepts as you begin the search for your new home:

- Identify your needs and your wants.
- Know what you can afford.
- Research homes, agents, lenders and loans.
- Get a home inspection.
- Adequately insure the home.
- Enjoy your new home!

Home-buying Debt-to-income Ratio

Most agents and lenders will calculate this information for you, free of charge and with no obligation. They will provide you with an approximate amount you may be able to borrow. Some lenders will go a step further, offering pre-approval before you buy a home. Being pre-approved is like being a cash buyer and may give you more bargaining power when you shop for a home.

Use this worksheet to determine your approximate debt ratio, including a borrowing limit.

1. Write down your gross annual income. _____

2. Write in your gross monthly income. (Divide line 1 by 12.) _____

3. Establish your approximate house payment limit, including principal, interest, taxes and insurance (PITI).(Multiply line 2 by .28) _____

4. Calculate your monthly debt ratio limit. (Multiply line 2 by .36) _____

5. Enter and total the monthly payments for the items below to find your debt ratio limit: _____

   Auto loan/lease payments _____

   Student/other loans _____

   Credit cards _____

   Installment debt _____

   Child support/alimony _____

   New house payment limit. (Copy the number on line 3.) _____

Total Debt: [ ]

6. To calculate your debt ratio, divide the number in the Total Debt box by the number you wrote on line 2. _____

Your new home price range is probably right if your debt ratio is below 36 percent. If it is at 36 percent, you are probably right at the upper limit of your price range and should consider whether unplanned expenses might prevent you from making your new house payment. If your debt ratio exceeds 36 percent, you need to reduce your debt, increase your down payment or reduce the price you pay for your home.

10 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

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

Attach other printouts and pictures to this checklist.

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 _____

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.ambest.com (insurance ratings)

www.annualcreditreport.com (free annual credit reports)

www.ashi.org (certified home inspector locator)

www.bankrate.com (current interest rates on all types of loans and mortgages)

www.craigslist.com (all-purpose bulletin board with real estate rentals and sales for every state)

www.fool.com (The Motley Fool, investor's website and home-buying education)

www.freddiemac.com (home-buying information and education)

www.fsbo.com (For Sale By Owner)

www.greatschools.org (school ratings)

http://homebuying.about.com (About.com homebuying)

www.homeloans.va.gov (Veterans Affairs Loan Guaranty Home Loan Program)

www.hud.gov (U.S. Department of Housing and Urban Development)

www.militarybyowner.com (real estate network for sales and rentals near military installations)

www.mls.com (Multiple Listing Service)

www.ffsp.navy.mil (Fleet and Family Support Center)

www.ourfamilyplace.com (Our Family Place Resource Center)

www.realtor.com (National Association of Realtors)

www.responsiblelending.org (Center for Responsible Lending)

www.saveandinvest.org (military investor education)

Closing the Deal

Fill in the blanks below to see whether you are ready to "Close the Deal."

1. You can expect to pay 2 percent to 5 percent of the home's purchase price for _____.

2. _____ protects the mortgage company (required) and the buyer (optional) against any claims on the property.

3. An _____ acts as a third party to the buyer and seller, handles the paperwork and collects and distributes the various financial transactions, such as prepaid insurance, real estate commissions and down payments.

4. Private mortgage insurance (PMI) protects _____ against default on the loan.

5. When searching for a home, use _____ information to highlight or eliminate certain neighborhoods.

6. While rent payment is made in advance, mortgage payments are paid in _____.

7. A _____ offers protection from a breakdown of many household systems, including plumbing, water heater, garbage disposal, heating and cooling, and appliances.

8. Prepaying the _____ reduces a 30-year fixed-rate loan's payback time to 20, 15 or even 10 years and will sharply reduce the amount of interest you pay over the life of the loan.

9. The closing occurs when all the promises in the _____ are fulfilled.

10. _____ are designed to disclose defects in the property that could materially affect its safety, livability or resale value.

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.bankrate.com
www.fool.com/how-to-invest/personal-finance/home/index.aspx
www.homeloans.va.gov
www.hud.gov
www.kiplinger.com/tools
www.navyfederal.org

Financial Planning Worksheet

Date _____ Rate _____

Name _____ Age _____

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

Marital Status _____ Spouse's Name _____ Age _____

Spouse's Place of Employment _____

Number of Children and Ages _____

Home Address _____

Work Telephone _____ Home Telephone _____

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

Amount of SGLI Elected _____ Amount of FSGLI Elected _____

TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

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

LIABILITIES

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

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

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

MONTHLY INCOME

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

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

MONTHLY SAVINGS AND LIVING EXPENSES

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

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		
LIVING EXPENSES		**ACTUAL**		**PROJECTED**		**REMARKS**
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$____Long Distance=$____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

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

SUMMARY

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

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

ACTION PLAN

INCREASE INCOME

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE LIVING EXPENSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE INDEBTEDNESS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

REFERRALS/RECOMMENDED TRAINING

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

SETTING YOUR GOALS (Short and Long Term)

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

MONTHLY SPENDING PLAN

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

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

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

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?

Mortgage Loan Types

Fixed-rate loans: These are the most popular loans because they offer stable, consistent payments throughout the life of the loan. The most common is the 30-year fixed rate.

Adjustable-rate loans: These loans have a variable interest rate that fluctuates according to the financial index they are tied to and the type of adjustable-rate mortgage (ARM) obtained. An adjustable-rate loan is usually capped over the life of the loan and limited to one or two points a year, depending on the loan type.

FHA loans: Government-backed Federal Housing Administration loans are designed for first-time or lower-income home buyers. The interest rate for FHA loans are usually less than they would be for conventional loans. FHA loans are available as fixed-rate and adjustable-rate mortgages. The down payment is 3 to 5 percent of the loan amount. There are limits to the maximum loan amount.

VA loans: These loans are available to veterans of the U.S. Armed Forces and backed by the Department of Veterans Affairs. No down payment is required, the seller must pay points and Congress controls the maximum loan amounts.

Assumptions: Consider assuming the seller's existing loan and interest rate if the rate on the assumable loan is lower than the prevailing rate for a new loan. By assuming a loan, you take responsibility for paying the mortgage owed by the seller.

Buy-down: If you cannot afford the prevailing interest rate, consider a buy-down mortgage. The buyer can pay extra points to buy down the mortgage for the first few years. Buy-downs are common among new construction homes and first-time home buyers.

Step loans: These combine the stability of a fixed-rate loan with the lower rates of an ARM. There are two options: 5/25 and 7/23: The interest rate is fixed for the first five or seven years, and then the loan adjusts once into a one-year ARM or a fixed-rate loan. Step loans offer lower interest than the prevailing rate for 30-year fixed-rate mortgages.

Balloon loans: Interest paid during the term of the loan does not fully pay off the mortgage. At the end of the loan term, the homeowner must pay the remaining principal in one lump sum. Balloon loans usually have lower interest rates than fixed-rate loans. Balloon loans are most useful to home buyers who stay in the home no more than the term of the loan but typically are not a good choice for a first-time home buyer.

Seller financing: The seller takes on the role of lender and gives the buyer a loan to purchase the property. Generally, the seller owns the property outright and can finance the entire purchase or has significant equity and can "carry back" a second mortgage, which can be used to finance the buyer's down payment.

State veterans program: Many states offer veterans benefits. These benefits may include educational grants and scholarships, special exemptions or discounts on fees and taxes, home loans, veteran's homes, free hunting and fishing privileges, and more. Each state manages its own benefit programs. Be sure to take advantage of the benefits you have earned by linking to your state department of veterans affairs.

Beware of:

Interest-only mortgage: An interest-only mortgage allows you to pay only the interest for a specified number of years. Since there is no payment on the loan principal, a borrower who takes this type of loan is depending on the housing market to increase the value of the home. Most interest-only mortgages have adjustable interest rates, which means the interest rate and monthly payment will change over the term of the loan. The interest-only mortgage payment period is typically between three and 10 years. After that, your monthly payment will increase even if interest rates stay the same, because you must pay back the principal as well as the interest.

80/20 mortgages: An 80/20 mortgage is essentially two mortgage loans that equal the total amount of the purchase price, with the first mortgage being 80 percent and the second mortgage covering the remaining 20 percent. The first is typically at the going rate for a conventional mortgage, while the second is usually significantly higher.

Subprime lending: Subprime lending, also called “B-Paper,” “near-prime” or “second chance” lending, is a general term that refers to the practice of making loans to borrowers who do not qualify for market interest rates because of problems with their credit history.

Mortgage Shopping Worksheet

	Lender 1		Lender 2	
Name of Lender				
Name of Contact:				
Date of Contact:				
Mortgage Amount:				
	Mortgage 1	Mortgage 2	Mortgage 1	Mortgage 2
BASIC INFORMATION ON THE LOANS				
Type of Mortgage: fixed rate, adjustable rate, conventional, FHA, other? (If adjustable, see below)				
Minimum down payment required				
Loan term (length of loan)				
Contract interest rate				
Annual percentage rate (APR)				
Points (may be called loan discount points)				
Monthly Private Mortgage Insurance (PMI) premiums				
How long must you keep PMI?				
Estimated monthly escrow for taxes and hazard insurance. Estimated monthly payment (principal, interest, taxes, insurance, PMI)				
FEES (Different institutions may have different fee names and charge different fees. Below are some typical fees you may encounter.)				
Application fee or loan processing fee				
Origination fee or underwriting fee				
Lender fee or funding fee				
Appraisal fee				
Attorney fees				
Document preparation and recording fees				
Broker fees (may be quoted as points, origination fees, or interest rate add-on)				
Credit report fee				
Other fees				
OTHER COSTS AT CLOSING/SETTLEMENT				
Title search/title insurance				
For lender				
For you				
Estimated prepaid amounts for interest, taxes, hazard insurance, payments to escrow				
State and local taxes, stamp taxes, transfer taxes				
Flood determination				
Prepaid Private Mortgage Insurance (PMI)				
Surveys and home inspections				
TOTAL FEES AND OTHER CLOSING/ SETTLEMENT COST ESTIMATES				

	Lender 1		Lender 2	
Name of Lender				
	Mortgage 1	Mortgage 2	Mortgage1	Mortgage 2
OTHER QUESTIONS AND CONSIDERATIONS				
Are any of the fees or costs waivable?				
Is there a prepayment penalty?				
If so, how much is it?				
How long does the penalty period last? (For example, three years? Five years?)				
Are extra principal payments allowed?				
LOCK-INS				
Is the lock-in agreement in writing?				
Is there a fee to lock in?				
When does the lock-in occur–at application, approval or another time?				
How long will the lock-in last?				
If the rate drops before closing, can you lock in at a lower rate?				
IF THE LOAN IS AN ADJUSTABLE-RATE MORTGAGE:				
What is the initial rate?				
What is the maximum the rate could be next year?				
What are the rate and payment caps each year and over the life of the loan?				
What is the frequency of rate change and of any changes to the monthly payment?				
What is the index that the lender will use?				
What margin will the lender add to the index?				
CREDIT LIFE INSURANCE				
Does the monthly amount quoted to you include a charge for credit life insurance?				
If so, does the lender require credit life insurance as a condition of the loan?				
How much does the credit life insurance cost?				
How much lower would your monthly payment be without the credit life insurance?				
If the lender does not require credit life insurance, and you still want to buy it, what rates can you get from other insurance providers?				

Requesting a Quote for Homeowners Insurance

When you request price quotations on homeowners insurance, have the following information available.

Personal:

Name _____

Mailing address _____

Home and office phone numbers _____

Address(es) of any other home(s) you own _____

Names in which new home will be deeded _____

Loan & escrow information:

Closing date _____

Lienholder and closing company name, address, phone number and name of contact _____

_____

Escrow payment information _____

Type of home/construction:

Single family, duplex, etc. _____

Number of stories _____ Number of square feet _____ Year constructed _____

(In most states, you will receive a discount if your home is 10 years old or less. Be sure to ask whether you are eligible for this reduction.)

Exterior construction (masonry, frame, veneer, other) _____

Type of roof _____

If mobile home, length and width _____

Location of home:

Street address _____

City, county, state and ZIP code _____

Names of nearest intersecting street _____

Is the home on acreage? _____

Are there any farming or ranching activities on the same property? _____

Will you use the home or property for business/office activities? _____

Fire protection:

Is the home inside city limits? _____

If outside, what is name and distance of nearest city? _____

Name and number of fire department (district) _____

Distance to nearest fire hydrant _____

Alarm systems (burglar and fire):

Do you have either? _____ Where does each one sound? (residence, fire department, police department, other) _____

Manufacturer, model number and name of system _____

Does home have smoke detectors? _____

Amount of coverage:

Cost to rebuild home _____ Loan amount _____

How to Survive the Holidays Financially

Print Course

Print Handouts

COURSE DESCRIPTION

How to Survive the Holidays Financially is a 60-minute course designed to help service members plan for the added expenses of holidays and special events and to develop strategies to avoid overspending and accumulating excessive debt. This course is suitable for all audiences. The money management tips in this course apply year-round to all holidays and to special occasions. Also included in this course is an optional 30-minute training on vacation planning to help learners plan for the costs associated with travel and vacations.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to create a holiday spending plan and develop techniques to avoid overspending and accumulating excessive debt during holidays and special events.

Enabling:

- Using *The Cost of Our Happy Holiday* worksheet, learners will calculate a holiday spending plan.
- In the *It's in the Bag* activity, learners will brainstorm ways to avoid common shopping mistakes, save on holiday purchases and identify no- or low-cost options to expensive gift giving.
- During the *Your Holiday Action Plan* activity, learners will list at least five ways they will use the tips from the course content to avoid spending more than they can afford or accumulating excessive debt.

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COURSE PREPARATION

Handouts:

- *The Cost of Our Happy Holiday*
- *Financial Planning Worksheet*
- *Holiday Poem*
- *It's in the Bag*
- *Plan Your Trip*
- *Your Holiday Action Plan*

Materials (vary depending on activities chosen):

- Chart paper or whiteboard
- Notecards
- Pens, pencils, paper
- Markers
- Calculators
- *How to Survive the Holidays Financially* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

Holiday Spending: A set of holiday trivia and spending questions used as an opening activity to illustrate the cost of annual holidays and the need for preparing financially.

The Cost of Our Happy Holiday: Worksheet activity for learners to develop a holiday spending plan.

It's in the Bag: Brainstorming activity for learners to identify strategies to reduce holiday and special event expenses and avoid the common shopping mistakes that lead to overspending.

Your Holiday Action Plan: Review activity in which learners create an action plan for applying the information and techniques for staying within the limits of their holiday spending plan.

CONTENT OUTLINE

1. Welcome and Introduction (10 minutes)
    a. Topic Overview
    b. Agenda
    c. Learner Activity: *Holiday Spending*
2. Develop a Holiday Spending Plan (20 minutes)
    a. Basic Steps
    b. Paying for the Holidays
    c. Learner Activity: *The Cost of Our Happy Holiday*
    d. Plan Ahead
        i. Make a List
        ii. Examine Your Holiday Priorities
        iii. Determine Your Spending Limits
        iv. Track Expenses
3. Smart Shopping Tips (20 minutes)
    a. Avoiding Money Mistakes
    b. Learner Activity: *It's in the Bag*
    c. Plan Your Shopping
    d. Gift Giving Options
    e. Financial Safety
    f. Learner Activity: *Your Holiday Action Plan*

4. Post-holiday Financial Planning (10 minutes)
    a. Dealing with Debt
    b. Start the Year off Right
5. Summary (5 minutes)

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

SLIDE 2

The holidays are a special time of year; however, it is a time when even the most frugal individual can overspend. Think about your experiences with the holidays.

AGENDA

You may be thinking only about the winter holidays. Now consider all those other holidays, birthdays, anniversaries and special events that can be a drain on your finances throughout the year. This course will provide information to help you prepare a spending plan that accounts for these expenses, saves on costs and controls spending.

LEARNER ACTIVITY: *Holiday Spending*

Time: 5 minutes

Materials: Notecards, pens and pencils

Procedure:

Give each learner a notecard. Tell them you are going to give them one minute to write down their favorite holiday or annual event and what they estimate they spent on it last year. After a minute, ask volunteers to share their answers. Bring up the Holiday Spending slide in the course PowerPoint deck and ask the class to answer the following three questions. Note that the correct answers are animated and will appear on the slide with mouse clicks.

SLIDE 3

1. Americans spend the most money each year on the winter holidays (Thanksgiving to New Year's Day). On which holiday do Americans spend the second most? (Answer: Mother's Day. Source: https://nrf.com/news/the-long-and-short-of-americas-consumer-holidays)
2. Besides holidays, Americans spend the most on which annual event? (Answer: Back-to-school shopping. Source: https://nrf.com/news/the-long-and-short-of-americas-consumer-holidays)

3. After the winter holidays, which annual event is the largest food consumption day? (Answer: Super Bowl. Source: www.dogonews.com/2014/2/2/its-super-bowl-sunday-aka-americas-second-largest-food-consumption-day)

Next, ask learners to write on their notecard any special events that put a strain on their budget in the last year. Some examples may be: a homecoming, Super Bowl party, Fourth of July cookout, a family reunion or a major birthday or anniversary celebration. The goal is to get learners to focus on all of the major events for which they should prepare annually.

Note that you can update this activity with statistics and information from the National Retail Federation website: https://nrf.com.

DEVELOP A HOLIDAY SPENDING PLAN

SLIDE 4

From our activity you can see that while you should consider all holidays and special events when budgeting for the year, planning for the winter holidays is especially important. According to the National Retail Federation, the average American family can expect to spend about $800 for the winter holidays alone. Although this course focuses on financial planning for the winter holidays, this information can be used to adjust your annual budget for all major spending events.

Before you start planning your holiday spending, review your current financial situation. Do you currently have a spending plan? Do you know how much of your income you will be able to devote to holiday expenses? If you are going to take on debt, can you afford the additional monthly payment(s) that will come with that debt?

Ideally, holiday expenses should be planned year-round. If you do not have an existing spending plan, you may wish to start there before developing your holiday plan. Having a good spending plan is one of the best gifts you can give yourself. A good spending plan can provide numerous benefits in many aspects of your life. For example, a good spending plan can help you live within your means, realize your goals, maintain a good credit history, get more for your money and achieve financial freedom.

Basic Steps

Trainer's note: Distribute the *Financial Planning Worksheet*. Use the worksheet to illustrate the basic steps in developing a spending plan. Explain to learners that you are providing an overview of this topic and that they may wish to take a *Developing Your Spending Plan* course for additional information. They can contact their Command Financial Specialist (CFS) or a Fleet and Family Support Center (FFSC) financial counselor if they need assistance in completing their spending plan.

SLIDE 5

Let us start by reviewing the basic steps involved in developing a spending plan. You can use the *Financial Planning Worksheet* to create your own spending plan.

Determine net pay: The first step in creating a spending plan is to determine your net pay, or how much money you have after taxes are deducted from your gross pay. Information needed to complete the income page on the *Financial Planning Worksheet* can be found on your Leave and Earnings Statement (LES) and/or other pay statements.

Save and invest: You can establish savings for short-term goals, such as a fund for emergency expenses and a reserve fund for special events, holidays and other annual expenses you do not pay for monthly. Page 3 of the worksheet is where you can list what you contribute to your savings account as well as your monthly investment contributions. If you have time to plan ahead, consider adding now to a savings account for your holiday expenses.

Track expenses: You cannot create a realistic spending plan if you do not know where you are spending your money each month. Because the majority of our income is spent on living expenses, it is important to plan wisely for how you will spend this money. A good exercise for determining exactly where your money is going is to track your expenses for a month. At the end of the month, total your expenses for each category. You may be surprised to see where your money goes. You can use this information to make decisions about how to plan for your living expenses each month. Tracking expenses can highlight possible areas of change.

For example: You may spend just $2 a day on coffee or soda on your way to work. It does not seem like a lot, but that adds up to $40 a month and $480 a year. What else could you do with that money? Small expenses add up quickly, and small changes can have a major effect on helping you reach your goals. You can track your expenses on Pages 7 and 8 of the worksheet and list those living expenses on Page 3.

Manage debt: The next step in developing your spending plan is to measure and manage debt. Page 4 of the worksheet will allow you to calculate your total monthly debt payments and figure your debt-to-income ratio. Can you afford to take on more debt to finance your holiday expenses, or is it time to lower the amount you owe? Your debt-to-income ratio can help answer that question.

For additional information on spending plans, consider attending a *Developing Your Spending Plan* course at your local Fleet and Family Support Center (FFSC). For information on credit or managing your debt, you may wish to attend a *Credit*

Management course. Your Command Financial Specialist (CFS) or an FFSC financial counselor can also help you to develop your spending plan and discuss credit and debt options.

Paying for the Holidays

SLIDE 6

Once you have developed (or reviewed) your spending plan, you will be able to determine what you can afford to spend on the holidays. Ideally, you should plan and save annually to pay for your holiday expenses. Too often, people end up paying for these expenses with credit. To avoid increasing your debt and adding interest costs to holiday purchases, try setting aside money each month to pay for holiday expenses. If you do not have enough time between now and the holidays to save all of the money you need for holiday purchases, re-evaluate what you can realistically afford to spend this year. Remember, the goal is to have saved enough to pay for holiday purchases at this time next year.

LEARNER ACTIVITY: *The Cost of Our Happy Holiday*

Time: 10 minutes

Materials: *The Cost of Our Happy Holiday* worksheet, pencils, calculators

Procedure: Distribute worksheets. Tell learners they will now get an opportunity to practice what they have learned by preparing a holiday spending plan. Explain that they should estimate costs based on what they have spent in the past. Encourage learners to think about the purchases they intend to make this year and instruct them to set an estimated limit on each category. Learners should review their spending plan at home to verify the amount that they can spend on expenses before finalizing their holiday spending plan. Allow learners several minutes to work on their spending plans.

Plan Ahead

SLIDE 7

Planning is the key to financial success. You likely have a reasonable estimate of your holiday expenses from the previous exercise. Now it is time to plan ahead and ensure you can cover those expenses. Planning will involve making a list of your expenses, examining holiday priorities, determining your spending limit and tracking expenses so you can adjust your budget for next year.

SLIDE 8

Make a List

We have all heard the phrase "making a list, checking it twice." This is a good concept to adopt as part of your holiday planning. Make a list of all the people you purchased gifts for last year. Next, include any new people you will be buying for this year. Do not forget to list the extra expenses during the holidays. Although a large portion of your annual holiday budget goes to purchasing gifts, the rest is usually spent on non-gift expenses. This includes:

- Charitable contributions
- Greeting cards
- Postage and shipping
- Pictures
- Decorating
- Gift wrap
- Travel
- Entertaining
- Holiday parties
- Extra gas and food while shopping
- Child care
- Clothing
- Increased use of utilities due to decorations, increased baking, entertaining or an overnight guest

The Cost of Our Happy Holiday worksheet provides a fairly comprehensive list of these expenses, but you may want to write in any additional holiday expenses you expect this year.

Set Limits

Examine Your Holiday Priorities

SLIDE 9

Setting a limit for holiday spending sounds like a simple thing to do, but during the bustle of the season it can be hard to say no to buying, giving and doing. To set realistic spending limits for the holidays, start by first examining your holiday priorities to determine what is most important to you. Instead of spending your hard-earned money on something because it is a holiday tradition, make sure it is a holiday tradition that is important to you and your family. For example, if

decorating your home is what puts you in the holiday spirit and gives you joy, it is a worthwhile expense to add to your spending plan. On the other hand, if you are decorating your home because your neighbors decorate theirs, and you dislike doing it, then maybe that money is better spent on something else. Before you start setting limits, first ask yourself these questions:

- Which holiday activities do I enjoy most?
- What holiday traditions bring the most joy?
- What motivates my holiday spending?

If you find that you are spending out of habit, obligation or guilt, you may want to re-evaluate those purchases and focus your money on other expenses.

Determine Your Spending Limit

SLIDE 10

Use your list to set a limit for what you will spend on each category, or better yet, for each purchase. Once you have set limits on all of your categories or purchases, total these figures to determine your holiday spending limit: What is the maximum you will spend on holiday expenses this year? Be realistic about limits and make sure that whatever you elect to spend will not exceed what you can afford.

Track Expenses

SLIDE 11

As you pay for holiday purchases this year, track your expenses to ensure that you stay within the spending limits you set. Make a copy of your completed *The Cost of Our Happy Holiday* worksheet and take it with you when you go shopping. Keep a small notebook with you to track all of your holiday expenses. There are also apps for your smartphone that allow you to track spending. Not only will tracking expenses prevent you from going over your spending limits, it will provide the information to determine next year's holiday spending plan. You can use this information to establish a monthly allotment or transfer into your savings account for next year's holiday expenses.

SMART SHOPPING TIPS

Avoiding Money Mistakes

SLIDE 12

Have you ever regretted a holiday purchase or spent more than you planned? Have you ever done all of your holiday shopping in one expensive last-minute dash to the mall? Most of us can admit to making some costly shopping mistakes during the holiday season. Retailers spend a great deal of time and effort to get us to spend money in their stores. Advertisements, holiday decorations, sales and

the pressure of making every holiday a major event can set the stage for overspending. It is up to you to learn to avoid the sales pressures during the holidays and stick to your spending limits. Here are some tips to help you avoid making costly shopping mistakes.

Bargain Blitz

It is almost impossible to avoid the advertising offensive during the holiday season. With no lack of sales, discounts or bargains, it is easy to get caught up in the marketing hype. Is it really a bargain if it is a product or service that you do not need or will not use? And if you have to use credit to pay for these bargains, what does the interest paid add to the overall cost? This bargain blitz can entice you to make purchases that you may not be able to afford simply because they were on sale.

Excessive Gifting

Giving is one of the cornerstones of holiday tradition. Shopping for just the right gift and seeing the joy that it brings can give you a lot of pleasure. However, buying gifts for every person you know can deplete your holiday funds and often increase the balance on your credit cards. In addition to gifts, you may find that you have a hard time saying no to every request for donations or to chip in for gifts. Even though it may only be a couple of dollars here or there, it adds up quickly.

LEARNER ACTIVITY: *It's in the Bag!*

Time: 10 minutes

Materials: *It's in the Bag!* handouts, chart paper, markers

Procedure: Before this activity, label three sheets of chart paper with the following headings: prevent costly mistakes, prevent overspending, and gift-giving alternatives. Divide the class into small groups and distribute the handouts. Explain to learners that you would like to hear their ideas on ways shoppers can avoid costly mistakes during the holidays, prevent overspending and reduce holiday expenses. Tell them to brainstorm as a group and come up with as many options as possible. Give learners a couple of minutes to brainstorm and then ask each group to have one person come up and write their ideas under the appropriate heading: prevent costly mistakes, prevent overspending, gift-giving alternatives. Review responses and tie them into the following content.

Remind learners that they can get additional information on being a savvy consumer by attending a *Consumer Awareness* course.

SLIDE 13

Plan Your Shopping

Stick to the Plan

Once you have prepared your holiday list, only shop for what you intend to buy for each person and each category. Limit trips to the mall and retail stores, and online browsing, which can tempt you to make purchases that could put you over your spending limit. In addition, plan your trips to make them as efficient as possible. You will save money by buying only what is on your list and save time by reducing the number and length of your trips. If you plan ahead for what you want to purchase and where you want to shop, you can take advantage of stores that offer layaway, which will let you pay for your purchases a little each week or each month. You can pay cash instead of using credit to make your purchases, which saves you money on interest. Last-minute shopping can be costly, so develop your plan early and stick to it.

Find the Deals

To save money on holiday purchases, do your homework first to find the best deals. Retailers all advertise sales, discounts and bargains. Comparison shopping and checking prices online are good ways to ensure that you get the best deal. Look for coupons, promotions and shopping codes, which can reduce prices even more than the advertised sales. The Internet has many coupon sites that provide information on the current promotions and discounts for most national retail stores. Many stores will allow you to purchase online and may offer free shipping as a purchase incentive. Otherwise, you can shop online and then pick up your items at the store, which can save shipping costs and shopping time.

Know Store Policies

When deciding where to make your holiday purchases, check the retailer's policy on exchanges and returns. When purchasing online, confirm shipping rates and delivery times. Shopping online can be convenient and can save you money, but not if you end up paying a large shipping fee for your purchase. Keep your receipts until after the holidays, in case you need to make exchanges or returns and to verify your bank and/or credit statements are correct.

Be sure you know the exchange and return policies for your purchases, too. Gift cards have become a popular gift-giving option. While convenient for the shopper, they are not always easy to use. Before purchasing a gift card, make sure that you read the fine print on how and where it can be used.

Gift Giving Options

Trainer's note: Review gift-giving alternatives from *The Cost of Our Happy Holidays* activity as you go through this part of the lesson.

SLIDE 14

If you are looking for a way to reduce expenses this holiday, consider low- or no-cost alternatives to expensive gift-giving. Sometimes the gifts that mean the most can cost the least. Be creative and look for ways to include the time and talents of your entire family in gift alternatives.

Gifts you make:

- Homemade foods are always a welcome present. Children love to decorate cookies. If you have a holiday food that is traditional in your family, introduce it to your friends.
- Give a gift you made yourself. People appreciate the time you spent in making something special. Homemade crafts are another great gift for children to give.

Giving of your time:

- Make a coupon and give it as a present, redeemable for baby sitting, time alone, etc.
- Mow or rake your neighbor's lawn.
- Spend an entire afternoon doing whatever your child wants to do.
- Run errands for an elderly family member.
- Change the oil in a friend's car.

Meaningful gifts:

- Give a small gift that has symbolic or personal meaning.
- Introduce a friend to the traditions of your family.
- Make a calendar with family photos for friends or relatives.
- Make a small donation to a charity in the name of the gift recipient.

Financial Safety

SLIDE 15

Be aware of potential financial safety issues year-round, but pay particular attention to safety during the holiday season, when identity thieves and unauthorized charges are more prevalent.

Safety rules include:

Protect your cards and information. Maintain control of your debit cards, credit cards, checkbook and identifying information (such as Social Security number and date of birth). Know where your cards are at all times and only carry the cards you plan to use. This protects you in two ways:

- If you lose your purse or wallet, you will know exactly what is lost.
- You will be less inclined to overspend if you do not have other financial resources at your fingertips.

Know with whom you are doing business. This is especially important when doing business online. To avoid being a victim of a scam, only give out identifying or financial information to companies or groups with whom you have initiated the contact and have verified as a legitimate business or organization. You can check for this information through the Better Business Bureau (BBB) website: www.bbb.org.

Check transactions and statements. Review all statements upon receipt to verify that all of the transactions are accurate. If you do not already have online access to your accounts, set that up now so that you can check your transactions and statements as they come in. Immediately report any missing cards or unrecognized transactions. The sooner you act, the sooner you can minimize damage.

For additional information on financial safety, you may wish to attend a *Consumer Awareness* course at your local FFSC.

LEARNER ACTIVITY: *Your Holiday Action Plan*

Time: 10 minutes

Materials: *Your Holiday Action Plan* handouts, pens, pencils

Procedure: Distribute handouts and direct learners to write down at least five things that they are going to do with the information covered in this course. Encourage them to be as specific as possible by using concrete behaviors in their action plans. For example: I will get the kids to help bake and decorate cookies for their teachers instead of buying the teachers gifts. If time allows, you can invite learners to share their ideas with the class.

POST-HOLIDAY FINANCIAL PLANNING

Trainer's note: Distribute the *Holiday Poem* handout. If time permits, have a volunteer read the *Holiday Poem* aloud to the class. The poem provides a humorous way to illustrate the consequences and repercussions of overspending during the holidays.

Dealing with Debt

SLIDE 16

Have you ever spent more for the holiday season than you planned to or could afford? Has it ever taken you more than 12 months to pay off your holiday charges? If you spent more than you had planned, you may be dealing with additional debt after the holidays. Here are a few steps to help you:

- Review your spending plan and make changes so that you can afford your additional monthly debt payments.
- Try to pay down your debt faster by paying more than the minimum monthly payment.
- Attend a *Credit Management* course at your local FFSC for additional information and resources.
- If you cannot find options that will allow you to make your debt payments, see your CFS or FFSC financial counselor to review your spending plan and help you explore debt-elimination options.

Start the Year off Right

SLIDE 17

Holiday financial planning continues even after the holidays end. Take the time to note which techniques and strategies were effective in helping you stick to your holiday spending plan. Start saving now for next year so that you will have the cash for your expenses and your holidays will be debt-free. Add up what you spend this year and divide that amount by 12. This is what you will need to put into a savings account each month to be ready for next year.

SUMMARY

SLIDE 18

Today we have discussed financial management tools you can use for the holidays, special events and for every season. If you need help developing your spending plan for the holidays or for any time of the year, here are resources to help:

- Command Financial Specialist (CFS)
- Fleet and Family Support Center (FFSC)

- Navy-Marine Corps Relief Society (NMCRS)
- Your defense credit union
- Military OneSource

With a little preparation and planning, you can save time and money on holiday shopping, prevent additional debt and reduce stress. What a nice way to prepare for your "Happy Holidays!"

ADDITIONAL CONTENT: VACATION PLANNING

COURSE DESCRIPTION

Vacation Planning is a 30-minute course that provides information to help learners prepare financially for vacations in an effort to avoid over-spending and excessive debt accumulation. This course is suitable for all audiences.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to prepare financially for travel or vacations to avoid over-spending and excessive debt.

Enabling:

- In the *Plan Your Trip* activity, learners will create a comprehensive list of the potential costs associated with a vacation.
- During the *Ways to Save* activity, learners will identify two vacation destinations, choose five cost-cutting options for the vacation and find one way to reduce current spending and increase savings for vacation expenses.

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COURSE PREPARATION

Handouts:

- *Financial Planning Worksheet*
- *Plan Your Trip*

Materials:

- Chart paper or whiteboard and markers
- Pens, pencils, paper
- *Vacation Planning* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

Vacation Expenses: A brainstorming activity in which learners list common vacation expenses.

Ways to Save: Learners identify ways to cut costs and save money when traveling or taking vacations.

CONTENT OUTLINE

1. Welcome and Introduction (10 minutes)
    a. Topic Overview

   b. Agenda
   c. Planning Your Vacation
   d. Learner Activity: *Vacation Expenses*
2. Vacation Expenses (5 minutes)
   a. Transportation
   b. Lodging
   c. Food
   d. Entertainment
   e. Tips and Incidentals
   f. Military-only Options
3. Funding Your Vacation (10 minutes)
   a. Your Vacation Budget
   b. Savings
   c. Credit
   d. Budgeting for Future Vacations
   e. Learner Activity: *Ways to Save*
4. Summary (5 minutes)
   a. Resources

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

Whether you are single, have a spouse or partner or a family of five, vacations can be an enjoyable break from your normal routine. You can experience new places, do new things or simply take some time to relax. Vacations can also be costly, and if credit was used to fund your vacation, you could spend months paying off your trip.

AGENDA

SLIDE 2

So how do you indulge in those great getaways without going into debt or completely depleting your savings? Planning is your key to success. This course will help you by examining planning tips, ways to cut costs and, most importantly, discuss how to fit your vacation expenses into your existing budget.

Planning Your Vacation

Most people use one of two strategies when planning their vacation. They select their location and then set their spending limit, or they set their spending limit and then choose their location. Both are acceptable ways to plan for a vacation, because both involve preparing financially and limiting expenses. However, you may find that it is easier to stay within a set budget by letting the spending limit drive the location. A limited vacation budget may rule out some destinations.

Either way, the planning involves first knowing the costs of your preferred destination and activities. Do your research so you will know all the potential expenses associated with your chosen vacation.

LEARNER ACTIVITY: *Vacation Expenses*

Time: Five minutes

Materials:

- Chart paper or whiteboard
- Markers
- Paper, pens and pencils
- Clock, watch or timer

Procedure: Tell learners that they are going to make a comprehensive list of possible vacation expenses.

If you are conducting the activity as a small-group activity, first divide the class into groups. Instruct each group to brainstorm and list on a sheet of paper as many vacation expenses as possible in one minute. When time is up, ask each group to nominate a spokesperson. Have each group spokesperson read out loud the expenses on their list. Keep a master list of responses on chart paper or a whiteboard. Fill in any expenses that the class may have missed.

If you are conducting a whole-class activity, tell learners that you want to know how many vacation expenses they can name in one minute. Ask for two volunteers: one to help you record learner responses and one to be the timer. When one minute is up, go over the responses. Fill in any expenses that the class may have missed.

Responses might include:

- Airfare or other transportation costs

- Hotel or lodging expenses
- Food
- Entertainment or attraction costs
- Souvenirs
- Kennel or housesitting costs

Explain that they have just outlined the agenda for the course, because you will be discussing many of these expenses.

VACATION EXPENSES

TRANSPORTATION

SLIDE 4

Depending on your destination, getting there can be a large part of your vacation expenses. Research all of your options and the pros and cons of each. A 10-hour car trip may save you money, but if you have limited leave or vacation time, or you do not think that your family members are up to that drive, you may be willing to spend the extra money to fly. If your dates are flexible, you may be able to take advantage of special deals or off-season rates that can significantly reduce not only your transportation expenses but other expenses as well.

If you decide to fly, check for deals with airlines or through travel sites to compare flights and prices. If possible, give yourself a couple of different travel day options so you can fly during off-peak days and times. For large metropolitan areas, check the fares flying into more than one airport. And do not forget to research the cost for checked baggage for each airline.

Once at your destination, consider whether you will be renting a car, using public transportation or a complimentary shuttle service, or walking to your destination. Factor these options into your vacation budget.

LODGING

As with transportation, lodging costs will vary greatly depending on your destination and your situation. If your vacation is to a family reunion or to visit friends or family, you may have little to no lodging costs. However, if your vacation destination is to Disney World, expect lodging to be a significant portion of your overall costs. Research both travel sites and hotel websites to compare lodging costs. Most hotels offer discounted rates for AAA members and government/military affiliation.

Consider the different room types and amenities. Some amenities cost more but can reduce other trip costs. For example, if your hotel room has a mini fridge, microwave and coffee pot, you can save on food expenses. Or a suite with a sleeper sofa may be less expensive than booking two separate rooms.

Food

It is always fun to try new foods and restaurants on your vacation, but it can also be expensive. You will most likely want to experience and enjoy the local cuisine, so look for ways to save. First, consider booking a hotel with a complimentary breakfast. There may be little extra cost for the room, but for a family of four, free breakfast for a weeklong vacation can save you quite a lot.

Consider taking along snacks that can supplement meals or looking for a grocery store nearby to buy snacks or basic meal items. If your room has a mini-fridge, take meal leftovers back to the hotel to save or reduce the cost of a meal on another day. When dining out, ask the hotel concierge or locals for their recommendations. There are also apps which can help you find affordable restaurant options. Many tourist restaurants are overpriced for the meals you receive. If you are traveling with small children, look for restaurants where kids eat free.

Entertainment

For some vacations, the entertainment is the location itself – for example, hanging out on the beach or hiking in the mountains. For these vacations, your entertainment costs may be a minimal portion of your budget. However, for theme parks and tourist hotspots, you may spend a great deal on park fees, entrance fees, parking, shows, etc.

If you are headed to a major theme park or resort, check well in advance for any off-season rates or discounts. Research online for package deals, but read the fine print to make sure you are getting what you pay for. Check for military specials and always ask for a military discount. Some theme parks offer deals where active-duty military get in for free or at greatly reduced prices.

For major tourist locations, look for package deals to get into several attractions at a reduced cost. You can also look for free or inexpensive activities, such as national parks, museums, city parks, street fairs, etc.

Tips and Incidentals

Be sure to budget for incidentals during travel and at your destination. This could include tips for doormen, bellhops, taxis and wait staff as well as souvenirs. Try to

plan ahead and budget for known items. Make a list of gifts or souvenirs you want to purchase on your trip, set a maximum to spend and stick to this list and limit. Not only will you save money, it will also be less for you to pack and take home.

Also consider any costs you will incur to take care of your home, pets or car while you are on vacation. If you have to pay for kennel fees or for a housesitter, include that in your vacation spending plan.

Military-only Options

SLIDE 5

As service members or military family members, you have access to discounts and services available only to the military. Many of these discounts and services equal large savings for your next vacation.

Morale, Welfare and Recreation

Installation Morale, Welfare and Recreation (MWR) centers provide base fitness and sports centers, sponsor recreation classes and operate base recreation centers, movie theaters, bowling alleys and single Sailor programs. Many MWR sites also offer equipment rentals for camping and outdoor recreation.

MWR is also responsible for the DoD Information, Tickets, and Tours (ITT) program, which provides travel information and reduced-cost tickets for tours, attractions and events. Many ITT locations also have travel agents that can help you make your travel arrangements.

Armed Forces Recreation Centers

The Armed Forces Recreation Centers (AFRC) offer affordable accommodations at some of the world's most desirable travel and vacation locations. Rates for these accommodations are usually determined by rank and offered on a first-come, first-served basis. The AFRC locations include the Shades of Green resort in Orlando, Fla., as well as resorts in Hawaii, Germany and Korea.

Armed Forces Vacation Club

The Armed Forces Vacation Club (AFVC) is a free membership club open to active-duty, Guard, Reserve and retired members of the armed forces. AFVC provides access to Space-A resort rentals worldwide for bargain prices. For more information, go to https://www.afvclub.com.

Military Lodging

Service members and their families can use military lodging facilities around the world. Lodging includes installation facilities as well as recreational facilities and rentals that can help you save money on your next vacation.

"Space-A" Travel

Service members and their families are also eligible to travel on military flights on a space available, or "Space-A," basis at no or very low cost. Flights are not published online, so you have to contact the local AMC Terminal to get information about available flights. Flights and availability are unpredictable, so this is only a good option if you have great flexibility for the length and dates of travel. To travel Space-A, you will also need to be prepared financially to buy a plane ticket home or pay for additional lodging if there are flight delays or you are unable to get a return flight.

FUNDING YOUR VACATION

Trainer's note: Distribute the *Financial Planning Worksheet*. Suggest that learners contact their CFS or an FFSC financial counselor for assistance in completing their spending plan.

SLIDE 6

YOUR VACATION BUDGET

To establish a vacation spending plan, you will first need to examine your current budget or financial situation. If you do not have a working budget or spending plan, now is the time to make one. The *Financial Planning Worksheet* is a great tool to help you account for your income, expenses, savings and debt.

Once you have a good idea of your current finances, you can start planning your vacation spending plan. First, research all of your expenses. Once you have an estimate of how much your vacation will cost, work to fit those expenses into your existing budget.

SAVINGS

How will you fund your vacation? Because most people cannot pay for an entire vacation out of their monthly income, you will need to determine where you will get the funds to pay your vacation expenses. Do you have money in your savings account that you can use for your vacation? Maybe you have already been putting money aside and have saved what you will need. If you have not already put the money aside, do you have time to save the necessary funds?

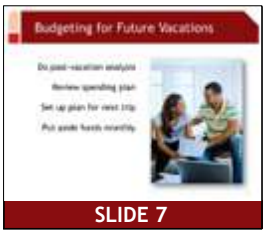
Vacations should be a time to enjoy yourself. Yet, will you enjoy yourself if you are worried about how your vacation expenses will affect your post-vacation budget?

Credit

Another option for funding your vacation is using credit. If you do not carry a lot of debt and can pay your credit cards off in a relatively short time period, this might be an acceptable option. However, if you do not have the money to pay for the vacation, is it likely you will not have the money to make additional debt payments? If you use credit, the vacation will end up costing you more because you will be adding interest charges to the total.

If you find that credit is the only way to afford your chosen vacation, maybe you should consider a less-expensive option. You can still take that vacation at a later time once you have the money set aside to afford it. In the meantime, consider something more affordable, one that you can pay off in a reasonable amount of time without large monthly debt payments.

Budgeting for Future Vacations



SLIDE 7

After a vacation is the best time to start planning for your next vacation. Start by doing some post-vacation analysis. What was the best part of the trip? What would you definitely spend money on again? What was not worth the money you spent? The answers to these questions will help shape how you spend money for the next vacation.

Next review your vacation spending plan. What worked and what did not? Adjust your vacation spending plan accordingly. Now start the process again by re-searching your next vacation destination and expenses. Set up your next vacation spending plan based on the adjusted plan from your previous vacation. Total your expenses so you will know how much your next trip will cost. Divide that total amount by the number of months until your next planned vacation and put that amount into a savings account each month. By the time you are ready to take your next vacation, you will have a tidy nest egg and enjoy a debt-free vacation.

LEARNER ACTIVITY: *Ways to Save*

Time: Five minutes

Materials: Notecards or paper, pens and pencils

SLIDE 8

Procedure: Distribute notecards or paper to learners. Ask them to list two vacation destinations they are considering for their next vacation. Then ask learners to list five ways they can save on their vacation from the list of tips discussed in the class. Finally, ask learners to list one thing they can reduce in their existing budget

(or in their current expenses) so that they can put money aside for that vacation. Note that these instructions will be on the Ways to Save slide in the course PowerPoint deck. Give learners three minutes to complete their lists. Ask for a couple of volunteers to share their list with the group. Encourage learners to use this list when they develop the budget and plans for their vacation.

SLIDE 9

SUMMARY

While you can certainly take a vacation without a lot of planning, it may not be a wise thing to do. Planning will help save you money, help you avoid accumulating excessive debt, reduce stress and set the stage for a fantastic getaway.

RESOURCES

Trainer's note: Distribute the *Plan Your Trip* handout. Explain that the handout has many good resources to help you plan for your next vacation.

SLIDE 10

We have covered many resources that can help you plan for your next vacation. The *Plan Your Trip* handout is a good summary of those resources. You can contact your CFS or an FFSC financial counselor for help developing your spending plan or preparing a vacation budget. You may also wish to attend additional classes at an FFSC to increase your financial knowledge and skills. Finally, Military OneSource is a great resource for information on many of the topics we discussed today.

Put your plans into action and have a wonderful vacation!

NOTES:

The Cost of Our Happy Holiday

Holiday Gifts

Record name of recipient (family members, co-workers and friends) and the cost of buying or making.

	NAME	GIFT(S)	ESTIMATE	ACTUAL
1				
2				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				

Charities, Donations, Office Collections

1.				
2.				

Other

1.				
2.				

Pictures

Photo supplies		
Printing costs		
Professional photos		

Holiday Greetings

	Estimate	Actual
Card		
Photo inserts		
Printing or reproducing letter		
Long-distance calls		

Postage And Freight

Cards:		
No. of cards _____ $ _____/card		
Packages to be sent:		
No. of pkgs. _____ $ _____/pkg		
Other		

Decorating

Christmas tree and stand		
Tree decorations		
Household decorations		
Greenery (wreaths, garland)		
Candles		
Fresh and/or artificial flowers		
Outdoor decorations		
Other		

Subtotal

(TO BE CARRIED OVER TO OTHER SIDE)

Estimate	Actual

Gift Wrapping

	Estimate	Actual
Gift boxes		
Paper		
Bows, tags, tape		
Novelty attachments		
Professional gift-wrapping		
No. of gifts _____ $ _____/gift		
Heavy paper, tubes, boxes, twine, labels, tape for packaging gifts to be sent		
Other		

Entertaining

	Estimate	Actual
Entertaining others:		
Function		
Food cost		
Beverage cost		
Invitations and postage		
Miscellaneous		
Other		
Being entertained:		
Hostess gifts		
Baby-sitting		
No. of days/nights _____ $ _____/night		
New clothes		
Dry cleaning		
Other		

Baking

	Estimate	Actual
Staples		
Special ingredients (almonds, candied fruits, etc.)		
Equipment— (cookie sheets, pans, decorating tools, etc.)		
Other		

Travel

	Estimate	Actual
Gasoline for errands, around-town trips		
Bus, train, subway fares for errands		
Long-distance travel: Mileage or airfare		
Meals on the road		
Lodging		
Miscellaneous		
Other		

Miscellaneous

	Estimate	Actual
Meals eaten in restaurants		
No. of meals _____ $_____/meal		
Seasonal albums and tapes		
Movie, play, and concert admissions		
Professional house cleaning		
Professional carpet cleaning		
Other		
Other		

	Estimate	Actual
Subtotal (Page 2)		
Subtotal (Page 1)		
Total Holiday Expenditures (Page 2)		

Financial Planning Worksheet

Date _____ Rate _____

Name _____ Age _____

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

Marital Status _____ Spouse's Name _____ Age _____

Spouse's Place of Employment _____

Number of Children and Ages _____

Home Address _____

Work Telephone _____ Home Telephone _____

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

Amount of SGLI Elected _____ Amount of FSGLI Elected _____

TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

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

LIABILITIES

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

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

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

MONTHLY INCOME

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

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

MONTHLY SAVINGS AND LIVING EXPENSES

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

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		
LIVING EXPENSES		**ACTUAL**		**PROJECTED**		**REMARKS**
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$____Long Distance=$____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

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

SUMMARY

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

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

ACTION PLAN

INCREASE INCOME

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE LIVING EXPENSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE INDEBTEDNESS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

REFERRALS/RECOMMENDED TRAINING

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

SETTING YOUR GOALS (Short and Long Term)

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

MONTHLY SPENDING PLAN

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

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

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

Holiday Poem

'Twas the day after Christmas, and all through the house,
Every creature was hurtin', including the mouse.
The toys were all broken, their batteries dead;
Santa passed out, with some ice on his head.

Wrapping and ribbons just covered the floor,
While upstairs the family continued to snore.
And I in my T-shirt, new Toms and jeans,
Went into the kitchen and started to clean.

When out on the lawn there arose such a clatter,
I sprang from the sink to see what was the matter.
Away to the window I flew like a flash,
Tore open the curtains, and threw up the sash.

When what to my wondering eyes should appear,
But a little white truck, with an oversized mirror.
The driver was smiling, so lively and grand;
The patch on his jacket read "U.S. Postman."

With a handful of bills, he grinned like a fox,
Then quickly he stuffed them into our mailbox.
Bill after bill after bill, still they came,
Whistling and shouting he called them by name.

"Now Dillard's, now Penney's, on Sears and GameStop,
Here's Macy's, Home Depot, Kohl's and Walmart.
To the top of your limit, every store, every mall,
Now charge away, charge away, charge away all!"

He whooped and he whistled as he finished his work.
He filled up the box and then turned with a jerk.
He sprang to his truck and he drove down the road,
Driving much faster with just half a load.

Then I heard him exclaim with great holiday cheer,
"Enjoy what you bought ... YOU'LL BE PAYING ALL YEAR!"

It's in the Bag

Plan Your Trip

TRAVEL SITES:

Travel sites offer convenient ways to find and compare different vacation and travel options. You may save money by booking transportation and lodging together, but always check the site to see whether there are any booking or research costs involved and whether changes or cancellations are allowed.

Cheap Tickets: www.cheaptickets.com/cheap-vacations
Expedia: www.expedia.com
Hotels.com: www.hotels.com
Hotwire: www.hotwire.com
KAYAK: www.kayak.com
Orbitz: www.orbitz.com
Priceline: www.priceline.com
Travelocity: www.travelocity.com

MILITARY-ONLY TRAVEL OPTIONS:

Armed Forces Recreation Centers: www.armymwr.com/travel/recreationcenters
Armed Forces Vacation Club: https://www.afvclub.com
Navy Morale, Welfare and Recreation (MWR): www.navymwr.org
Navy Gateway Inns and Suites: http://ngis.dodlodging.net
Navy Getaways: http://get.dodlodging.net
Military Campgrounds: www.military.com/Travel/Content1/0,,military_campgrounds,00.html
Navy ITT (Information, Tickets & Travel): www.navymwr.org/itt
Space Available (Space-A) Travel: www.amc.af.mil/amctravel/index.asp

DESTINATION RESEARCH SITES:

AAA: www.aaa.com
Fodor's Travel: www.fodors.com
Frommer's: www.frommers.com
U.S. National Park Service: www.nps.gov/index.htm

SOURCES OF HELP:

Command Financial Specialist
Fleet and Family Support Center
Military OneSource: www.militaryonesource.mil or call (800) 342-9647

Your Holiday Action Plan: The Gift You Give Yourself!

The most important things to me and my family at the holidays:

As you start planning your holiday purchases, consider some of the tips and techniques from today's class and list any that you want to try.

Ways I will reduce holiday expenses:

Things I will do differently this year:

Low- or no-cost ideas I want to try this year:

Marriage and Money

Print Course

Print Handouts

COURSE DESCRIPTION

Marriage and Money is a 60-minute course that is intended to provide awareness for married couples and those intending to get married on the importance of effective preparation, communication and collaboration in achieving financial fitness and reaching financial goals. This course also includes a section on preparing financially for divorce.

While this course can be taught as a 60-minute course to include financial preparation for marriage, communicating about finances and the steps for separation of finances during divorce, each section can be taught separately or added to another course or brief to meet the needs of your audience. If you plan to teach all content in one 60-minute course, be careful not to imply that divorce is a logical or likely conclusion to every marriage. Weigh the needs of your audience and adjust content accordingly to make the training relevant for your learners.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to prepare financially for marriage and merging finances, communicate effectively concerning finances and understand the financial ramifications of divorce.

Enabling:

- During the *Setting SMART Goals* activity, learners will develop at least one SMART goal and list at least three actions that will help them manage their finances as a couple and build their financial foundation.
- In the *What are the Issues?* activity, learners will list financial stressors and issues for a given scenario and then provide possible options to resolve or prevent financial conflict.
- In the *Connections and Complications* activity, learners will identify the ways that married couples are connected financially and the possible financial complications associated with divorce.

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COURSE PREPARATION

Handouts:

- *Credit Reports*
- *Financial Planning Worksheet*
- *Setting SMART Goals*
- *Sources of Help for Military Consumers*
- *What are the Issues?* scenario cards

Materials (vary depending on activities chosen):

- Chart paper or whiteboard
- Pens, pencils, paper
- *Marriage and Money* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

- *Setting SMART Goals:* A task-driven activity during which learners develop financial goals and actions to help them effectively manage their finances as a couple.
- *What are the Issues?* A scenario-based activity in which learners identify financial issues for couples and discuss effective options for preventing or resolving these issues.
- *Connections and Complications:* A brainstorming activity where learners list the many different ways that couples' finances are interconnected and the financial complications associated with divorce.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Agenda
2. Preparing Financially for Marriage (20 minutes)
    a. Unique Challenges of Military Marriages
    b. Setting Common Financial Goals
    c. Learner Activity: *Setting SMART Goals*
    d. Merging Your Finances
    e. Establishing Your Budget

   f. Credit Basics
   g. Preparing for the Future
3. Communicating Effectively About Money (15 minutes)
   a. Finances and Conflict
   b. Effective Communication Skills
   c. Learner Activity: *What are the Issues?*
   d. When to Seek Help
4. Financial Preparation for Divorce (15 minutes)
   a. Learner Activity: *Connections and Complications*
   b. Assess the Situation
   c. Separate Your Finances
   d. Establish a New Financial Identity
5. Summary and Conclusion (5 minutes)
   a. Sources of Help

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

Marriage is a major milestone in life. It is an exciting time as you join your lives and plan your future together. It is also a big step in your financial life as you combine finances and set common financial goals.

AGENDA

> ***Trainer's note:*** If you are facilitating only certain portions of this course, you can modify the content on the agenda slide in the course PowerPoint deck.

SLIDE 2

This course will lay the groundwork for your financial future by covering the steps you will need to take to prepare financially for marriage and by discussing tips for communicating effectively with each other concerning your finances. Although no one getting married intends to divorce, this course will also outline the necessary steps for protecting yourself financially when a marriage ends.

PREPARING FINANCIALLY FOR MARRIAGE

You have found the love of your life and are looking forward to spending the rest of your lives together. You want to prepare a strong foundation for your future. One important aspect of that foundation is preparing financially. Couples are usually so

busy preparing for a wedding, setting up a new home and merging their belongings that they often neglect to consider financial preparation for married life.

Unique Challenges for Military Marriages

SLIDE 3

The military lifestyle can present unique challenges for marriages. Deployments, separations and frequent moves can add to the stress of living as a new couple. It is important to understand these challenges, and how they can affect your finances, so that you establish a strong foundation for your financial future.

Deployments and separations: Deployments and separations are a part of military life. Not only is it difficult for new couples to be apart during the early stages of a relationship, a separation can make it challenging to communicate with each other. This affects the ability to make joint financial decisions and establish a routine for monthly spending, saving and financial management. For the spouse left at home, boredom and loneliness can lead to spending to feel good or simply as something to do.

Frequent moves: Although moving is not unique to the military, military families tend to move more frequently than their civilian counterparts. A move can be exciting for a new couple; it can also place an additional strain on establishing your financial foundation. While the government funds most military moves, there are always additional costs involved in moving and setting up a new household. Moving to a new location may also mean a non-military spouse will need time to find employment. If the couple depends upon two incomes, this can add to the financial strain of a move.

Setting Common Financial Goals

SLIDE 4

It is important to remember that just because two people fall in love and share common interests, it does not mean that they will share common financial experiences or values. Each person brings his or her own financial habits and values to a marriage. These habits and values are shaped by your experiences growing up and by the things that you have experienced as an adult. You may find, however, that your fiancé/fiancée or spouse has very different experiences and/or goals.

One person in a marriage may be a saver, whereas the other may be a spender. This is common. Being a saver does not necessarily mean you manage your finances better than a spender and vice versa. It does, however, mean that you will need to find a way to work with each other to establish financial goals and set up a workable budget. And remember that frequently the best solution to determining common goals is a compromise by both individuals.

As you prepare for marriage, think about what you would like to accomplish financially. Goal setting forces you to decide what you want to accomplish with your money and clearly defines the steps to take to achieve your goals. Your Command Financial Specialist (CFS) or a Fleet and Family Support Center (FFSC) financial counselor can help you to establish financial goals for future financial success.

What is a SMART Goal?

SLIDE 5

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

A well-written goal is a SMART goal:

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

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

SLIDE 6

Here is one additional example of a SMART goal:

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

To achieve this goal, we will:

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

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

LEARNER ACTIVITY: *Setting SMART Goals*

Time: 10 minutes

Materials: *Setting SMART Goals* handout, pens and/or pencils

Procedure: Explain that in order to effectively plan for your joint financial future, you will need goals and actions to guide you. Have couples work together for this activity.

First, instruct learners to take a moment to think about their financial goals. Then tell them to use their *Setting SMART Goals* handout to list at least one short-term and one long-term financial goal. Learners can list more if they choose and time allows. The purpose is to get learners familiar with how to develop SMART goals. Explain that they do not have to decide which goals take priority right now. That is something they will want to discuss at length after they have looked at their entire financial situation and completed a joint spending plan.

Next, instruct learners to define at least one of their goals using the SMART criteria. List the total cost of that goal, the date they want to achieve the goal and the monthly amount they would need to save or pay to achieve it. (Note that the following example is listed on the handout as a guide to construct their goal using the SMART criteria.)

For example, newlyweds may want to save for new bedroom furniture at a cost of $1,500 over 15 months and will need to save $100 per month to achieve that goal.

When learners have created their SMART goal, ask them to list at least three actions they will need to do to achieve that goal and help them build a strong financial foundation. Encourage learners to use the handout to list any additional action items from the remaining course content that can help them prepare for their financial future.

Merging Your Finances

SLIDE 7

As a couple, you will need to consider how to effectively manage your finances so that you can achieve your financial goals. This includes determining how to structure and manage your bank accounts, assets, debt payments and service accounts. For many couples, the first step is to set up a joint checking account. However, some couples are uncomfortable losing financial autonomy and opt to set up a joint account for household bills and keep individual accounts for discretionary spending. In that scenario, you will need to discuss how much each

individual will contribute to the joint account. The goal is to determine an agreeable system that works for your situation.

You should also consider how you manage assets. For common financial goals, such as saving for a new car or for the down payment on a home, you might consider opening a joint account specifically for that goal. For existing debt, discuss whether debt will be paid out of a joint account or whether each person will be responsible for the debt they incurred before the marriage.

Once you have determined which accounts will be set up and how money will be allocated for spending and saving, determine who will oversee the monthly management of these accounts. Will one person be responsible, or will it be a joint effort? There is no right or wrong way, but responsibility should be clearly established. You also need to define who will pay the bills and from what account(s) payments will come.

Finally, look at your existing service accounts. Many people are already paying for some services that can be merged into a family plan or bundled account. For example, it may be cheaper to combine your cellphone service into one plan than pay for each individually.

Establishing Your Budget

Trainer's note: Distribute the *Financial Planning Worksheet* handout. Because this section is only a brief overview of a spending plan, encourage learners to attend a *Developing Your Spending Plan* course and to make an appointment with their CFS or an FFSC financial counselor for additional information and assistance.

SLIDE 8

After establishing some common goals, your next step in setting up your joint finances is to evaluate your current financial situation. This will provide a clear picture of current income, expenses and debt so that you can prepare financially for your new situation. If you do not already have a written financial plan, start by creating a budget, also known as a spending plan.

A spending plan is a written method to achieve your financial goals by measuring and managing the money that comes in and goes out of your pocket. If you have never created a spending plan before, you will need to gather some documents and information so you can be sure your spending plan is accurate.

Here are some things you will need to complete your spending plan:

- Current Leave and Earnings Statement (LES)
- Other pay statements and income information

- Monthly bills and payments (e.g., housing, utilities)
- Monthly expenses (e.g., food, clothing, transportation, entertainment)
- Debt payments (e.g., credit cards, loans)

Once you have a list of current income and expenses, you will need to determine how many of the current expenses will stay the same and how many will change with your marriage. Your expenses will fall into two categories – fixed and flexible. Your fixed expenses are items that do not change each month; for example, your rent and loan payments. Flexible expenses, such as groceries, are subject to change monthly. As you develop your spending plan, discuss how money will be spent each month based on your available income, fixed expenses and your individual habits and values. You may find it necessary to prioritize those expenses most important to each person and set spending limits on certain expenses to create a balanced budget.

You can use the *Financial Planning Worksheet* to develop your spending plan. You can also make an appointment to see your CFS or an FFSC financial counselor for assistance.

Tracking expenses

A spending plan is only as good as the information that goes into it. If you have a hard time accounting for some of your expenses, track your expenses by keeping a list of everything you spend for one month. Tracking your expenses gives you a more honest picture of your spending than trying to guess how much you spend. If you cannot commit to tracking expenses for an entire month, try to do it for two weeks.

Determining Needs vs. Wants

Marrying and setting up a new household usually requires new purchases and expenses – at least initially. Start out by making a list of the items you both want. This could be items for your wedding and/or items you want or need for a new home. Now note those items and expenses that are necessities and those that you would like to have if you could afford it.

Prioritize your list based on need and determine what you can afford based on the totals from your spending plan. You may also want to look at current spending to determine whether there are things you would like to change to make room for new purchases or expenses.

You can increase your cash flow by increasing income, decreasing expenses and/or decreasing debt. The easiest of these options is to decrease expenses. Start first by seeing whether there are cheaper options for things you are already doing. For example, instead of stopping for gourmet coffee, brew a pot at home and take the coffee with you to work. Several small changes to your spending can make a big difference in your budget's bottom line.

Credit Basics

Trainer's note: Distribute the *Credit Reports* handout. This section of the course is limited to an overview of credit. The *Credit Reports* handout will provide additional information. Encourage learners to attend a *Credit Management* course to learn more about effectively managing their credit.

SLIDE 9

Credit is a normal part of everyday personal financial management for most Americans. Used appropriately, it can be an excellent tool, but if mismanaged, it can be costly and damaging to your financial future. Many people get married without discussing each person's financial situation, including how much debt they have or their current credit score. These are things that should be discussed before you merge your finances. If one person has poor credit, it can affect the joint purchasing power for the couple. And when you open joint credit lines, it affects each individual's credit score.

Here are some things you should do to manage your credit wisely:

Establish credit: Having a satisfactory credit history is necessary for more than just qualifying for new loans. Many employers and landlords now run a credit check before making decisions on employment or housing. If either of you currently has a limited credit history, you may want to establish credit by taking out a loan for a small amount and making regular payments by allotment. You can check with your CFS or an FFSC financial counselor for other options to establish credit wisely.

Manage your payments: A large percentage of your credit score is based on making on-time payments and keeping your credit balances low. If possible, plan to pay your credit card balances in full each month. If you cannot pay the balances in full, consider paying more than the minimum payment to avoid interest costs and pay off your debt faster. Keep in mind that paying more than the minimum payment one month does not mean that no payment is due the following month.

Manage your overall debt: You should avoid overcharging and running up credit account balances that you cannot afford to repay. And because credit card companies charge over-the-limit fees, ensure that you do not exceed your credit limit.

Credit information typically stays on your credit history for a minimum of two years, longer if the information is negative. If you have late payments or routinely exceeded your spending limit, it could reflect poorly on your creditworthiness and reduce your purchasing power. A poor credit history may make it difficult to achieve some of your common financial goals.

Get your credit report: A credit report is a written document compiled by one, two or all of the three major credit reporting agencies: TransUnion, Experian and Equifax. Companies report on payment timeliness, balances, types of credit, etc. Lenders, employers and other entities pay the credit reporting agency a fee to access data compiled on an individual before granting credit. Important decisions are made based on the content of a credit report. You can get one free credit report each year from each of the three agencies at www.annualcreditreport.com. This can also be accomplished by setting up an appointment with an FFSC financial counselor, where you can receive your free report and your free credit score.

Preparing for the Future

Trainer's note: Encourage learners to attend other financial courses, such as *Saving and Investing, Your Insurance Needs* and *The Thrift Savings Plan,* to help them prepare for their financial future and achieve their financial goals.

SLIDE 10

When you discussed your financial goals, you may have brought up goals such as buying a home, saving for a family or planning for retirement. Here are some basic steps to help you prepare for your financial future and achieve your financial goals.

Build an Emergency Fund

The purpose of an emergency fund is to cover unexpected expenses, such as car and home repairs or sudden travel expenses if you have to return home for a family emergency. If you do not currently have an emergency savings fund, put aside at least a few dollars each month to build up a minimum of $1,000 to fall back on in case of emergencies. Your goal should be to eventually have one to three months worth of monthly expenses and bills in your emergency fund. Contributing regularly to a savings account is a great habit to establish as a new couple and will help to reduce financial stress.

Evaluate Insurance/Medical Coverage

The purpose of any insurance is protection from financial loss. Life, health, auto, homeowners and renters insurance products are all designed to protect you from

losses you cannot afford to cover yourself. As a new couple, you should review your current insurance policies to ensure that you have sufficient coverage and add to them as necessary.

TRICARE: For newlyweds, talk with your command to ensure that a non-military spouse is enrolled in medical coverage through the DoD healthcare program TRICARE. TRICARE provides coverage for medical services, medications, and dental care for military families and retirees and their survivors. Note that the dental plan is subject to significant restrictions and is a cost-basis program.

Servicemembers' Group Life Insurance (SGLI): SGLI is a program of low-cost group life insurance. Coverage is available in $50,000 increments up to the maximum of $400,000. Family Servicemembers' Group Life Insurance (FSGLI) provides term life insurance coverage to the spouses and dependent children of service members insured under SGLI. FSGLI provides up to a maximum of $100,000 of insurance coverage for spouses, not to exceed the service member's SGLI coverage amount, and $10,000 for dependent children. FSGLI for spouses is available at minimal rates; however, the coverage for children is included at no additional cost. Children are covered whether or not there is a covered spouse.

Homeowners and renters insurance: New couples will likely be purchasing additional furniture and furnishings for your new home together. Be sure that your current renters or homeowners insurance coverage is sufficient to protect these new possessions.

Invest in Your Future

Consider your long-term financial goals and determine what you will need financially to reach them. Set money aside monthly in an appropriate account for each goal. For retirement goals, consider participating in the Thrift Savings Plan (TSP), which is a government-sponsored retirement savings and investment plan for federal employees and members of the uniformed services. Contributions are either tax deferred or are tax free if withdrawn under specific circumstances. Your contributions and earnings in the TSP are yours to keep, whether you leave the military or stay in until retirement. Talk with your CFS or an FFSC financial counselor for additional information on the TSP.

COMMUNICATING EFFECTIVELY ABOUT MONEY

SLIDE 11

Money can be a major factor in relationship issues. Financial decisions can affect the overall quality of the relationship, and arguments about money can ultimately lead to divorce. It is important that couples learn to communicate honestly about their finances. Discussions about money should foster a sense of trust and fuel a shared commitment to reach common financial goals.

FINANCES AND CONFLICT

SLIDE 12

Financial management is a big issue for couples. Couples may experience financial stress and conflict because they have very different financial habits, values and goals. There may be power and control struggles due to an inequality in who contributes to the household income and expenses. And there may also be a lack of trust that can lead to a breakdown in communication and fuel more conflict.

Additionally, couples who have trouble making financial ends meet or who are incurring large amounts of personal debt increase the odds of conflict about money in the relationship. Unfortunately, these financial conflicts tend to be recurrent because money comes in and goes out each month. As a result, disagreements can resurface monthly. When the credit card bills or cellphone bills come, they can give rise to another episode of conflict.

Here are some suggestions that may help you avoid financial conflict.

- Accept each other's different spending habits and try to reach a compromise that is acceptable to both.
- Develop and stick to a written spending plan.
- Establish priorities and goals for how money will be saved and spent.
- Set a spending limit for purchases. Any purchase above the spending limit must be discussed jointly unless it is an emergency situation.

EFFECTIVE COMMUNICATION SKILLS

SLIDE 13

Effective communication within a marriage can help to prevent and/or resolve many conflicts. Here are some tips to help you effectively communicate with your fiancé/fiancée or spouse about money matters.

Establish regular check-ins: Set up a regular schedule to review your budget and discuss upcoming expenditures.

Establish ground rules: Determine the ground rules for your financial discussions. This might include:

- Discuss one topic/expense at a time.
- Weigh the pros and cons of each decision.
- Agree not to rehash old arguments.
- Tune out distractions (i.e., turn off the TV/computer and put away your cellphones).

Listen to each other: Actively listen and pay attention to what the other person says the entire time they are speaking – even if you do not always agree with what they are saying. Not only will this help you understand their point of view, it also shows respect and helps to foster trust in a relationship.

Paraphrase and clarify: Paraphrasing, or repeating what has been said in your own words, is a way to make sure you understand what another person is saying. Clarifying when listening simply means asking questions when you do not understand or are not certain of the intended meaning. Never assume anything, because it can lead to additional conflict if you assume incorrectly.

Use "I" statements: When you use the word "you," it can be interpreted as blame and cause the other person to become defensive. This can lead to conflict instead of reducing it. An alternative is to use "I" statements to express your own feelings and desires. For example, rather than saying "You spend too much on movies," you could say, "I worry about how much we are spending."

Avoid using absolutes: Avoid using absolutes such as never and always. For example, "You never pay the credit card bill. I always have to take it out of my account." There are rarely absolutes in anything we do, and these statements are accusatory and will typically escalate conflict.

Be aware of nonverbal cues: Much of human communication is made through body language. Be careful of your own body language and nonverbal cues when communicating with your fiancé/fiancée or spouse. Cues such as crossing your arms, physically turning away, sighing, or rolling your eyes are disrespectful and hurtful and will not foster open and honest communication.

LEARNER ACTIVITY: *What are the Issues?*

Time: 10 minutes

Materials: *What are the Issues?* scenario cards, scissors, chart paper or a white-board, markers and pens and/or pencils

Preparation: Cut the *What are the Issues?* handout along the dashed lines so that you have two scenario cards for your learners.

Procedure: Ask for two volunteers to read the scenarios. After each scenario, have the class brainstorm on the different financial stressors and communication issues apparent in that scenario. Write the class's answers on a piece of chart paper or on a whiteboard. Once the list is compiled for that scenario, ask the class to come up with options that could help resolve or prevent some of the conflict or potential conflict. Add additional information as appropriate after the class has provided their answers.

Scenario 1:

Alex and Emma are getting married in three months. They are planning a very large wedding, and the planning and expenses are taking a toll on both of them. Alex is irritated because he seems to be paying for everything and has very little say about the decisions being made. He tried to bring it up with Emma, but she would not listen to him. She kept checking her phone during the conversation. He also suggested they create a budget, but Emma seemed reluctant to discuss her finances. He loves Emma, but at this point, he is frustrated and concerned.

Possible stressors/issues include: Disparity in responsibility for expenses and decisions, not listening or hearing during a conversation, distractors and lack of attention during a conversation and reluctance to share personal financial information.

Possible solutions include: Create a budget for the wedding and determine who is responsible for which expenses; set up a time to regularly review expenses; establish ground rules for these reviews, to include turning off cellphones and paying attention to each other; and Alex could use "I" statements to express his feelings of frustration and concern.

Scenario 2:

Michael and Diane have been married for four months. They live in a nice condo, which they furnished before they got married. They drained their savings setting up their home. Diane is a saver, and it really concerns her that they no longer have an emergency fund. She keeps trying to put money aside to build their savings, but Michael is constantly spending money. They are not going in the hole each month, but there is absolutely nothing left over to put aside. Diane is frustrated but reluctant to say anything to Michael. He makes more money than she does, and she is not sure if it is fair for her to want him to spend less when he adds more to the monthly household income.

Possible stressors/issues include: Different financial habits, values and goals, lack of an established budget and emergency fund, no defined responsibility or expectation of how money will be spent and inequality in income.

Possible solutions include: Establish a spending plan and determine a common savings goal that is acceptable to both individuals; set up a monthly spending cap for flexible expenses; set up a regular meeting to review the monthly expenses and establish ground rules for these discussions; and Diane should be open and honest about her concerns and frustrations.

When to Seek Help

SLIDE 14

Despite effective communication strategies, some couples need help resolving an issue or learning new skills to cope with the issues that cause conflict. Financial counselors can help you develop good financial management skills to reduce financial stress and conflict. If your relationship continues to have challenges, it might be an indicator of bigger relationship issues. Clinical counselors can help you understand and work through other issues affecting the marriage and help you learn new communication, conflict and anger management skills.

Most FFSC locations offer both financial counseling and clinical counseling services. If you feel you need assistance, contact your local FFSC.

FINANCIAL PREPARATION FOR DIVORCE

SLIDE 15

No one enters a marriage planning on divorce. However, it is an outcome of many marriages despite attempts at resolving conflict. When you marry and merge your finances, you do so with the trust that everything will work out and you will achieve your joint financial dreams. When the issues between a couple get to the breaking point, it is important for them to work toward an equitable separation of their finances and to protect their individual financial futures. To do this they need to assess their situation, separate their finances and establish new financial identities.

LEARNER ACTIVITY: *Connections and Complications*

Time: 5 minutes

Materials: Chart paper or a whiteboard, markers and pens and/or pencils

Procedure: On chart paper or a whiteboard, write two headings: "Connections" and "Complications." Explain to learners that when couples are married, their lives are connected in many ways, including financial connections.

Ask learners to list as many financial connections as they can. Answers could include:

- Bank accounts
- Other assets (e.g., investments, homes, cars, timeshares, furnishings, etc.)
- Mortgages, loans and credit accounts
- Insurance benefits

Now ask learners to list the financial complications involved in separating finances. Answers could include:

- Dividing assets equitably
- Determining financial responsibility
- Closing accounts
- Establishing new accounts
- Creating a new budget
- Managing financially on a reduced income

Thank learners for their input and explain that the remainder of the course will address many of these issues.

SLIDE 16

Assess the Situation

Because married couples have many financial connections, the first step in preparation for divorce should be to assess your financial situation. You should be aware of the status and balance of all joint accounts and any custodial accounts, such as bank accounts for children. Make a copy of all account statements to verify the account balances. Be sure to check bank statements, investment and asset portfolios and credit and debt information. You can review your credit history by getting a copy of your credit report from www.annualcreditreport.com. Use your credit report to track your joint accounts and to confirm that there are no joint accounts that you are unaware of.

Do not forget to include commonly overlooked assets when compiling your inventory. Anything that has value and could be sold for a profit should be included in what will be divided between you. This could include collectibles, household items, timeshares, airline miles, cash-back rewards on credit cards and tax refunds (if you filed jointly).

If you expect you will need (or want) to sell your home, the following websites can help you assess the potential value of your home based on sales of similar homes in your neighborhood.

Zillow.com: www.zillow.com
Realtor.com: www.realtor.com/homevalues?source=web
MLS.com: www.mls.com

Separate Your Finances

SLIDE 17

You need to be aware of your joint assets, debt and financial status so that you can start separating your financial lives and work toward an equitable division of assets and liabilities. If the marriage has reached the point where you can no longer trust your spouse to reach a fair agreement on how to proceed financially, seek legal counsel. Your local Legal Service Office can offer advice or provide referral information.

If trust has become an issue, you may need to prevent the other person from emptying asset accounts or running up credit accounts. Check with each bank or company for the rules and procedures for freezing your account. In many cases, you can freeze the assets or available credit, which prevents account authorizations without the consent of both spouses. This can stabilize the finances until you are able to close accounts and divide your assets.

Close Joint Accounts

SLIDE 18

Your next step should be to close joint accounts. For bank accounts, first open a new individual account in your own name so that you will have an account to transfer the money from your joint account. You will have to wait until all transactions clear before closing the existing joint account. Be sure to make new arrangements for any bills or expenses that are paid automatically from a joint account. Also remember to remove your spouse's name on any existing accounts where he or she is an authorized user.

For credit accounts, notify the creditor in writing of your divorce status and request that the account be closed. Different creditors may require different documentation to verify an impending divorce. If there is an outstanding balance, you will be responsible for your share of that debt until the balance is paid in full. Ensure that payments are made on any outstanding credit accounts until full resolution of the divorce agreement. If your name is tied to an account with late payments or one that has gone into arrears, it will affect your credit history and

score. Note that some companies may require that balances be paid in full when an account is closed.

It is also important to note that a court order cannot remove your name from a credit account. Only the creditor can do this. Although a spouse may be directed by the courts to pay for an account, only the creditor can relieve you of that responsibility.

When closing accounts and separating your finances, also include other joint accounts, such as utilities, cable and phone services. If you move out of a rental home or housing, disconnect service, pay the final bill and close the account. If you still own a home with your spouse, determine who will be responsible for these bills and then remove the other individual from the account. For cellphones, you may be under a contract and may have to open a new contract in your own name in order to remove yourself from the joint account.

Determine How to Handle Assets

SLIDE 19

Dividing your assets during a divorce can be difficult. Value has to be assigned and then there has to be an agreement on how to split the finances in a manner that is acceptable to both parties. You must also consider the state laws governing divorce because each state may have different stipulations on the division of assets.

For a home, there are four common options for division:

- Sell the home and split the proceeds.
- Buy out your spouse's share of the home.
- Sell your spouse your share of the home.
- Keep the home as joint tenants and sell sometime in the future.

If you have extensive assets, you should speak with an attorney or financial adviser to discuss asset value and state divorce laws and get guidance on an acceptable expectation for division of assets between you and your spouse.

Establish a New Financial Identity

SLIDE 20

Once you have an inventory of your assets and liabilities, you should start creating your new financial identity. This includes setting up new accounts, establishing credit in your own name, creating a new spending plan and building your own emergency fund.

We have already discussed opening new accounts as you close out your joint accounts. Another thing you should consider is if you have sufficient credit established in your name. This is not a good time to take on additional debt, but if you do not have an established credit history, you may need to open a credit account to build your credit history. Talk with your CFS or an FFSC financial counselor for additional options for establishing credit wisely.

Next, consider what your income and expenses will be after the divorce and establish a post-divorce spending plan. In many divorce situations, you go from a dual-income situation to living on one income. Although the sale or liquidation of assets may present an initial influx of funds, it will not cover your monthly expenses indefinitely. Developing a workable spending plan can guide your next steps and may help you make decisions on how you want to divide assets in your divorce settlement.

SUMMARY AND CONCLUSION

Sources of Help

SLIDE 21

Trainer's note: Distribute the *Sources of Help for Military Consumers* handout.

There are additional resources that can assist you in effectively managing your finances with your partner or as you prepare for divorce. Websites for many of these resources are listed on the *Sources of Help for Military Consumers* handout.

Command chaplain: Command chaplains can provide premarital counseling and help you sort out your values, desires, hopes and expectations concerning marriage. They can also help you make decisions about whether to continue your marriage and provide referral services as necessary.

Command Financial Specialist (CFS): Each command with at least 25 personnel assigned is required to have a CFS who can help service members and their families develop a financial plan. Your CFS is trained to explain a variety of financial topics, from developing a spending plan to credit management to saving and investing.

Fleet and Family Support Center (FFSC): FFSC offers many programs for service members and their families. In addition to financial education and counseling, FFSC offers information and referral services, deployment support programs and personal and family wellness education and counseling.

Military OneSource: Military OneSource is a 24/7, online information-and-referral service funded by the DoD. All services are free and available to active-duty,

Guard and Reserve personnel and their immediate family members, regardless of activation status.

Legal Service Office: Your Legal Service Office can provide assistance and information to help you in contract disputes or to review installment contracts on large purchases. In a divorce situation, military attorneys cannot go to court on your behalf, but they can help you assess your choices, options, and alternatives and provide resources and referrals.

Navy-Marine Corps Relief Society (NMCRS): NMCRS is a nonprofit organization that provides financial assistance and counseling. Financial assistance is available for short-term emergency needs on a case-by-case basis.

Whatever your situation, these resources can provide a wealth of information or provide other resources that can help you.

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 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	TransUnion	Equifax
(888) 397-3742	(800) 916-8800	(800) 685-1111
www.experian.com	www.transunion.com	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.

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. 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. You may also want to sign up for a *Consumer Awareness* course at your local Fleet and Family Support Center.

Financial Planning Worksheet

Date _____ Rate _____

Name _____ Age _____

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

Marital Status _____ Spouse's Name _____ Age _____

Spouse's Place of Employment _____

Number of Children and Ages _____

Home Address _____

Work Telephone _____ Home Telephone _____

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

Amount of SGLI Elected _____ Amount of FSGLI Elected _____

TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

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

LIABILITIES

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

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

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

MONTHLY INCOME

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

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

MONTHLY SAVINGS AND LIVING EXPENSES

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

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		
LIVING EXPENSES		**ACTUAL**		**PROJECTED**		**REMARKS**
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$____Long Distance=$____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

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

SUMMARY

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

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

ACTION PLAN

INCREASE INCOME

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE LIVING EXPENSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE INDEBTEDNESS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

REFERRALS/RECOMMENDED TRAINING

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

SETTING YOUR GOALS (Short and Long Term)

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

MONTHLY SPENDING PLAN

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

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

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

Setting SMART Goals

To effectively plan for your joint financial future, you will need goals and actions to guide you. Based on the information you have learned today, what do you think you could do to put yourself in the best possible financial situation to build a strong financial foundation and build future financial wealth? Make a list of your financial goals below.

1.

2.

3.

4.

Now define at least one of those goals in the chart below using the SMART criteria.

Specific
Measurable
Action-oriented
Realistic
Timely

Goal	Cost	Date Wanted	Monthly Amount Needed to Reach Goal
New Bedroom Furniture	$1,500	15 months	$100 per month

Next, list the actions you will need to take to achieve your financial goal(s). You can also use this area to list other actions you should take as you prepare for your financial future with your fiancé/fiancée or spouse.

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Sources of Help for Military Consumers

Sample Complaint Letter

Your Address
Your City, State, Zip
Date

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

Dear (Contact Person),

Re: (account number, if applicable)

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

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

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

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

Sincerely,
(Your Name)

Enclosure(s)

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

State the problem.
Give the history.

Ask for specific actions.
Include copies of documents.

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

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

How to Complain Effectively

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

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

STOP IT!
Getting Your Name Off Solicitation Lists

Get Your Name Off Solicitation Lists:

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

How To File A Complaint About A Sales Call:

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

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

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

National Do Not Call Registry: www.donotcall.gov

Protect Your Personal Information

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

Think Before You Click: Practice Safe Computing

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

Websites for Consumers

The Consumer Action Handbook: www.consumeraction.gov

Consumer Protection

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

Emergency Financial Assistance

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

Financial Information and Counseling

Consumer credit counseling: www.nfcc.org

Credit reporting agencies:

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

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

Predatory Lending

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

What are the Issues

Cut along the dashed lines to separate the scenarios for this activity.

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SCENARIO 1:

Alex and Emma are getting married in three months. They are planning a very large wedding, and the planning and expenses are taking a toll on both of them. Alex is irritated because he seems to be paying for everything and has very little say about the decisions being made. He tried to bring it up with Emma, but she would not listen to him. She kept checking her phone during the conversation. He also suggested they create a budget but Emma seemed reluctant to discuss her finances. He loves Emma, but at this point, he is frustrated and concerned.

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SCENARIO 2:

Michael and Diane have been married for four months. They live in a nice condo, which they furnished before they got married. Setting up their home ate into their savings. Diane is a saver, and it really concerns her that they no longer have an emergency fund. She keeps trying to put money aside to build their savings, but Michael is constantly spending money. They are not going in the hole each month, but there is absolutely nothing left over to put aside. Diane is frustrated but reluctant to say anything to Michael. He makes more money than she does, and she is not sure if it is fair for her to want him to spend less when he adds more to the monthly household income.

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Military Pay Issues

Print Course

Print Handouts

COURSE DESCRIPTION

Military Pay Issues is a 60- to 70-minute course designed to familiarize learners with military compensation so that they will be able to verify information on their Leave and Earnings Statement (LES) and correct common pay problems.

If possible, ask learners to bring their most current LES to this class. Be sure to review the module content and update any changes in dollar amounts. Be prepared to provide the name and contact information for the local Disbursing/Personnel Support Detachment (PSD)/Customer Service Desk (CSD). If you are collaborating with PSD to facilitate this lesson, be sure to cover the content and desired outcomes with the PSD representative beforehand. You might also want to determine which sections it makes the most sense for your PSD representative to facilitate before requesting their assistance.

As an option, this course can be taught using the optional *Military Pay Check* review game, because most learners will already know much of the content included in this module. The game can be played using the PowerPoint version, or with the paper and pencil version.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learner should be able to successfully verify and manage pay information across their career to maintain financial readiness.

Enabling:

- During the *LES Match* activity, learners will correctly identify at least five components of an LES.
- During the *Perks and Privileges* activity, learners will identify at least five examples of non-cash compensation that make up a service member's total military compensation.
- During the *I Have a Problem!* activity, learners will identify at least five common pay problems and suggest viable sources of assistance.

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COURSE PREPARATION

Handouts:

- *LES Match*
- *Military Compensation Checklist*
- *The Military Pay Check*
- *Understanding Your LES*

Materials (vary depending on activities chosen):

- Chart paper or whiteboard
- Markers, pens, pencils, paper
- Internet connection (where available)
- Pay and Allowances Tables, available from www.dfas.mil
- Tax Tables, available from www.irs.gov
- *Military Pay Issues* PowerPoint slides
- *The Military Pay Check Review Game* (optional)

SUMMARY OF LEARNER ACTIVITIES

- *LES Match*: Matching activity in which learners identify the sections of an LES.
- *Perks and Privileges:* Brainstorming activity where learners list non-cash compensation included in the service members' total military compensation.
- *I Have a Problem*: Brainstorming exercise in which learners propose solutions to common pay problems.
- *The Military Pay Check Review Game*: An optional PowerPoint game that can be used for presentation of course content or in lieu of lecture or as a review.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Agenda
    b. The Importance of Understanding Military Compensation
2. Military Pay (15 minutes)
    a. When You Are Paid
    b. Direct Deposit System
    c. Changes in Pay
    d. myPay
    e. Navy Cash Card and Split Pay
    f. Understanding Your Leave and Earnings Statement
    g. Learner Activity: *LES Match*
3. Cash Compensation (10 minutes)
    a. Pay
    b. Allowances
    c. Allotments
    d. Deductions
4. Non-Cash Compensation (10 minutes)
    a. SGLI and FSGLI
    b. Thrift Savings Plan
    c. Medical and Dental
    d. Education
    e. Leave
    f. Retirement

g. Learner Activity: *Perks and Privileges*

5. Military Tax Issues (5 minutes)
   a. FICA Deductions
   b. Federal Income Taxes
   c. State Income Taxes
6. Common Pay Problems and Options to Correct Them (10 minutes)
   a. Learner Activity: *I Have a Problem!*
   b. Repayment Options
7. Summary (5-15 minutes)
   a. Sources of Help
   b. Optional Learner Activity: *The Military Pay Check Review Game*

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

Trainer's note: Distribute the *Military Compensation Checklist* to learners and tell them they can mark items they may need to review or complete, now or in the future. Most of the items on the *Checklist* will be discussed during the course. The *Checklist* also can serve as an excellent financial guide throughout their career.

SLIDE 2

AGENDA

The purpose of this course is to help you to understand the military compensation system by focusing on the components of the Leave and Earnings Statement (LES) and the use of the myPay website. We will also discuss what makes up your military compensation package, going above and beyond the "dollar bills." Finally, we will take a look at how to correct common pay problems and repay government debts.

SLIDE 3

THE IMPORTANCE OF UNDERSTANDING MILITARY COMPENSATION

Why is it important that we understand the elements of military compensation?

To know what you are currently entitled to receive.

To know what you need to do as your circumstances change. Financial hardships can occur when you do not understand how much pay you are entitled to and what to expect. Frequently these hardships occur because you are not aware of the need to inform your pay office about certain events.

To keep current on changes in the pay system. Military pay is governed by many rules that change in order to recruit and retain qualified personnel. The changes mean that the military needs to know a lot about you to be able to pay you correctly. If key information is missing or inaccurate, your pay may be incorrect. Mistakes occur, and knowledge of pay will help correct them quickly when they do, ensuring that you are getting your full entitlements – no more, no less.

To encourage you to pay more attention to your pay. A steady paycheck is a double-edged sword in that service members have a tendency to get complacent about their pay and benefits. However, fluctuations in pay can complicate your financial situation and perhaps catch you off-guard. Many events occur in your life that necessitate pay and benefit changes, from going to sea or transferring, to getting married or reenlisting, and everything in between. Awareness of how the military pay system works, knowledge of your entitlements and the ability to check your LES for accuracy can stave off many problems.

SLIDE 4

MILITARY PAY

When You Are Paid

All active-duty service members are paid on the 1st and 15th of each month. If either date falls on a holiday or weekend, you will receive your pay on the workday before the holiday or weekend.

Direct Deposit System

With the Direct Deposit System, net pay amounts are sent to the financial institution you designate. These payments are sent via electronic funds transfer from Defense Finance and Accounting Service Cleveland (DFAS-CL). It is your responsibility to ensure that the account selected for direct-deposit payments is open and in good standing.

Changes in Pay

There are many events that will cause changes in pay. These changes must be made by you in myPay or be reported to the local pay and personnel offices:

- Allotment changes, starts or stops.
- Tax changes, including changes in exemptions, state of legal residence or additional withholding.
- Assignment or termination of government quarters for members with dependents.
- Marriage, divorce or other change in dependency status.

- Relocation.

MYPAY

Trainer's note: It is very important that service members understand how to access and use the myPay website. If an Internet connection is available, it is recommended that you navigate to and explore the website (https://mypay.dfas.mil/mypay.aspx). Be sure to point out the FAQ link on the menu bar at the top of the screen. In the FAQs, be sure to navigate to the Login and Password sections.

SLIDE 5

MyPay is an automated system that puts you in control of your pay account. MyPay has multiple functions that allow members to better manage their money. On myPay you can:

- Access LES and statements.
- Add or change allotments.
- Arrange for direct deposit.
- Purchase savings bonds.
- Change income-tax withholding.
- Enroll in and contribute to the Thrift Savings Plan.
- Change your email address and other personal settings.
- Set up charitable contributions.

Trainer's note: For learners who are new to myPay, refer them to the New User information on the myPay website.

SLIDE 6

Your first step in using myPay is to create an account. Using your DoD Common Access Card (CAC) and a SmartCard reader, you can access myPay anytime after you receive your first paycheck by selecting "SmartCard Login" on the myPay home page. If you do not have a CAC or SmartCard reader, information with your temporary password will be sent to the email address provided to DFAS by your employer.

Once you have created an account you will need to establish a myPay login and permanent password. You can do this on the myPay website at https://mypay.dfas.mil/mypay.aspx. To create a login ID, click on the "Create an Account" link. If you have forgotten your login ID and need to reset it, click on the "Forgot your Login ID?" link. To establish your permanent password or reset a password, click on the "Forgot or Need a Password?" link. Passwords expire every 150 days, so they will need to be updated frequently.

For further assistance with your myPay account you can contact your local Personal Support Detachment (PSD) or contact DFAS at: 1-888-DFAS411 or 1-888-332-7411, DSN 580-5096.

Navy Cash Cards and Split Pay

Trainer's note: For more information on the Navy Cash card, visit the Treasury Department's Bureau of the Fiscal Service website at: www.fms.treas.gov/navycash.

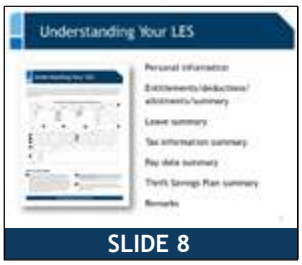
SLIDE 7

The Navy Cash card is a debit card system that gives service members access to shipboard accounts as well as their home bank and/or credit union accounts. Given to each service member on a ship, the card has a PIN-protected "electronic-purse" chip on the front that allows the service member to pay for purchases and services aboard the ship. The debit function, operated by MasterCard through a magnetic strip on the back, can hold an amount up to the balance in the service member's account and can be used on shore. Additional service options include:

- Checking account balances.
- Transferring money between accounts (financial institution and Navy Cash account).
- Changing your PIN.
- Completing a "Ship Check-In" (transfers account information to a new ship when you check in).
- Transferring money from your Navy Cash account to another person's Navy Cash account.

Using a split-pay option, service members can have part of their paycheck sent to their NavyCash account and part sent to their home bank or credit union. They also can transfer money to their NavyCash account via a kiosk aboard the ship, online or by phone.

Understanding Your Leave and Earnings Statement



SLIDE 8

Trainer's note: Ask learners to look at their own LES, if they brought it, and review the sections as you provide the information on each. If they do not have their LES, they can follow along with the *Understanding Your LES* handout.

The Leave and Earnings Statement (LES) is a monthly statement showing all pay changes and information for the month, including entitlements (pays and allowances), deductions and allotments, and pay-related remarks.

Your pay is your responsibility. You should verify information on your LES each month. If your pay varies and you do not understand why, see your local disbursing office or go to myPay to check and investigate the changes. If you need to contact DFAS directly, contact information can be found on the myPay website.

The LES contains the following information sections:

- Personal information
- Entitlements/deductions/allotments/summary
- Leave summary
- Tax information summary
- Pay data summary
- Thrift Savings Plan summary
- Remarks

Section A – Personal Information: Contains information that specifically identifies you, such as your full name, Social Security number, pay grade, pay base date, years of service and Expiration Term of Service (ETS).

Sections B, C, D, E – Entitlements/Deductions/Allotments/Summary: Lists the other figures that make up your monthly compensation, such as pay, allowances, taxes, deductions, garnishments (if any) and allotments. This section allows you to see exactly how your take-home pay is calculated. Date of initial entry into military service (DIEMS) is the date you signed your contract committing to the military. The type of military retirement plan for which you are eligible is shown in the RETPLAN box.

Section F – Leave Summary: This is your beginning leave balance, the leave you have earned from the beginning of the fiscal year (Oct. 1) and the leave you have used, cashed in or lost as a result of exceeding the maximum balance. Be certain

to check "leave used" to make sure it is correct. Also check the "use/lose" block so you do not exceed the maximum allowable accrued leave.

Sections G, H, I – Tax Summary: This is the tax paid for the period and for the year. It shows the number of exemptions you claim for tax withholding. It is important to keep your December LES as a backup for other IRS documents (such as a W-2) to use when doing your income-tax preparation. Also, check the M/S and EX block listed in sections G and I. This shows the marital status and number of exemptions you currently are claiming. Most military members enter the service at S00 (single claiming zero), and many forget to change this once they marry or have children. Changing your exemptions to the correct status can have a big effect on the amount of pay you receive. Many members find a big increase in their monthly check when they adjust these items.

Section J – Pay Data Summary: The specific information used to determine the allowances you are entitled to receive. The data includes dependent information, the ZIP code of your duty station, the amount you pay in rent if living "out-in-town" and unit identification numbers. Verify the ZIP code information to ensure that you are receiving the proper BAH for the area in which you are living.

Section K – Thrift Savings Plan Summary Information on TSP Contributions: The rate boxes show percentage of pay specified for contribution to the TSP. The current boxes show the amount contributed this pay period, while the YTD shows the amount for the year. You also can view your TSP account at www.TSP.gov.

Section L – Remarks: This section includes notes from DFAS regarding your monthly statement or other information, such as the starting or stopping of allotments or direct deposit, use of leave, garnishments or general notes regarding pay, allowances, deductions or other military benefits.

LEARNER ACTIVITY: *LES Match*

Time: 10 minutes

Materials: *LES Match* and *Understanding Your LES* handouts

Procedure: Distribute the *LES Match* and *Understanding Your LES* handouts and instruct learners to match the 10 descriptions on the *LES Match* handout with the correct LES sections on the *Understanding Your LES* handout. Review answers once the learners have completed the activity.

Match the descriptions with the correct LES section on the *Understanding Your LES* handout.

- Where would you find your Federal Income Tax Withholding (FITW) status? (Answer: G)
- A clothing allowance would be listed in this section. (Answer: B)
- If you recently stopped an allotment, it would be shown here. (Answer: L)
- Your year-to-date TSP contributions would be here. (Answer: K)
- You would find your duty station ZIP code here. (Answer: J)
- A meal deduction would be listed in this section. (Answer: C)
- Where would you find your current leave balance? (Answer: F)
- An allotment to your bank savings account would be here. (Answer: D)
- Your end-of-month (EOM) pay amount will be listed here. (Answer: E)
- Your years of service will be listed in this section. (Answer: A)

CASH COMPENSATION

Pays

SLIDE 9

Items listed as "pay" are taxable unless they are received in a designated combat zone or imminent-danger area. There are three basic types of pay in your military compensation package: base, special and incentive.

Base pay: This taxable pay is determined by rank and years of service. This is the portion of pay on which your military retirement is calculated. Raises are earned upon promotion or advancement for years of service.

Special and incentive pays: These pays are given to qualified members who possess specific or unique skills, or skills determined to have critical shortages. They can be based on an annual lump-sum bonus, monthly pay or pay when the duty is performed. These types of pays come in three main categories:

- Special recognition pays are monthly cash payments for duty performed.
- Skill incentive pays are retention tools that are paid monthly on a long-term basis.
- Critical skill and reenlistment bonuses are a retention tool that usually requires an additional service obligation. These are lump-sum annual cash bonuses.

Special pays you may see on your LES include:

- Sea Pay.
- Submarine Pay.

- Career Enlisted Flier Incentive Pay – enlisted.
- Aviation Career Incentive Pay – officers.
- Hazardous Duty Incentive Pay.
- Hostile Fire Pay/Imminent Danger Pay/Combat Pay.
- Diving Duty Pay.
- Special Assigned Duty Pay.
- Foreign Language Pay.
- Various professional pays for doctors, dentists, nurses, etc.
- Wounded Warrior Pay.
- Special Compensation for Assistance with Activities of Daily Living (SCAADL).

Pays may be based on pay grade, years of service, years of sea service, years of aviation experience, billet (or Navy Enlisted Classification), location of billet, qualifications or any combination of these. Some of these entitlements must be recertified annually to verify that you still qualify for them.

Allowances

SLIDE 10

You may receive allowances to cover living expenses, housing, travel and moving expenses. These are non-taxable items. Allowances are based on many different circumstances and criteria, varying from whether you have dependents to whether you are authorized to live off base. If you have received pay(s) or allowance(s) that you are not entitled to, notify the disbursing office immediately and put the money into a savings account until the Navy comes to collect it. They *will* collect it at some point. Never take anything you do not have coming to you.

There are three basic types of allowances:

- Housing
- Living expenses
- Moving or travel expenses

SLIDE 11

Basic Allowance for Housing (BAH): BAH is paid to those authorized to live off base. It is based on rental costs by pay grade, location and dependency status, and is designed to reflect comparable civilian housing costs for those with similar salary and location. BAH is designed to allow a standard quality of housing regardless of where you live in the United States. Members assigned suitable government quarters are not entitled to BAH. BAH offers two rates: one with

dependents and one without. BAH rates are published on the Defense Travel Management website: www.defensetravel.dod.mil/perdiem/bah.html.

BAH-DIFF: If you are paying court-mandated child support, you may be entitled to BAH-DIFF.

BAH PARTIAL: Paid to members without dependents who live in government quarters.

COLA: There is a cost of living allowance (COLA) for overseas and certain U.S. locations designed to offset the additional expenses of being assigned to a high-cost-of-living area.

MIHA: There is a move-in housing allowance (MIHA) for those overseas designed to assist with covering the costs of setting up a household.

OHA: Overseas housing allowance (OHA) is paid to service members who live in private housing at their overseas duty station.

> ***Trainer's note:*** For more information about Basic Allowance for Subsistence (BAS) and for the current year's rates, refer to http://militarypay.defense.gov/PAY/ALLOWANCES/bas.aspx.

SLIDE 12

BAS: Basic Allowance for Subsistence (BAS) helps to offset costs for your meals. It is paid to all active-duty personnel except those in boot camp or initial entry training. All enlisted service members are paid the full monthly rate, but those required to eat in the mess hall will have most of the allowance automatically withdrawn from pay to cover the cost of their meals (meal deduction). Officers collect BAS and then pay cash for meals, including those eaten in government dining facilities.

> ***Trainer's note:*** For more information about Family Separation Allowance (FSA), refer to: http://www.dfas.mil/militarymembers/payentitlements/fsa.html.

FSA: Family Separation Allowance (FSA) provides compensation for added expenses incurred because of a forced family separation under certain conditions. FSA is payable in a monthly amount of $250 (2015). To apply for FSA, you should submit a completed DD Form 1561, Statement to Substantiate Payment of Family Separation Allowance (FSA), to your servicing personnel office.

Trainer's note: For more information about clothing allowances and other living expenses, refer to: http://www.dfas.mil/militarymembers/payentitlements/2016ClothingAllowance.html.

CRA: Clothing replacement allowances (CRA) may be issued to help you pay for your uniforms. There are four main types of clothing allowance:

- **Initial Clothing Allowance:** Officers and enlisted members of the armed forces are entitled to an initial clothing allowance. Officers, however, are entitled to the allowance only once (with a few exceptions).
- **Cash Clothing Replacement Allowance:** This allowance is payable only to enlisted members annually following the initial clothing allowance on the anniversary month. This is for the replacement of uniforms based on normal wear and tear.
- **Extra Clothing Allowance:** This allowance is for situations in which service members may need additional uniforms or are required to have civilian clothing to perform their duties.
- **Military Clothing Maintenance Allowance:** This allowance is for replacement and maintenance of military items during and after three years of active duty. If service members have a break in service, they start over with the initial clothing allowance upon returning to the service. The Cash Clothing Replacement Allowance and Military Clothing Maintenance Allowance will be distributed as applicable.

Travel and Moving Allowances

Trainer's note: For current travel rates, refer to http://www.defensetravel.dod.mil.

SLIDE 13

Travel allowances: The government pays for expenses associated with orders requiring travel, usually after the travel is completed. A government-issued travel charge card is usually used while you are traveling and to obtain funds from an ATM.

Types of travel allowances:

- **Mileage/transportation:** Based on the distance traveled, where you have been ordered to go and how you were directed to travel.
- **Per diem:** Based on the normal costs for meals and other incidental expenses for each day during travel and at your destination.

- **Miscellaneous:** Baggage handling fees, tips and other authorized expenses associated with your travel. With travel orders, you can get advance payment of per diem and prepaid transportation tickets. You must fill out a travel claim of your expenses and any advance payments that you received.

Moving Allowances: Under permanent change of station (PCS) orders which require you to move, you are entitled to moving allowances to cover expenses such as:

- Shipment of personal goods.
- Temporary lodging.
- Vehicle mileage and highway tolls.
- Meals during the move.

SLIDE 14

PCS allowances: Provided for members who are moving their household. This includes:

- **Temporary Lodging Expenses (TLE):** Provides for the temporary cost of housing while in transition. It is payable for 10 days in CONUS and five days when going outside the continental United States (OCONUS).
- **Temporary Lodging Allowance (TLA):** Payable up to 60 days OCONUS.
- **Dislocation Allowance (DLA):** A partial allowance that varies by pay grade and dependency status. DLA is not an advance and does not have to be repaid.

SLIDE 15

Advance Pay

Service members are authorized certain advance pay when moving; however, it is necessary to apply for it. You can get up to three months of advance pay and you can receive up to three months' advance of BAH (CONUS) and 12 months' OHA (OCONUS) when moving into non-government housing.

SLIDE 16

Allotments

The allotment of pay is provided to help you adjust your personal and family finances to military service. It is a convenience and a privilege not to be exploited or abused. Allotments are a defined portion of your pay and allowances and are authorized to be made payable to a qualified person or institution. Some allotments can have an indefinite time frame, while others can have a specified time frame. Some restrictions apply to allotments; see the DFAS website for details. Discretionary and non-discretionary are two types of allotments. The maximum amount that can be allotted is the total of all pay and allowances less standard withholdings (for example, federal and state taxes).

Discretionary allotments: For discretionary allotments, members specify the individual, institution or business to receive the allotment. No more than six discretionary allotments are allowed. Examples of discretionary allotments include:

- Payments of premiums for commercial life insurance on the member or the member's spouse or children.
- Voluntary payments to dependents or other relatives.
- Deposits to financial institutions, mutual fund companies or investments.
- Mortgage or rent.
- Car-loan payments.
- Payments to repay a loan from a loan or finance company.
- Deposits into the Savings Deposit Program (SDP).

Non-discretionary allotments: Non-discretionary allotments are made to a specifically designated agency or purpose. There is no limit to the number of nondiscretionary allotments a member can have. Non-discretionary allotments are limited to the following:

- Purchase of U.S. Savings Bonds.
- Relief repayments (i.e., Navy-Marine Corps Relief Society [NMCRS] and American Red Cross).
- Government indebtedness.
- Charitable contributions (i.e., Combined Federal Campaign [CFC] and NMCRS).
- Child and spousal support.
- Debts for non-discretionary allotments (i.e., payment of delinquent federal, state or local income or employment taxes; commercial debt; delinquent travel charge card debt).

Deductions

SLIDE 17

Deductions are amounts that are taken out of your paycheck. Most deductions are automatic. There are four types of deductions:

Taxes: Includes state and federal income tax and Social Security and Medicare tax (FICA). Some service members do not have to pay state income tax, because some states do not have income tax and some states exempt residents serving in the armed forces. This is based on your home of record. Even though the military assigns you to a different state, you are allowed to maintain your original home of record, if you choose.

Insurance: Includes Servicemembers' Group Life Insurance (SGLI and FSGLI) and the dental health plan.

Garnishments: An involuntary deduction taken from your pay as a result of legal action against you. When a garnishment is ordered, the government is required to withhold money from your check to pay your debts.

Other pay withholding: You also can choose to have pay withheld from your check for things like educational assistance programs or the Thrift Savings Plan (TSP). You choose the amount to be deducted. This also is where you will see advance pay and BAH or OHA paybacks. Additional deductions include meal deduction and the monthly deduction for the Armed Forces Retirement Home (AFRH).

NON-CASH COMPENSATION

Trainer's note: For questions regarding SGLI and FSGLI, refer learners to the Department of Veterans Affairs (VA) at http://www.va.gov/. The VA also handles education benefits and survivor programs. For additional Thrift Savings Plan information, refer to http://www.tsp.gov. For further information on other benefits, refer to the Office of the Secretary of Defense Military Compensation website: http://militarypay.defense.gov.

SLIDE 18

There is more to your pay than just dollars showing up in your account each month. In fact, the military has one of the best compensation systems available from any employer in the United States. We are going to take a few moments to review other key compensation benefits.

SGLI AND FSGLI

Servicemembers' Group Life Insurance (SGLI) is a term insurance policy with coverage of up to $400,000 per member. You can determine the amount of your coverage by checking your LES in the "deductions" section. If there is no deduction listed for SGLI, then you are not covered.

When you leave the service, SGLI coverage ends after 120 days, or it can be converted to another type of insurance.

Family Servicemembers' Group Life Insurance (FSGLI) is life insurance coverage for your whole family. Providing you are covered by SGLI, your children will be automatically covered at $10,000 per child at no cost to you. Your spouse may be covered up to $100,000 or the dollar amount of your coverage, whichever is less. The cost for this coverage varies by age.

Make sure that the beneficiary designated for your policy is accurate. Funds will be paid to your designated beneficiary, so be certain to update this information if you have a change in your family member status. A will does not affect the beneficiary of life insurance, nor does a Page 2. To make changes to your beneficiary information, you will need to complete Veterans Affairs Form SGLV-8286, Servicemembers' Group Life Insurance Election and Certificate.

Check with your PSD office for more information.

Thrift Savings Plan

The Thrift Savings Plan (TSP) is a defined-contribution retirement plan available through the U.S. government. TSP is a long-term retirement savings and investment plan similar to 401(k) plans offered to private-sector employees. Participation is voluntary, but there are many advantages to contributing to TSP, including the pre-tax deduction. This means that you are lowering your overall tax bill while building your retirement fund.

Medical and Dental

Medical and dental coverage are provided at no cost to active-duty members and at varying costs to family members, depending upon the type of coverage selected.

Education

Depending upon your date of entry, you may be eligible for the Post-9/11 GI Bill, the Voluntary Education Assistance Plan (VEAP) or the Montgomery GI Bill (MGIB). These are programs in which you share in the cost of the benefit. There are also programs funded entirely by the government.

Leave

You earn 2.5 days of leave every month, for a total of 30 days per year. Depending on duty requirements, you also are provided leave on federal holidays. You may accrue up to 60 days' leave. Leave in excess of 60 days must be taken or lost by the start of the fiscal year (Oct. 1). You also may sell back up to 60 days of leave at the end of enlistment or separation. You may accrue more than 60 days of leave in any year in which you were deployed.

Retirement

Normally, you must serve for 20 years to become eligible for retirement pay. The longer you serve, the more retirement pay you will receive. The percentage amount of your base pay varies depending upon the plan in effect at your date of entry.

LEARNER ACTIVITY: *Perks and Privileges*

Time: 10 minutes

Materials: Paper and writing instruments, chart paper and markers

Procedure: Explain to learners that every job has some type of benefits beyond your actual pay. The military has a great number of perks and privileges to their overall military compensation package. Ask learners to name as many non-cash types of compensation as they can. Write the learners' responses on chart paper or a whiteboard. Responses may include:

- Commissary and Exchange privileges.
- Chaplain and religious services.
- Legal services.
- Base gym and workout facilities.
- Morale, Welfare and Recreation services and programs.
- Fleet and Family Support Center educational programs and resources.
- The tax advantage resulting from the tax-free status of allowances.
- Medical care for members and dependents.
- Two retirement programs.
- Death gratuity payments.
- Dependency and indemnity compensation; survivor benefits.
- Life insurance plans.
- Professional education and training.
- Veteran's education assistance.
- Reimbursable items, including clothing allowances.

Ask learners how many of these perks and privileges they have used or are participating in. Explain that these are part of their military compensation, and encourage learners to take advantage of them.

SLIDE 19

MILITARY TAX ISSUES

Serving in the military has some big tax advantages: Allowances are not taxed, FICA is applied to base pay only and many members are exempt from paying state income taxes. These and other benefits can provide a significant tax advantage. Let us take a look at your taxes in more detail.

FICA Deductions

Social Security taxes, or Federal Insurance Contributions Act (FICA) deductions, are withheld from all service members' basic pay. These deductions are separated into Social Security and Medicare contributions.

Federal Income Taxes

Federal Income Tax Withholding (FITW) is based on all pays (not allowances and not just base pay, like FICA). The amount withheld is determined by how you filled out your W-4 form, available at your local disbursing office or on myPay. The federal income tax system is a pay-as-you-go system, meaning that as you earn your money, you must pay taxes on it.

Withholding: The goal of paying your federal taxes should be to pay your fair share and break even, so that when tax returns are due April 15, you do not owe, and are not owed, any money. Some people like to over-withhold so they get a big refund. That is an option if you do not have the discipline to save. Just realize that you are making an interest-free loan to the government, instead of having that money to use on a monthly basis to pay bills or invest. If you have the discipline, withhold only what you must, and save and invest the rest so you can earn a return on your money.

W-4 Form: Look at your LES, under the headings Fed Taxes/State Taxes, Marital Status (M/S) and Exemptions (EX) (sections G and I). This is for marital status and the number of exemptions you are claiming. Are they correct? Many service members forget to update this form and have taxes withheld at too high a rate. This is one of the most common problems financial counselors see, and it is the easiest way to get more money into your paycheck.

State Income Taxes

Your military compensation may be subject to state income tax withholding for the state you claim as your legal residence. Treat state taxes as you would federal taxes – do not pay any more than you must. If you are a resident of a state with an income tax, and the state does not exempt military pay, check your marital status and exemptions on your LES and keep the information current and correct as well.

The Servicemembers Civil Relief Act provides that a member of the armed forces who is a legal resident of one state but who lives in another solely by reason of military orders is not liable to the second state for income taxes on military income. However, non-military income from the second state is legally taxable by that state.

The following states do not presently have an income tax, but some of these states do have intangible personal property tax or tax only dividend and interest income:

- Alaska
- Florida
- Nevada
- New Hampshire*
- South Dakota
- Texas
- Tennessee*
- Washington
- Wyoming

*New Hampshire and Tennessee tax only dividend and interest income.

COMMON PAY PROBLEMS AND OPTIONS TO CORRECT THEM

LEARNER ACTIVITY: *I Have a Problem!*

Time: 10 minutes

Materials: Paper and writing instruments, chart paper or whiteboard and markers

Preparation: You can choose for learners to work individually or in small groups. If you choose to work in groups, divide learners up at the beginning of the activity. Before the activity starts, put up the chart paper to write down common pay problems, or use a whiteboard.

Procedure: First, tell learners you would like them to tell you any pay problem they have experienced or that a friend has experienced. List these pay problems on your chart paper or whiteboard. Distribute paper and instruct learners that they are to suggest possible options to correct their list of pay problems. You can either assign pay problems to individuals or groups or let them provide the information they have on as many as they can. Review the pay problem list and ask learners to share their suggestions. Follow up with Slides 20 and 21 to fill in any problems or suggestions that learners may have missed.

SLIDE 20

Common Pay Problems:

- Overpayments and underpayments.
- Unexpected repays (garnishments, overpayments).
- Pay problems related to PCS and deployments.
- Changes in dependent status (i.e., marriages, children, etc.), exemptions incorrect.
- Allotments not stopping or starting on time.
- Too many allotments being used at once.

SLIDE 21

Possible Solutions:

- Monitor LES monthly.
- Notify PSD immediately when there is a change in family status (i.e., marriage, birth, death, or divorce).
- Keep your Page 2 current, and update the information on myPay.
- Change income tax withholding (federal and state).
- Closely monitor allotment start and stop requests, and keep copies of everything.
- Closely monitor budget/spending plan.
- Do not use government credit cards for unauthorized expenses.

Repayment Options

SLIDE 22

If you receive pay or allowances to which you are not entitled, the government will recoup the money. Ideally, you would be instructed to set aside any money received to which you are not entitled. In reality, however, the money is often spent, and when the government recoups the money, it becomes a financial hardship for the service member. You have limited options when a government indebtedness repayment will create a hardship.

Extend the repayment period: Contact disbursing or DFAS to arrange for a longer repayment period. You will need to explain your situation and may need command backup for the reasons why you need more time to pay.

Make payment arrangements: Again, contact DFAS or disbursing to see if an arrangement can be made that is more favorable to your financial situation.

Waiver of Indebtedness: This allows a bit of breathing room to sort out your finances. All pay and allowances return to their original amount for a period of time. This is a complicated form and must be approved by the command. This is not to be taken lightly. The indebtedness issue must be resolved, but this extra time can provide you with an opportunity to work out a repayment plan that is easier on your budget. You must act quickly to stop funds from being deducted from your pay.

SUMMARY

Sources of Help

SLIDE 23

There are many sources available to help you with your military benefits. In addition to the list of websites on your handout, you can get assistance from:

- Command Financial Specialist
- Fleet and Family Support Center
- Navy-Marine Corps Relief Society
- Personnel Support Detachment
- Volunteer Income Tax Assistance Program (VITA)
- Military OneSource

Remember that good financial planning starts with having adequate income. You can help yourself on the road to financial success by knowing what you are entitled to and by keeping track of your own pay and benefits information.

OPTIONAL LEARNER ACTIVITY: *Military Pay Check* **Review Game**

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

Question Bank for Military Pay Check Review Game

1. What are the seven summary sections of the LES?
   - Personal Information
   - Entitlements/Deductions/Allotments/Summary
   - Leave Summary
   - Tax Information Summary
   - Pay Data Summary
   - Thrift Savings Plan Summary
   - Remarks

2. In which section of your LES would you learn about changes to your pay, such as a new allotment that will be deducted?
   - Remarks
3. What two types of pay are taxable?
   - Base Pay
   - Special and Incentive Pays
4. What three things you can do on the myPay website? (Any three of the answers listed below would be correct.)
   - Review the LES
   - Change tax withholding
   - Manage allotments
   - Buy savings bonds
   - Enroll in the TSP
   - Change TSP contribution percentages
5. Who is the person responsible for the accuracy of pay information?
   - You are!
6. What are three non-taxable allowances for living expenses?
   - BAS
   - FSA
   - CRA
7. What are two types of pay and/or allowances which may be received in advance?
   - Base – 3 months
   - BAH – 3 months CONUS, 12 months OCONUS
8. What are four types of taxes shown on the LES?
   - Social Security
   - Medicare
   - Federal
   - State
9. What are three repayment options for debts owed to the government?
   - Extend repayment period
   - Make payment arrangements
   - Request a Waiver of Indebtedness

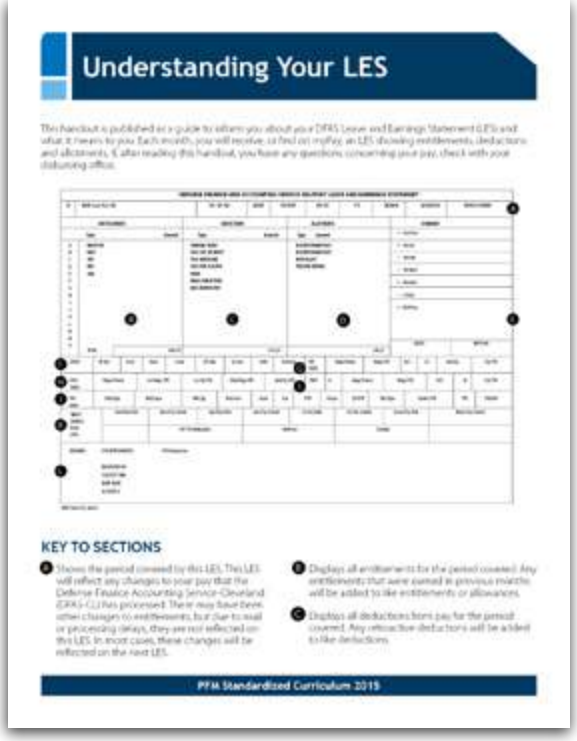
NOTE:

LES Match

Match the descriptions here with the correct LES section on the *Understanding Your LES handout*.

1. Where would you find your Federal Income Tax Withholding (FITW) status?

2. A clothing allowance would be listed in this section.


Understanding Your LES

KEY TO SECTIONS

PFM Standardized Curriculum 2015

3. If you recently stopped an allotment, it would be shown here.

4. Your year-to-date TSP contributions would be shown here.

5. You would find your duty station ZIP code here.

6. A meal deduction would be listed in this section.

7. Where would you find your current leave balance?

8. An allotment to your bank savings account would be shown here.

9. Your end-of-month (EOM) pay amount will be listed here.

10. Your years of service will be listed in this section.

Military Compensation Checklist

Keep this list and check it frequently to ensure that you are successfully managing all of your military compensation components.

Check LES at least quarterly or when:

- ☐ You move to a new location.
- ☐ You go to a new duty station.
- ☐ You are promoted.
- ☐ You marry or divorce.
- ☐ You have children.

Check myPay (or PSD) when:

- ☐ You have pay questions.
- ☐ You need to arrange direct deposit.
- ☐ You need a copy of your LES.
- ☐ You want to change your tax filing status.
- ☐ You need to update or change allotment information.
- ☐ You want to join the TSP or need to change TSP information.
- ☐ You want to purchase savings bonds.
- ☐ You need to get a Travel Voucher Advice of Payment.
- ☐ You are assigned to or terminate government quarters.
- ☐ You have a change in dependency status (married, divorced, children).
- ☐ You are relocating.

Update your Page 2 when:

- ☐ You get to your first duty station.
- ☐ You are getting ready to deploy.
- ☐ You marry or divorce.
- ☐ You have children.

Update your SGLI and TSP beneficiaries when:

- ☐ You are getting ready to deploy.
- ☐ You marry or divorce.
- ☐ You have children.

Talk with your CFS when:

- ☐ You check in to a new command.
- ☐ You need to establish credit or have too much debt.
- ☐ You want to buy a new car.
- ☐ You are moving off base.
- ☐ You need to complete or update your spending plan.

Check your credit report annually (www.annualcreditreport.com), or when:

- ☐ You suspect identity theft.
- ☐ You are applying for credit.
- ☐ You are applying for life insurance.
- ☐ You are applying for a new job.
- ☐ You are buying or renting a home or apartment.

Calculate your military compensation when:

- ☐ You have a pay change.
- ☐ You are transitioning out of the service.

Attend TAP class when you start to think about leaving the service.

Attend financial classes when:

- ☐ You are moving off base or buying a home.
- ☐ You are buying a vehicle, life insurance or making any other large purchase.
- ☐ You want to build wealth.
- ☐ You need to control debt.
- ☐ You want to save for retirement.
- ☐ You need to budget your money.
- ☐ You want to join the TSP.
- ☐ You want to teach your kids about money.
- ☐ You or someone you know gambles too much.

Keep this contact information updated throughout your career.

- ☐ CFS:
- ☐ PSD:
- ☐ FFSC:

More Information:
https://mypay.dfas.mil (myPay website)
http://militarypay.defense.gov (OSD Compensation Calculator)
http://www.cnic.navy.mil (Fleet and Family Support Center)
http://www.defensetravel.dod.mil/perdiem/bah.html (BAH Rates)
http://www.tsp.gov (Thrift Savings Plan)
http://www.insurance.va.gov/miscellaneous (Veterans Affairs Life Insurance)
http://www.dfas.mil/militarymembers/payentitlements/military-pay-charts.html (DFAS website for pay tables)

The Military Pay Check

1. What are the seven summary sections of the LES?

2. In which section of your LES would you learn about changes to your pay, such as a new allotment that will be deducted?

3. What are two types of pay that are taxable?

4. What are three things you can do on myPay website?

5. Who is the person responsible for the accuracy of pay information?

6. What are three non-taxable allowances for living expenses?

7. What are two types of pay and/or allowances which may be received in advance?

8. What are four types of taxes shown on the LES?

9. What are three repayment options for debts owed to the government?

Understanding 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 (A)

ENTITLEMENTS (B)		DEDUCTIONS (C)		ALLOTMENTS (D)		SUMMARY (E)
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						DIEMS / RETPLAN
I						
J						
K						
L						
M						
N						
O						
TOTAL	5463.97		3103.35		240.29	

(F) LEAVE	BF Bal	Ernd	Used	Cr Bal	ETS Bal	LV Lost	LvPd	Use/Lose

(G) 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

(I) 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

www.dfas.mil/militarymembers.html

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/mypay.aspx.

Money and the Move

Print Course

Print Handouts

COURSE DESCRIPTION

Relocating due to a permanent change of station (PCS) assignment can be exciting, but it can also be expensive. Even though the government provides relocation allowances, many families find that a move puts a strain on their budget. This 60- to 75-minute course targets active-duty service members and their spouses who are relocating due to reassignment or transition.

This course can be included as part of a longer Smooth Move or Overseas Transfer workshop. Because much of the information in this course pertains to pays and entitlements, you may choose to co-facilitate the course with a Personnel Support Detachment (PSD) representative or Command Financial Specialist (CFS).

Trainer's note: Some of the numbers and amounts used in this course may change from year to year. Amounts should be verified before presenting this course.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to successfully manage changes in their cash flow due to a relocation.

Enabling:

- Learners will correctly answer the matching questions on travel pays, entitlements and allowances in the *Acronym Challenge* activity.
- During the *Do the Math* activity, learners will use the *Estimated Travel Costs* worksheet to estimate travel expenses associated with their upcoming move.
- Participating in the *Pass the Hat* activity, learners will list a minimum of six possible moving expenses and three ways to reduce expenses during a move.

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COURSE PREPARATION

Handouts:

- *Acronym Challenge Note Cards*
- *Estimated Travel Costs*
- *Financial Planning Worksheet for a PCS Move*
- *Internet Resources for PCS Moves*

Materials (vary depending on activities chosen):

- World map or a globe and a pushpin or small Post-it Note for each learner (optional)
- Hat or other container large enough to hold several index cards
- Index or notecards
- Pencils and markers

- Chart paper or whiteboard
- Internet connection if using Internet option for the *Do the Math* activity
- *Money and the Move* PowerPoint slides
- *Money and the Move* Review Game slides (optional)

SUMMARY OF LEARNER ACTIVITIES

- *Where in the World?* (Optional): A group-forming icebreaker activity in which learners locate their new duty station or retirement location on a globe or map. This activity gives the instructor an idea of relocation destinations and allows learners to meet others who might be transferring to the same place.
- *Acronym Challenge:* Matching activity in which learners match the entitlement or allowance acronym with its description.
- *Do the Math:* Worksheet activity in which learners estimate their basic travel expenses, which can then be used with the *Financial Planning Worksheet for a PCS Move* spending plan.
- *Pass the Hat:* Brainstorming activity in which learners make suggestions for saving money during a PCS move.
- *Money and the Move Review Game (optional):* Using tick-tack-toe, this is a quick and easy way to summarize and review session content using a game format.

CONTENT OUTLINE

1. Welcome and Introduction (5-10 minutes)
    a. Agenda
    b. Optional Learner Activity: *Where in the World?*
2. Entitlements (15 minutes)
    a. Travel Pay and Allowances
    b. Overseas Allowances
    c. Advance Pay and Advance Housing Allowance
    d. Learner Activity: *Acronym Challenge*
3. Financial Planning for Transfers (15 minutes)
    a. Transfer Planning Worksheet
    b. Learner Activity: *Do the Math*

4. PCS Transfer Expenses (5 minutes)
    a. Expenses Prior to Transfer
    b. Expenses In Transit
    c. Expenses at Your New Duty Station
5. Ways to Save (15 minutes)
    a. Emergency Fund
    b. Learner Activity: *Pass the Hat*
    c. To-do List
6. Summary (5-15 minutes)
    a. Sources of Help
    b. Optional Learner Activity: *Money and the Move Review Game*

SLIDE 1

SLIDE 2

WELCOME AND INTRODUCTION

Agenda

Transfers are a fact of life for most service members and their families. This course will help you prepare financially for an upcoming move due to a transfer to a new duty station or a transition out of the military.

This course will cover the following topics:

- Travel pay and allowances
- Developing a relocation budget
- Understanding relocation expenses
- Ways to save during a move
- Relocation resources

OPTIONAL LEARNER ACTIVITY: *Where in the World?*

> ***Trainer's note:*** If you do not intend to do this activity, then hide Slide 3 before the class.

SLIDE 3

Time: 5-10 minutes

Materials and preparation: Set up a world map or globe in the room. Provide a pushpin or small Post-it Note for each learner, depending on what will stick to the map or globe. Note that this activity is a good icebreaker to get the course started and may allow learners to meet others who are transferring to the same location.

Procedure: Ask learners to come to the front of the room and tell everyone where they are moving to, and then mark the location on the map or globe. Be prepared to help them find the location. When all learners have been to the map or globe, comment as appropriate about where they are going.

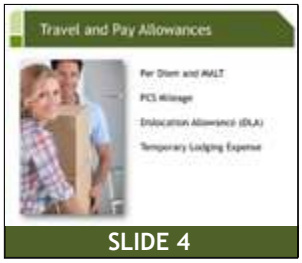
Trainer's note: Starting with the Entitlements section, be sure to review all content and update any numbers as needed. Most entitlement rates can be found at the Defense Travel website: www.defensetravel.dod.mil/index.cfm. You may also refer to the websites listed under Resources for current data prior to presentation. Make sure to update information on slides as well.

ENTITLEMENTS

Service members on permanent change of station (PCS) orders, separating or retiring from the Navy are entitled to personal travel and transportation allowances for themselves and their families. Upon receipt of your orders, you may request an advance on eligible travel allowances. Ensure your NAVPERS 1070/602 (service member's Page 2) is current before requesting a travel advance. (Note: Dual-military couples can contact their disbursing office for specifics on dual compensation.)

Travel Pay and Allowances

Per Diem and MALT



SLIDE 4

Service members, separatees and retirees entitled to PCS mileage (also known as Monetary Allowance in Lieu of Transportation, or MALT) receive a flat per diem for each day of authorized travel based on the Official Military Table of Distances. As entitlements are different for separatees versus retirees, it is recommended that you check with PSD for specific entitlements based upon your individual situation.

Generally, one travel day is allowed for each 350 miles of official distance of ordered travel. When the total official distance is 400 or fewer miles, one day of travel time is allowed. MALT rates are based on the current per diem rates established by the General Services Administration. The total paid per day traveled depends upon the total number of authorized travelers and is based on a percentage of the current rates.

For example:

- Maximum per diem rate is $129 (as of 2015).

- The service member is entitled to receive 100 percent of the rate allowed, or $129.
- A spouse or other authorized traveler over 12 years of age is entitled to 75 percent of the member's allowance, or $96.50.
- Authorized travelers under 12 years of age are entitled to 50 percent of the member's allowance, or $64.50.

Using these rates, you can determine your per diem allowance. For example, the per diem allowance for a family of four consisting of the service member, a spouse and two children under age 12 would be $354.50 ($129 + $96.50 + $64.50 + $64.50 = $354.50). Consult your Personnel Support Detachment (PSD) for rates and regulations concerning two personally owned vehicles.

PCS Mileage

Service members receive PCS mileage when they drive their own vehicle to a new assignment. This allowance is paid on a per-mile basis for the official distance. Your commanding officer (last duty station) must grant approval prior to your travel if you want to be reimbursed for driving two or more privately owned vehicles. The PCS mileage rate (as of 2015) is 23 cents per mile.

Dislocation Allowance

The purpose of Dislocation Allowance (DLA) is to partially reimburse a member, with or without dependents, for the expenses incurred when relocating the member's household on a PCS move, housing moves ordered for the government's convenience or because of an evacuation. Advance payment requires documented evidence that household goods are scheduled for shipment. Normally you are only authorized DLA once per fiscal year, although there are exceptions. If you are moving for a second time in a fiscal year, check with your personnel office for eligibility to waive this and receive DLA for your current move. You do not receive DLA for moves associated with leaving active duty.

Please note that residing in government quarters (bachelor enlisted/officer quarters [BEQ/BOQ]) longer than 60 days after arrival or acceptance of family-type government quarters will invalidate your eligibility (single service member only). DLA payment is based on grade and dependency status on the effective date of your PCS, paid three to 10 days in advance of transfer and does not require repayment.

Temporary Lodging Expense

You and your family can receive Temporary Lodging Expense (TLE) at a rate of up to $290 per day, depending on location, to help defray the cost of meals and temporary housing incurred during a PCS move within the continental United States (CONUS). TLE is available for a maximum of 10 days' lodging in the vicinity of either your old or new duty station in CONUS. A non-availability statement may be required. Housing TLE is limited to five days if transferring to a location overseas. Payment is made through the settlement of your travel claim (receipts are required). For entitlement questions, contact your PSD travel section.

Overseas Allowances

SLIDE 5

Overseas Housing Allowance

Service members who live in private housing at their overseas duty station receive an Overseas Housing Allowance (OHA), which helps offset housing costs and is made up of three components: rent, utility and recurring maintenance expenses. OHA is available as an advance, requested via the commanding officer, with repayment from 12 to 24 months.

Move-in Housing Allowance

Move-in Housing Allowance (MIHA) is an up-front, lump-sum payment covering unique move-in costs outside the continental United States (OCONUS), such as appliances, taxes and fees that normally are not incurred with a move in the United States. Upon arriving at duty stations, members should check with the local housing office (or the local commander if there is no housing office) to see what the procedures are for the area. Once housing has been found, members should take a copy of the lease to the appropriate official and complete DD Form 2367 (Individual Overseas Housing Allowance Report). Current rates are posted on the Department of Defense website.

Temporary Lodging Allowance

The purpose of Temporary Lodging Allowance (TLA) is to help offset the cost of temporary housing and meals for new arrivals overseas. The amount varies. TLA is paid in 10-day increments (15 days when determined to be appropriate by the TLA-approving authority). It usually has a 60-day limit for those arriving and a 10-day limit for those departing. (Ten days for people living on the economy, six days for people living in government quarters.)

Cost of Living Allowance

Those stationed in high-cost areas overseas and certain CONUS locations receive a Cost of Living Allowance (COLA). Rates are available at www.defensetravel.dod.mil/site/colaCalc.cfm. Check with PSD to verify eligibility and amounts.

All of the above allowances are subject to change. They are directly deposited into the service member's account; therefore, the service member must make a determination on whether the funds will be readily accessible to meet needs. Consult with PSD for up-to-date information and amounts.

Advance Pay and Advance Housing Allowance

SLIDE 6

The purpose of advance pay and allowances is to help the service member meet the extra expenses related to relocation during PCS moves. Advance pay is not authorized for the specific out-of-pocket expenses covered by advances of other pays and entitlements.

Advance Pay

Advance pay (basic pay minus taxes and required deductions) of up to three months may be authorized upon receipt of PCS orders. The member must provide written justification clearly showing that actual or anticipated out-of-pocket PCS expenses are equal to or exceed the amount of advance pay requested. A commanding officer must approve a repayment period that is longer than the norm and for all payments made to pay grades E-1 to E-3. Advance pay may be received up to 30 days before departure or as late as 60 days after reporting. Repayment is in equal installments over 12 months, or it can be extended to 24 months with a commanding officer's approval.

Advance Basic Allowance for Housing

Advance Basic Allowance for Housing (BAH) may be issued to cover the expenses of renting a new home or apartment. It must be requested for actual expenses, not to exceed an amount equal to three months' BAH. A copy of the rental agreement or receipts or bills for one month's rent is required. Repayment is normally over 12 months. Single service members living in the barracks may not be entitled to BAH.

Note that if you are going to take advance pay or the advance housing allowance, be sure to budget for the repayment. Consider having your budget reviewed by your Command Financial Specialist, and consider the effect of the repayment over the next 12 to 24 months before requesting an advance.

LEARNER ACTIVITY: *Acronym Challenge*

Time: 10 minutes

Materials: Index or notecards, *Acronym Challenge* handout

Preparation: Using the *Acronym Challenge* handout, cut and paste the acronyms and descriptions on separate note cards.

Procedure: Tell learners that they are going to get an opportunity to apply what they just learned about relocation entitlements. Give each learner one card (if it is a small class and you have time, you can do a couple of rounds to use all of the cards). Explain that each card has either a name or description of a travel pay or allowance. Instruct learners to find the other person in the class who has the matching name or description. Give learners about five minutes to pair up and then go around the room and ask them to give the entitlement name and read the description.

FINANCIAL PLANNING FOR TRANSFERS

SLIDE 7

Planning is the key to a financially successful relocation. There are many areas of your finances that may need a checkup, and perhaps some changes, so that you will have a smooth move. Think about the following:

- What financial obligations must you clear before leaving this duty station and community?
- What financial obligations will you incur during the transition from this duty station to the next? Which costs are reimbursed? Which are not?
- What financial obligations will be incurred at the new duty station?
- Do you have money set aside to pay for any expenses before reimbursement or for those that are unreimbursed?
- How will you handle the changes in cash flow?
- Will you need to change banks or financial institutions? And will there be lag time before funds are available?
- If you have a second job or family members who work, how will you deal with the loss (at least temporarily) of that income?

These questions show some of the major considerations that you and your family need to think about, discuss and determine how to deal with. To help you plan, we have provided you with worksheets to organize your thoughts and finances when it comes to your move.

Transfer Planning Worksheet

Trainer note: Distribute the *Financial Planning for a PCS Move*, *Estimated Travel Costs for a PCS Move* and *Internet Resources for PCS Moves* handouts to learners.

The *Financial Planning Worksheet for a PCS Move* has two sections; the first lists the possible sources of income that were just discussed. The second deals with possible expenses. The list of 31 possible expenses gets very specific, and yet it may not cover everything in your personal situation.

This worksheet provides an excellent starting point from which you and your family can begin to plan the expenses associated with relocation. When you subtract the expenses in the second section from the income expected in the first section, you will know how much additional money, if any, you will need for your move.

The second worksheet, *Estimated Travel Costs for a PCS Move*, can help you calculate some of the PCS entitlements for which you are eligible. It provides guidelines to use in calculating several of the common expenses and reimbursements associated with a military move, figures which can then be used for the *Financial Planning Worksheet for a PCS Move*.

LEARNER ACTIVITY: *Do the Math*

Time: 10 minutes

Materials: *Estimated Travel Costs for a PCS Move* and *Financial Planning Worksheet for a PCS Move* handouts, pencils, calculators and DoD Travel Distances information (which can be found at https://dtod.sddc.army.mil/Default.aspx).

Procedure: Explain to learners that they will now have an opportunity to estimate their basic travel expenses using the *Estimated Travel Costs* worksheet. Go over the worksheet's instructions and assist learners as they complete it. Encourage learners to use the information from this worksheet to help them prepare their relocation spending plan using their *Financial Planning Worksheet for a PCS Move*.

Internet option: If time and class size allows and you have an Internet connection in the classroom, you can demonstrate the use of the Defense Table of Official Distances to calculate mileage and fill in travel reimbursement information on the *Financial Planning Worksheet for a PCS Move* handout. Additionally, you may want to demonstrate how to find per diem and other entitlement information at www.defensetravel.dod.mil.

PCS TRANSFER EXPENSES

Let us focus on the expense section of the *Estimated Travel Costs for a PCS Move* worksheet and look at some of the common expenses that may be encountered before, during and after a PCS move.

Expenses Prior to Your Move

SLIDE 8

Some expenses before your move include:

House-hunting trip: Service members may receive house-hunting leave, but the Department of Defense does not pay for the travel and lodging costs.

Move-out: Consider the expenses involved in moving out of your current home. These expenses may include selling costs, dismantling major appliances, lawn maintenance, cleaning services, etc.

Exceeding household goods weight limitations: Check for your household goods weight limit at www.move.mil or with your Personal Property Office. Service members must pay for items shipped in excess of the DoD weight limitations.

Insurance: Consider getting additional insurance on your household goods to cover potential losses beyond what is reimbursed by the DoD. Often, your renters insurance covers your household goods in shipment. Check with your current insurer for rates.

Credit report: Review your credit report before you move. You can get one free copy of your credit report once a year at www.annualcreditreport.com. If you plan to rent, your potential landlord will want to check your credit report, so it is wise for you to check it first. Also, notify all creditors of the upcoming move (especially if OCONUS) to avoid missed payments that can incur a fee or an increase in interest rates.

Miscellaneous expenses: Do not forget to budget for money spent on dining with friends and/or parties before leaving your current location, as well as trips and souvenirs during your move.

Loss of spouse's income: Will there be a loss of your spouse's income until employment is found at the new location? This is often the single biggest negative financial effect of a military transfer. Be sure to use the Family Employment Readiness Program (FERP) at your local Fleet and Family Support Center (FFSC). This program offers workshops and resources to help family member locate jobs, update résumés and learn interview techniques.

Medical and dental: If moving overseas, there may be some medical and/or dental costs associated with your move. These costs may include medical screenings for dependents, immunizations, prescription refills, wisdom teeth extraction, braces, etc.

Pets: You have to consider your pets as you prepare to relocate. Some common pet expenses include visits to the veterinarian to ensure your pet is current on immunizations, possible quarantine fees, boarding, airline crates and airline tickets. If you cannot afford to bring your pet with you, check with your local SPCA for adoption information or available foster resources.

Passports and visas: When transferring overseas, there will be costs associated with passports and visas. With command approval, the cost for these may be reimbursed. You can get more information on passport costs from the State Department website (http://travel.state.gov/content/passports/en/passports.html). Note that passport rates vary based on whether you are getting a new passport or renewing an existing passport.

Car preparation: Maintenance may be needed before driving long distances. If moving overseas, you may want to purchase extra parts for your vehicle that may be hard to find at your new location. If you are going to sell or store your car, set aside money for transportation costs at your new location. This could include the cost of a new vehicle, so plan appropriately.

SLIDE 9

Notes Regarding POVs

The government only pays for the shipment of one vehicle to overseas duty assignments. For those storing personally owned vehicles (POVs) rather than moving them overseas, the government will pay storage fees up front. Also, the government will ship POVs between stateside duty stations as long as it does not cost any more than it would for the member to drive it there. However, under certain circumstances you may get authorization/approval for the transportation of one POV to your new CONUS PCS location.

The Joint Forces Travel Regulations (JFTR) state that transport of one POV to your new location CONUS can be authorized when:

- it is advantageous and cost effective for the government.
- the service member is medically unable to drive or when time does not permit the service member to drive a vehicle to the new location.
- during a homeport change.

If your vehicle is leased or if there is a loan on the vehicle, the leasing company or financial institution may not authorize movement of the vehicle OCONUS. Check with the leasing agent or financial institution before moving the vehicle. For leased vehicles, talk with the Legal Service Office about your rights under the Servicemembers' Civil Relief Act (SCRA). Under the SCRA, some leases can be legally canceled under certain circumstances.

SLIDE 10

Expenses In Transit

Most of the normal in-transit expenses are on the *Estimated Travel Costs for a PCS Move* worksheet and are reimbursed when the travel claim is filed. Keep all receipts to complete your travel claim.

Driving costs via POV: The government estimates that you will travel 350 miles per day.

Overnight accommodations: The government estimates you will need lodging every 350 miles.

Food and miscellaneous expenses: Calculate the number of people times the number of days times $25 to get a good estimate of this expense.

Recreation: If you are making a cross-country or long-distance move, budget time and money to see the sights and have some fun. It will make the move more enjoyable for everyone.

SLIDE 11

Expenses at Your New Duty Station

Expenses you may encounter when you get to your new location include:

Temporary lodging and food: You will need a place to stay until you find a place to live. Try to find a place with cooking appliances and a refrigerator to save money on food expenses while you are house-hunting.

Laundromat: On average, expect to pay at least $3 to $6 per load of laundry.

Utility/telephone deposits: Bring a letter of reference from previous utility companies stating that you have paid on time. This may help you to get deposit fees waived or reduced at your new duty station. If you are a member of certain credit unions, your utility deposits may also be waived.

Cellphones: Although most of the large cellphone carriers offer service across the CONUS, check with your carrier if you are going to a remote or OCONUS location. Under the SCRA, you may be able to terminate your contract if your carrier does not provide service at your new location.

Rental deposits/house purchase closing costs: Generally, you will not receive your security deposit from the house or apartment you just vacated until 30 to 60 days after you have left, so you will need to come up with the security deposit for your next house or apartment if you plan to rent. If you sold your house, you may have money from the sale to apply toward closing costs on your next home.

Cleaning supplies/restocking food supplies: Expect to spend more than usual at your first trip to the commissary. You will have to restock food and cleaning supplies that you could not ship.

Insurance: Notify your insurance company of your impending move and check your insurance rates at the new location. Because insurance costs vary by locale, you may need to budget more for your payments.

Car registration/licenses/personal property tax: If your car is jointly owned, many states expect you to register your vehicle in that state. Check with the state motor vehicle department or installation to find out what the rules are at your new duty station.

Miscellaneous: Child care, commuting and clothing are examples of costs that may increase with a move. A move to a different climate may involve additional clothing, utilities and transportation expenses. Transferring children to a new school could involve tuition, uniforms or new clothes. And there are typically several odds and ends that will be purchased for your new home (e.g., curtains, rugs).

WAYS TO SAVE

Emergency Fund

SLIDE 12

As you prepare for a transfer, an emergency savings fund should be a top priority. Your emergency fund should have one to three months' worth of your current living expenses and payments. If you have not already established an emergency fund as part of your current spending plan, you should create or build this fund as soon as you expect PCS orders.

Savings provide you with a buffer against unplanned or unexpected expenses, such as emergencies and repairs to your car or home. If you have a healthy savings account, you will not need to incur additional debt or use money earmarked for other purposes when you are faced with life changes such as a move. Although you will receive travel pays and allowances, there are usually additional expenses and purchases associated with moving and settling into a new home. Take the time between now and your move to build an adequate emergency fund.

LEARNER ACTIVITY: *Pass the Hat*

Trainer's note: If you have available space to hang chart paper or have access to a whiteboard, you can have learners write the tips as soon as they have drawn their card and then you can go over their list. This is a little less time-consuming if you need to trim time or if you have a very large group.

Time: 10 minutes

Materials: Index cards or notecards and one hat or container

Procedure: Distribute an index card to each learner. Ask them to jot down one cost-cutting tip or way they have saved money when relocating in the past. (A move does not have to be a military transfer.) Ask everyone to write a specific suggestion, such as "have a yard sale" or "get a temporary part-time job to save additional money." Put each suggestion in a hat or container.

Shake up the hat or container. Have each learner draw one of the suggestions, stand and read it aloud to the group. Compare the cost-cutting tips generated by the class with those on the slides.

To-do list

SLIDE 13

Yard sales: Have a yard sale to get rid of items you no longer want or need. If it has not been used in a year, get rid of it. This will help you to stay below your weight limit on your household goods. You might also consider online sales auctions such as eBay or Craigslist.

Change of address: Notify all creditors, insurance companies, automatic investment programs and the IRS of your change of address as soon as possible. Arrange to have your mail forwarded.

Bill paying: Set automatic bill payments or electronic bill payments, allotments, preauthorized withdrawals or another system for paying bills while in transit. Remember to allow plenty of time to start an allotment.

Reference letters: Obtain letters of reference from current utility, cable and telephone companies to reduce or eliminate deposit costs at your new location. Also, get written references from your landlord and employers if you worked a second job or your spouse worked.

National providers: When possible, choose national providers for long-distance phone or Internet service so you will not need to find new services when you move.

Checking and savings accounts: Do not close your checking and savings accounts until you have a new one at your new location and any allotments and/or electronic fund transfers have been successfully shifted to the new account. Better yet, choose a financial institution that will move with you so you will not have to keep closing and opening accounts.

Home loan prequalification or preapproval: If you are going to be buying a home at your new duty station, prequalify or, better yet, get preapproved at your bank or credit union for a home loan. Attend a class on home buying at your local FFSC, housing office or a civilian location. If you are buying a home, do not take on additional debt (e.g., car loan, advance pay).

Military facilities: Use military temporary lodging facilities whenever possible, and always ask for a military discount when using civilian lodging facilities.

Dependent health care: If you are currently enrolled in TRICARE Prime, stay enrolled at the old duty station until you arrive at your new duty station. Contact the TRICARE Service Center in your new location to transfer enrollment. If you are transferring overseas, investigate your available TRICARE options at www.tricare.mil. If you are not enrolled in TRICARE Prime, research the available healthcare facilities at the new duty station. If you have a dependent with special healthcare needs, contact the Exceptional Family Member Program.

Sponsor: Use your sponsor to get the answers to many questions you might have about neighborhoods, schools, entitlements, etc.

Women, Infants, and Children (WIC): If you are enrolled in WIC, the program is available in all 50 states. It is available at most all overseas locations as well. OCONUS sites can be accessed through the TRICARE website.

SUMMARY

Sources of Help

SLIDE 14

The military understands how challenging a PCS move can be. A number of resources are available to help.

Command Financial Specialist (CFS): Your CFS can help you construct a budget or financial plan in anticipation of your upcoming move.

Military OneSource: Other information about your next duty station is available through the Military OneSource website.

Personal Property Shipping Office: This office is responsible for arranging the actual move of your household goods and vehicles.

Personnel Support Detachment (PSD): You can request travel advances, file travel claims and learn about entitlements from this office. It is important to ask questions to ensure you receive all entitlements.

Navy-Marine Corps Relief Society (NMCRS): If you have a financial emergency once you arrive at your new duty station, NMCRS may be able to help with basic needs such as move-in expenses, food and car repairs. Keep in mind, however, that funds are most often provided in the form of an interest-free loan that you will have to repay.

CONCLUSION

The key to a successful move is found in good planning. Consider all of the expenses of a move, take a look at your current spending plan, make some projections based on anticipated expenses and be prepared for the best! A PCS move may be disruptive and expensive, but it can also be exciting, challenging and rewarding. Plan ahead, use all your resources and enjoy your move.

OPTIONAL LEARNER ACTIVITY: *Money and the Move* Review Game

(See "Introduction to the Courses: PowerPoint Review Games.")

Question Bank for Money and the Move

1. What does TLE stand for? (Temporary Lodging Expense)
2. What does TLA stand for? (Temporary Lodging Allowance)
3. What does MIHA stand for? (Move-in Housing Allowance)
4. What does COLA stand for? (Cost of Living Allowance)
5. How many POVs will the government ship overseas? (One)
6. What is a disadvantage of taking advance pay? (You have to pay it back; thus, it reduces future income.)
7. Does the Navy pay per diem during a house-hunting trip? (No)
8. What happens if you exceed your housing weight allowance? (You pay for the additional weight.)
9. Who at your command can help you prepare a financial plan or budget? (CFS)

10. This office is responsible for arranging the actual move of your household goods and vehicles. (Personal Property Shipping Office)
11. What agency might be able to assist you if you need to pay for emergency car repairs? (NMCRS)
12. True or false: A military clause means you do not have to pay bills while in transit to an overseas duty station. (False)
13. True or false: The SCRA allows you to cancel a vehicle lease under certain circumstances. (True)
14. Name three expenses you could have before a PCS transfer. (house hunting, move-out, exceeding household goods weight limitations, insurance, credit report, loss of spouse's income, pets, passports and visas, car preparation, and anything else that sounds reasonable)
15. Name two expenses you could have in transit. (driving costs via POV, overnight accommodations, food and miscellaneous expenses, fun)
16. Name three expenses you could have at your new duty station. (temporary lodging, food, utility and phone deposits, rental deposits, purchase closing costs, long-distance phone calls, cleaning supplies, restocking food, insurance, car registration, licenses, personal property tax, etc.)
17. List two ways to cut the costs of a PCS transfer. (Accept anything that sounds reasonable.)
18. True or false: DLA is three times BAH. (False. DLA is a set rate based on grade and dependency status.)

Acronym Challenge Note Cards

PCS (Permanent Change of Station)	Service members on _____ are entitled to personal travel and transportation allowances for themselves and their families.
PCS Mileage (Permanent Change of Station)	Service members receive this when they drive their own vehicles to a new assignment.
BAH (Basic Allowance for Housing)	This entitlement is based on geographic duty location, pay grade and dependency status.

MALT (Monetary Allowance in Lieu of Transportation)	Service members, separatees and retirees authorized to receive this entitlement will get a flat per diem for each day of authorized travel based on the Defense Table of Official Distances.
DLA (Dislocation Allowance)	The purpose of this entitlement is to partially reimburse a member, with or without dependents, for the expenses incurred when relocating the member's household on a PCS move, housing moves ordered for the government's convenience or because of an evacuation.
TLE (Temporary Lodging Expense)	You and your family can receive this entitlement at a rate of up to $290 per day, depending on location, to help defray the cost of meals and temporary housing incurred during a PCS move within CONUS.
OHA (Overseas Housing Allowance)	Service members who live in private housing at their overseas duty stations receive this entitlement.
MIHA (Move-in Housing Allowance)	This entitlement is an upfront, lump-sum payment covering unique OCONUS move-in costs (such as appliances, taxes and fees) that normally are not incurred with a move in the United States.

TLA (Temporary Lodging Allowance)	The purpose of this entitlement is to help offset the cost of temporary housing and meals for new arrivals overseas.
COLA (Cost of Living Allowance)	Those stationed in high-cost areas overseas, and certain CONUS locations, may receive this entitlement.
Advance BAH (Basic Allowance for Housing)	This may be issued to cover the expenses of renting a new home or apartment.
Advance Pay	Up to three months of this may be authorized upon receipt of PCS orders; however, the service member must justify that moving expenses will equal the amount requested.
BEQ/BOQ (Bachelor Enlisted/Officer Quarters)	Government quarters for service members.

Estimated Travel Costs for a PCS Move

Plan a budget for your PCS move. Personal style, family size, route plans, method of travel and "extras" all will make a difference in your costs. Completing the following worksheet will help you estimate your travel costs.

DRIVING COSTS

Allow an average of $25 per 100 miles for fuel, oil and maintenance.

Total miles you plan to travel: _____

Multiply by $25 for every 100 miles: $_____

Expected driving cost: $_____

Toll charges expected: $_____

Total (add mileage and tolls): $

OVERNIGHT ACCOMMODATIONS

Estimate the cost of a room for each day during travel based on the following:

Double occupancy – $120, each additional person in room– $10 each, if traveling with pets, $20 pet fee, per pet

Expected daily room cost: $ _____

Number of days of travel (based on travel of 350 miles per day) _____

Distance you plan to travel: _____ miles

Divide total number of miles by 350 miles per day = _____ total days.

Total (add mileage and tolls): $

FOOD AND OTHER COSTS

Plan on food costs of $51 per person per day.

Number of people: _____

Number of days: _____

Multiply number of people by number of days: _____

Multiply this figure by $51: $_____

Cost of other items (admission tickets, souvenirs, etc.): $_____

Total (cost of food and other items): $

TOTAL ESTIMATED COSTS (total previous three lines): $

ESTIMATED REIMBURSEMENTS

You cannot control the payment regulations. However, you can plan for your travel costs. Save receipts from everything!

- The disbursing officer at your new duty station will decide whether the regulations permit reimbursement of an item(s) and how much is paid.
- Reimbursements include mileage and per diem allowances and are based on whether one is traveling with or without dependents and the number of travelers.

Financial Planning Worksheet for a PCS Move

Possible Sources of Income	Estimated	Actual
1. Service member's travel allowance (pre-payment)	_____	_____
2. Service member's per diem (pre-payment)	_____	_____
3. Service member's advance pay (pre-payment)	_____	_____
4. Dependent's per diem (post-payment)	_____	_____
5. Dislocation allowance	_____	_____
6. Temporary Lodging Allowance (post-payment)	_____	_____
7. Refund of security deposit (if applicable)	_____	_____
8. Refund of utility deposit(s) (if applicable)	_____	_____
9. Accumulated pay while in transit (post-payment)	_____	_____
10. Profit from selling items you are not transferring	_____	_____
11. Overseas allowances (if applicable)	_____	_____
Total sources of income (A):	_____	_____

Possible Expenses		
1. Advance pays (if applicable)	_____	_____
2. Disconnecting major appliances, including any necessary services (e.g., electrical, plumbing, carpentry) and reinstallation costs	_____	_____
3. Cost to clean vacated quarters/housing	_____	_____
4. Final lawn maintenance and costs to dismantle and reassemble outdoor furniture or play equipment.	_____	_____
5. Cost to kennel and/or ship pets	_____	_____

6. Shipping costs for a boat or outboard motor _____ _____

7. Shipping, towing or carrying a vehicle _____ _____

8. Shipping any other items not authorized at government expense _____ _____

9. Supplemental insurance for shipping or storing personal property _____ _____

10. Excess weight over authorized weight allowance _____ _____

11. Preparing your vehicle for travel _____ _____

12. Reserve funds for travel incidentals and emergencies _____ _____

13. When shipping a car overseas, include costs to:

    a. Move to port of shipment and return fare _____ _____

    b. Ensure the engine, wipers, brakes, etc., are in good working order _____ _____

    c. Ready the vehicle for any specific requirements at the new location _____ _____

    d. Prepare the vehicle for shipping and/or storage _____ _____

14. Lodging costs at both departure and destination and en route _____ _____

15. Food costs during transit _____ _____

16. Housing security deposit/rent at destination _____ _____

17. Utility deposits (e.g., phone, electricity, gas, water, cable, cellphone transfer) _____ _____

18. Costs to restock food staples and cleaning supplies _____ _____

19. Laundromat costs until household goods arrive _____ _____

20. Local transportation until vehicle arrives _____ _____

21. Replacing household goods not shipped or purchasing items needed at new home _____ _____

22. Clothing costs to accommodate a different climate _____ _____

Total Expenses (B): _____ _____

Internet Resources for PCS Moves

The following websites provide a wealth of information to help you prepare for your move:

Annualcreditreport.com (free annual credit report from the three major reporting agencies): www.annualcreditreport.com

Automated Housing Referral Network: www.ahrn.com

Bankrate.com: www.bankrate.com

Defense Finance and Accounting Service (DFAS): www.dfas.mil

Defense Personal Property System (DoD household goods portal): www.move.mil

Defense Travel Management Office: www.defensetravel.dod.mil

DoDEA Educational Partnership: http://www.militaryk12partners.dodea.edu

Federal Trade Commission (identification theft, privacy and security): www.ftc.gov

Military OneSource: www.militaryonesource.mil

Military Spouse Resources: www.careeronestop.org/militaryspouse

"Money and Mobility: For Military Personnel and Families" (FINRA): www.saveandinvest.org/web/groups/sai/@sai/documents/sai_original_content/p124896.pdf

Navy Fleet and Family Support Center (FFSC): www.cnic.navy.mil/ffr/family_readiness.html

Navy Household Goods & Personal Property: www.navsup.navy.mil/household

Navy/Marine Corps Housing OneStop: www.housing.navy.mil/onestop

Navy-Marine Corps Relief Society (NMCRS): www.nmcrs.org

Navy Personnel Command: www.public.navy.mil/bupers-npc/Pages/default.aspx

TRICARE military health system: www.tricare.mil

U.S. State Department (Passport information): http://travel.state.gov/passport/passport_1738.html

USA4MilitaryFamilies: www.usa4militaryfamilies.dod.mil

Women, Infants, and Children (WIC): www.fns.usda.gov/wic

Paying for College

Print Course

Print Handouts

COURSE DESCRIPTION

Paying for College is a 60- to 75-minute course providing information on sources of funding for higher education, focusing on financial aid resources, college savings plans and tax incentives. Information on federal financial aid is available at www.fafsa.ed.gov and www.studentaid.ed.gov. Interest rates listed are current as of November 2015 and subject to change. Course facilitators should update all amounts before presentation.

Note that this course contains information for those entering college now or in the near future, as well as information for those who want to save for their children's future education. It is recommended that you begin by polling your learners to determine how to best meet their needs. If the majority of learners are looking for immediate funding needs, you may want to spend more time on scholarships, grants and loans than on college savings plans and tax incentives.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to research, compare and evaluate different college funding options based on their specific needs.

Enabling:

- During the *Financial Aid Term Match*, learners will correctly match financial aid terms to their definitions.
- In the *Scholarship Search class* activity, learners will locate main scholarship search engines and use at least three different parameters to narrow their search.
- During the *College Funding Recap*, learners will summarize and review information on funding options for the rest of the class.

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INTERNET RESOURCES

The College Board (college and financial aid search engine): www.collegeboard.com

College Parents of America: www.collegeparents.org

College Savings Bank: https://www.collegesavings.com/csbcms

College Savings Plans Network: www.collegesavings.org/index.aspx

Consumer Financial Protection Bureau: www.consumerfinance.gov

Department of Education financial aid information: http://studentaid.ed.gov

Department of Education fraud hotline: www.ed.gov/misused

Department of Education student aid resources and handouts: https://studentaid.ed.gov/sa/resources

FastWeb (scholarship search engine): www.fastweb.com

Federal Trade Commission (student loan information): www.consumer.ftc.gov/articles/0160-student-loans

FINRA Investor Education Foundation: http://www.saveandinvest.org/

Fleet Reserve Association: www.fra.org

Free Application for Federal Student Aid: www.fafsa.ed.gov

Kiplinger's Personal Finance: www.kiplinger.com

Military community information and resources: www.military.com

Military.com scholarship search: http://offers.military.com/v/scholarships/flow

Military Officers Association of America: www.moaa.org

Military OneSource: www.militaryonesource.mil

Naval Enlisted Reserve Association: www.nera.org

Naval Reserve Officers' Training Corps: https://www.nrotc.navy.mil

Navy College Program: https://www.navycollege.navy.mil

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

Navy Knowledge Online (CAC required for use): https://www.nko.navy.mil

Navy League Foundation Scholarship Program: http://navyleague.org/aboutus/scholarship.html

Navy-Marine Corps Relief Society Education Programs: www.nmcrs.org/pages/education-loans-and-scholarships

Navy Wives Clubs of America: www.navywivesclubsofamerica.org/scholarships

Saving for College (search site that tracks 529 plans): www.savingforcollege.com

Sallie Mae: www.salliemae.com

The SmartStudent Guide to Financial Aid: www.finaid.org

Treasury Direct (U.S. Savings Bonds): www.savingsbonds.gov

COURSE PREPARATION

Handouts:

- *Factsheet on Transferability of Post 9/11 GI Bill Benefits* (downloadable from the Department of Veterans Affairs website)
- *Financial Aid Term Match*
- *Federal Student Aid at a Glance 2015-2016*
- *Paying for College Internet Resources*
- *Post-9/11 GI Bill Pamphlet* (downloadable from the Department of Veterans Affairs website)

Materials (vary depending on activities chosen):

- Markers, pens, pencils, paper
- Internet connection (where available)
- *Paying for College* PowerPoint slides
- *College by Degrees* Review Game (optional)

SUMMARY OF LEARNER ACTIVITIES

- *Financial Aid Term Match*: A matching sheet that links the financial aid term to its definition.
- *Scholarship Search*: A familiarization activity that introduces learners to scholarship search engines, how they operate and what information they can provide.
- *College Funding Recap*: A group activity in which learners summarize information from the content and present a quick summary review of the course material for the rest of the class.
- *College by Degrees Review Game*: An optional PowerPoint game that can be used for presentation of course content or in lieu of lecture or as a review.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Agenda
    b. The Cost of College

2. Educational Benefits in the Military (5 minutes)
    a. Tuition Assistance Program
    b. GI Bill Programs
    c. Other Military Programs
3. Financial Aid (10 minutes)
    a. Learner Activity: *Financial Aid Term Match*
    b. Terminology
    c. Grant Programs
    d. Federal Loan Programs
    e. Application Tips
    f. Learner Activity: *Financial Aid Term Match Review*
4. Scholarships (15 minutes)
    a. Military-Specific Opportunities
    b. Scholarship Scams
    c. Learner Activity: *Scholarship Search*
5. Saving for College (15 minutes)
    a. Starting Early
    b. Qualified Tuition Programs
    c. U.S. Savings Bonds
    d. Custodial Accounts
    e. Saving in the Parents' Names
    f. Penalty-Free Withdrawals from an IRA
    g. Effects on Financial Aid
    h. Learner Activity: *College Funding Recap*
6. Tax Incentives (5 minutes)
    a. American Opportunity Credit
    b. Lifetime Learning Credit
    c. Limited Deduction for Tuition Expenses
    d. Student Loans Interest Deduction
    e. The Fine Print on Using Tax Incentives
7. Summary (5-20 minutes)
    a. *Optional Learner Activity*: College by Degrees Review Game

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

SLIDE 2

SLIDE 3

SLIDE 4

Trainer's note: The statistics provided in the following section are based on the 2014-2015 school year. These statistics will need to be updated annually. Statistics are compiled each year by the College Board at http://trends.collegeboard.org.

Agenda

Although valuable, a college education can be expensive. To help you find ways to offset the cost of college, this course will discuss different types of financial aid for you and your children, including scholarship opportunities, college savings plans and tax incentives.

The Cost of College

According to the College Board's report on trends for 2015-16, the average cost of one year of in-state tuition and fees is $9,410 at a public college and $32,405 at a private college. Including room and board, the total costs rises to $19,458 for public colleges and $43,921 for private colleges. Experts predict that college costs will rise 3 to 4 percent annually, slightly above the rate of inflation. However, when grants, tuition assistance, scholarships and other financial aid are taken into account, the net cost of college is much less. In fact, the average net cost after financial aid for in-state, public tuition and fees was $3,980, and the average net cost for private college tuition and fees was less than $14,890.

While education costs can be high, consider the alternative. Let us look at the lifetime earning capacity based on education.

- A person with a high school diploma can expect to earn approximately $1.2 million in their lifetime.
- Earning an associate degree can increase expected earnings to $1.5 million.
- Earning a bachelor's degree can increase expected earnings to $2 million.
- Earning a master's degree can increase expected earnings to $2.4 million.
- For someone with a doctorate, the expected lifetime earnings are $3.1 million.
- And earning a professional degree – such as a doctor, dentist, or veterinarian – will bring in about $3.3 million over the course of a lifetime.

Although there is certainly merit to the long-term financial benefit of earning a postsecondary degree, the 2014 College Board financial aid report shows that the average debt for college graduates in public institutions is over $25,000. Less than 30 percent of students graduate debt-free.

The bottom line: College is important, but how will you pay for it?

EDUCATIONAL BENEFITS IN THE MILITARY

The opportunity for educational benefits is a significant benefit of joining the military. Military service offers programs and benefits that you can use while on active duty and after you leave military service. These programs and benefits include the Tuition Assistance (TA) Program, GI Bill programs and other military programs.

SLIDE 5

TUITION ASSISTANCE PROGRAM

> ***Trainer's note:*** For additional information on these programs, refer to the Navy College website at https://www.navycollege.navy.mil. For information on educational programs under the Department of Veterans Affairs, go to www.benefits.va.gov/gibill.

The Tuition Assistance Program is the Navy's educational financial assistance program. TA provides active-duty personnel funding for tuition costs for courses taken off-duty at an accredited college, university or technical education institution. TA pays as much as $4,000 per fiscal year toward tuition. Funds are awarded on a per-class basis and are paid up front. There is a fiscal year limit of 16 semester hours, 24 quarter hours or 240 clock hours per individual. TA is not a loan, so you will not have to repay the funds unless you fail the course or drop it prior to completion.

SLIDE 6

GI BILL PROGRAMS

The Montgomery GI Bill (MGIB) provides up to 36 months (four regular school years) of education benefits for college, business, technical or correspondence courses, as well as apprenticeship/job training and flight training. The cost is $100 per month, deducted from the member's pay during the first 12 months of service. You have 10 years from the time you separate from active duty to use your MGIB benefits.

There are two separate components of the MGIB: one for active duty (MGIB-AD) and one for Selected Reserve members (MGIB-SR). Both are comparable in benefits; however, the Selected Reserve component has additional eligibility

requirements. In addition, the following programs allow you to maximize the benefits of your MGIB.

- MGIB Top-Up: Combines TA with Veterans Affairs (VA) benefits. If you are eligible for the MGIB, you may be eligible to be reimbursed for the remainder of your course costs (the amount on your military TA form which is not paid by the Navy).
- MGIB Buy-Up: Allows some service members the option of paying an additional $600 into their MGIB account, which then makes them eligible for as much as $5,400 in additional funds.

The Post-9/11 GI Bill

Trainer's note: Refer learners to the *Post-9/11 GI Bill Pamphlet* and *Factsheet on Transferability of Post-9/11 GI Bill Benefits*. These handouts can be downloaded from the Department of Veterans Affairs website: www.benefits.va.gov/gibill/handouts_forms.asp. Facilitators should check the VA website annually for updated handouts.

SLIDE 7

In August 2009, additional educational benefits were authorized for service members serving a minimum of 90 days of cumulative duty after the Sept. 11 terrorist attacks. Benefits are based on total service following Sept. 11, 2001, with full benefits achieved at 36 months of aggregate duty or 30 days of continuous duty if discharged with a service-connected disability. The maximum benefit includes the following:

- The cost of tuition and fees up to the most expensive in-state undergraduate tuition at a public institute of higher learning in the state where you are attending school.
- Basic Allowance for Housing (BAH) for an E-5 with dependents in the same ZIP code as the school you are attending (available only to veterans or if transferred to active-duty dependents).
- An annual stipend for books and supplies.

The Post-9/11 GI Bill provides the most comprehensive education benefits package ever offered. In addition to the benefits for the service member, it also allows career service members the opportunity to share their educational benefits with immediate family members with certain service obligations.. You can transfer all benefits to one individual or distribute them among eligible family members under certain conditions.. Family members must be enrolled in the Defense

Eligibility Enrollment Reporting System (DEERS), and you have to apply for the transfer of the benefits through the VA website.

SLIDE 8

Other Military Programs

Reserve Educational Assistance Program (REAP): Provides up to 36 months of educational benefits to members of the Selected Reserve.

Post Vietnam-Era Educational Assistance Program (VEAP): An education benefit program for veterans who paid into VEAP while they were in service. Eligible members may be entitled to as much as 36 months of training.

Survivors' and Dependents' Educational Assistance (DEA) Program: Provides education and training opportunities to eligible dependents of certain veterans. The program offers up to 45 months of educational benefits. These benefits may be used for degree and certificate programs, apprenticeships and on-the-job training.

College Loan Repayment Program (CLRP): Enlisted service members may be eligible for full or partial repayment of postsecondary educational loans up to $65,000 based upon your rate and the specific terms and conditions listed on your original enlistment contract.

Financial Aid

SLIDE 9

Each year, thousands of students try to figure out a way to pay for college. According to a report by the College Board, the average undergraduate student was awarded $14,210 in financial aid during the 2014-15 academic year. Opportunities exist for all students to get a good education regardless of family finances. Taking advantage of these opportunities requires planning. When do you start looking? Financial advisers recommend starting grant and scholarship research in the sophomore year of high school. Students interested in grants and loans should contact their institution's financial aid office for additional information and application forms.

LEARNER ACTIVITY: *Financial Aid Term Match*

Time: Ongoing

Materials: *Financial Aid Term Match* handout

Procedure: Distribute the *Financial Aid Term Match* handout. Explain that you will be discussing a number of terms in this section. To facilitate learning, learners

should use the handout to match the terms to their definitions. As you discuss each item, ask the class to find its definition on their handout. The correct answers will be reviewed at the end of the section.

Terminology

You need to be familiar with the following important definitions related to financial aid.

Grants: Educational funds that usually do not require repayment. In addition to federal grants, institutions award money based on academic achievement and financial need. Eligibility and availability varies for institutional grants; check with your school for more information.

Work-study program: A work-study program offers you the opportunity to earn money for school through school employment. These are usually paid directly to you, or you can have the money applied to covered institutional expenses.

Loans: Borrowed money you must repay with interest. Credit checks are required but do not necessarily determine eligibility for federal loan programs. Private loans dictate their own requirements.

Scholarships: Forms of educational aid that do not have to be repaid and are generally based on meeting specific qualifications (e.g., academic, athletic, artistic, financial need) or being part of a specific group (i.e., a submariner's child from Idaho). Many are privately funded.

GRANT PROGRAMS

Trainer's note: Refer learners to the *Federal Student Aid at a Glance* handout.

SLIDE 10

Pell Grant: A needs-based federal grant to help undergraduates pay for their education that does not have to be repaid. The maximum award for 2015-16 award year is $5,775, and eligibility is determined by a standard formula that produces an Expected Family Contribution (EFC). How much the student will get depends on the EFC, the cost of the education and whether the student is full- or part-time.

Academic Competitiveness Grant (ACG): For undergraduates receiving a Pell Grant and enrolled full-time in their first or second year of study. The amount for the first academic year can be as much as $750 and for the second academic

year as much as $1,300. Recipients must complete a rigorous secondary school program of study and keep a 3.0 cumulative grade-point average.

National Science and Mathematics Access to Retain Talent Grant (National SMART Grant): For undergraduates receiving a Pell Grant and enrolled full time in their third or fourth year of study. Recipients must be in an eligible degree program and majoring in physical, life or computer sciences; engineering; technology; mathematics; or a "critical need" foreign language and have at least a 3.0 cumulative grade-point average. Awards are as much as $4,000 for each of the third and fourth academic years.

Federal Supplemental Educational Opportunity Grants (FSEOG): For undergraduates with exceptional financial need as determined by the school (that is, students with the lowest EFC). FSEOG gives priority to students who receive a Pell Grant. Awards vary based on need, but you can receive as much as $4,000 per year.

Federal Work-Study (FWS): Provides jobs for undergraduate and graduate students who need financial aid. Work-study gives the student a chance to earn money to pay for educational expenses. The program encourages community service work and work related to the student's course of study.

Institutional grants: There are other grants in addition to those from the federal government. Colleges provide institutional grants to help make up the difference between college costs and what a family can be expected to contribute through income, savings, loans and student earnings. Other institutional grants, known as merit awards or merit scholarships, are awarded on the basis of academic achievement. Some merit awards are offered only to students whose families demonstrate financial need; others are awarded without regard to a family's finances. Some grants come with special privileges or obligations. You will want to find out about the types of grants awarded by each college you are considering.

Federal Loan Programs

SLIDE 11

Perkins Loan: A low-interest loan to help undergraduate or graduate students with exceptional financial need, as determined by the school. The school is the lender, and the loan is made with government funds. The loan is repaid to the school and must be repaid within 10 years. The interest rate (2015) is 5 percent. The maximum amount is $5,500 per year up to $27,500 total for undergraduate and $8,000 per year up to $60,000 for graduate study.

Stafford Loan: A low-interest loan made to students attending undergraduate or graduate school at least half time. Loans come directly to the school from the

U.S. government. The interest rate is reset each year but is fixed for the life of any loan made in that year. The amount you can borrow each year depends on dependency status and year in school. The lowest cap for this loan, for first-time dependent undergraduates, is $5,500 (though you do not have to take that much if you do not need it) and it has a maximum loan amount of $31,000. The standard repayment period for all federal loans is 10 years, though the loan period can sometimes be extended for those who enroll in special repayment programs.

Consolidation loans: Allows a borrower to combine different types of federal student loans to simplify repayment. The interest rate may be lower than the rates on your other loans. It is a fixed rate for the life of the loan and is based on the average of the interest rates of the loans at the time you consolidate.

PLUS loans: For parents who want to borrow to help pay for their children's education and graduate students. Dependent undergraduate students must be enrolled at least half time. Parent applicants must have an acceptable credit history. The interest rate is reset each year and is fixed for the life of the loan made in that year. The annual limit on the amount borrowed is the cost of attendance minus any other financial aid received. Repayment timeframes are the same as for the Stafford Loans.

Application Tips

SLIDE 12

The key to successful college financing is to start early.

To apply for student financial aid from the federal government, including the Pell Grant, Perkins and Stafford Loans, and work-study, you will need to submit the Free Application for Federal Student Aid (FAFSA). To fill out the application online, go to www.fafsa.ed.gov. There is no charge for submitting this form. Check the application deadline so that you do not miss out on the opportunity. Although income and tax information are used in determining your eligibility for need-based aid, you can submit the FAFSA using estimated data before your tax return is filed. Once your tax return has been submitted, you can reopen the application and correct it, using FAFSA's data retrieval tool (DRT) to extract information directly from the IRS. Be sure to check the admissions and financial aid application deadlines of the schools you are interested in to be sure you do not miss their dates. Most financial aid offices require that you apply for aid each year. You should apply for aid every year, even if you think you do not qualify.

A change in the family's financial situation or the number of children attending school in the same year can affect eligibility for student aid. If you do not qualify

for other aid, consider using PLUS loans or take out a home-equity line of credit, on which the interest is tax deductible. Also consider having your child borrow the funds for their education; the Stafford Loan has lower rates and loan fees than PLUS loans. In reality, few families with parental income of more than $200,000 will qualify for need-based aid.

In addition to completing and submitting the FAFSA, if you will attend a private school or even some public schools, you may also be asked to fill out the CSS/ Financial Aid PROFILE form, which the school will use to consider aid that it will distribute. The good news is, no matter how many schools you apply to, you will only need to file one FAFSA and/or one PROFILE form. Each of these forms has space where you can indicate the schools you are applying to that will need this information. Check with your school to make sure you submit the right form, and keep in mind that in addition to the FAFSA and PROFILE, there may still be other forms required by the school. Thoroughly read all of the financial aid requirements for each school you will apply to.

LEARNER ACTIVITY: *Financial Aid Term Match Review*

Time: Five minutes

Materials: *Financial Aid Term Match* handout

Procedure: Tell learners to check their answers on their *Financial Aid Term Match* handout as you review them. The answers are:

1. **Loan:** (E) Money borrowed which must be repaid with interest.
2. **Grant:** (C) Monetary award that does not have to be repaid; usually provided by the school/government.
3. **Scholarship:** (H) Financial assistance that does not need to be repaid; often privately funded.
4. **Work-study program:** (B) A financial award which includes a requirement to provide services to the school.
5. **Pell Grant:** (G) A need-based grant for students attending at least half time with a maximum award of $5,730 per year.
6. **Stafford Loan:** (J) A low-interest loan for students attending at least half time where loan amounts depend on dependency status and year in school.
7. **PLUS loan:** (I) A low-interest loan for parents to pay for education for children enrolled at least half time with a yearly limit based on college cost and other aid received.

8. **Consolidation loan:** (D) A loan which allows the borrower to combine many types of educational debt into one repayment plan, with the interest remaining fixed over the life of the loan.
9. **Perkins Loan:** (F) A low-interest loan for undergraduates and graduate students with exceptional need (as determined by the school), with a maximum value of $27,000 for undergrads and $60,000 for graduate study.
10. **FAFSA:** (A) The Free Application for Federal Student Aid, which must be completed to receive any financial aid.

SCHOLARSHIPS

MILITARY-SPECIFIC OPPORTUNITIES

Trainer's note: Distribute the *Paying for College Internet Resources* handout to learners.

SLIDE 13

Scholarship and grant opportunities are everywhere, but you will not get a scholarship if you do not apply for one. Millions of dollars are available through scholarships every year, yet thousands of dollars in scholarship money go unclaimed. If you know where to look, you may find scholarship money for your child, or even for yourself, to attend college.

Many scholarship opportunities, such as those offered by service-related organizations and command or community groups, are available specifically to military families. Many of these awards are open to a relatively small group, so your chances of being awarded a scholarship are better. It is OK to apply for several different scholarships; in fact, the more you apply for, the better your chances of award.

The *Paying for College Internet Resources* handout lists websites and search engines for a broader search for scholarship dollars. Remember that scholarship amounts for tuition and fees are usually tax-free, but you should always review the rules to be certain. Take advantage of the opportunities available. Every scholarship and/or interest-free loan you are awarded helps to make cost of a college education more affordable. In some cases, it may cover the majority of your college expenses.

SCHOLARSHIP SCAMS

Trainer's note: If an Internet connection is available, navigate to the Federal Trade Commission website at www.ftc.gov and search under "scholarship scams" for the most up-to-date information.

SLIDE 14

Each year, victims of scholarship and student loan scams lose millions of dollars. Be on the lookout for scholarship scams, and if it sounds too good to be true, stay away. Be wary of scholarship advertisements soliciting your personal information, especially those claiming to be from a government agency. No government agency will solicit you to borrow federal funds. And no federal source will replace loans with grants, so avoid any organization or company promising such a service. Likewise, the U.S. Department of Education does not charge an up-front processing fee to obtain federal educational aid (they will deduct the fee from the award itself.) To ensure your safety, never provide your bank account or credit card information online or over the phone unless you made the call and you trust the company you are calling. When it comes time to apply for scholarships and financial aid, make sure you know who you are doing business with and make sure to protect your personal information.

LEARNER ACTIVITY: *Scholarship Search*

> ***Trainer's note:*** Remind students that we are not endorsing a particular site and that they should review several on their own. The list on the *Paying for College Internet Resources* handout is a good place to start.

Time: 10 minutes (or more, depending on the number of sites reviewed)

Preparation and materials: You must have Internet access in the classroom (ideally several computers) or the use of a computer lab for this activity. Ensure that all learners have the *Paying for College Internet Resources* handout.

Procedure: Choose from individual group or instructor-facilitated methods before class.

Individual method: Instruct learners to go online and walk them through a scholarship search.

Group method: Break the class into groups based on the number of available computers with Internet connections.

Instructor-facilitated method: Connect via the training computer, allow the class to provide the inputs, and display the results to the class.

Discussion notes: Explain that the information you are providing today constantly changes. One of the best ways to help learners is to make them aware of the resources available and where to go to find out more. Which options are best will depend on each person's situation. Tell them that as a group you are going to

review one of the scholarship search engines listed on the handout as a sample of how the websites work and what the websites can do.

Instruct learners to go to www.collegeboard.com. Click on "College Planning," then on "Tools and Calculators" under the "Pay for College" section, and then click on "Scholarship Search." Tell the learners to complete the form, providing inputs of their own choosing from the drop-down menu or options provided to answer the questions. Clicking "Next" will take you to more personalization options. Click on "See Results" when you are ready. What you will see is a list of scholarships that matches the information you provided. Click on any of the scholarships listed to display more details on that particular option. Tell the learners to choose one and take a look.

When reviewing the results with the group, point out how simple it was to get the information and how many hits they got. Remind learners that their job now is to follow up, research the criteria and apply. If time permits, allow the learners to visit another website or to click on different information sections within this one to see the wealth of information available to them when they are ready to begin their research in earnest.

State that this is just one example of the search engines that are available. Suggest that they keep in mind that the more specific information entered, the better the odds that scholarship searches will be able to match you to financial aid sources. Some of the sites will store information, and if you allow, they will notify you as new scholarships are entered into their database or if the criteria change. Sometimes, if scholarship money is unclaimed, the benefactors will change the criteria to allow more applicants.

SAVING FOR COLLEGE

Starting Early

SLIDE 15

If you wish to pay for your child's education, it is important to start saving for college expenses as soon as possible, even as early as the day the child is born. Time is one of your most valuable assets. The sooner you start saving for college, the more time your money will have to grow.

If you start saving early enough, even a small weekly or monthly investment can grow to a significant college fund by the time the child graduates. For example, if you save $250 a month at 5 percent average interest from birth, you will accumulate $80,465 by the time your child enrolls in college. What if you want to cover

education at a four-year public college that costs $19,388 a year in today's dollars? If you start saving from birth at 5 percent average interest, 37 percent of your savings goal will come from interest. If you wait until your child enters high school to start saving, only 10 percent of the savings goal will come from interest. The message: Start early!

Qualified Tuition Programs

SLIDE 16

There are two types of qualified tuition programs (QTPs): prepaid tuition plans and college savings plans. We will explore both in more detail.

Prepaid College Tuition

Prepaid tuition plans allow you to lock in current tuition rates for future college needs. The overall costs of prepaid college tuition depend on whether you elect to pay in one lump sum or by installments, and the younger the child, the lower the cost of the payments. There are some drawbacks to these plans. If you opt to go to an out-of-state school, the amount paid for tuition is greatly reduced. There is no guarantee of funds. Few plans are guaranteed by the issuing state and it can negatively affect financial aid eligibility. Although once very popular, not all states now offer a prepaid tuition program. Check with your state to see whether a prepaid plan is an option and whether the plan benefits are guaranteed.

529 College Savings Plans

The college savings plan, most often referred to as a 529 plan, allows you to invest money in an account that grows tax-free until the child is ready to go to college. 529 plans are exempt from federal income tax and are often exempt from state and local income taxes. You do not pay any taxes on the money in the account as it grows, and withdrawals used for higher education are tax-free. Each state's plan differs slightly, so research the differences and costs to find the best fit for your needs.

SLIDE 17

Benefits of the 529 plans include:

- Contributions grow tax-deferred until withdrawn for qualified education expenses. Withdrawals are tax-free. Many states offer tax breaks for your contributions.
- No annual limit and anyone can make contributions to the account.
- There are no income restrictions, so you can open an account no matter how much you earn.
- The contributor owns the account and controls it.

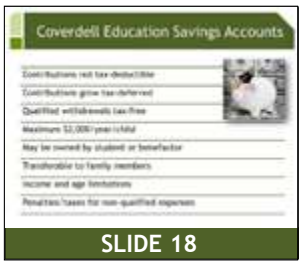
- If your child decides not to go to college, you can change the beneficiary to another family member, hold it and hope they change their mind or, if the account is in your name, take the money.
- There are no income limits, and these plans have high total contribution limits. Total limits go as high as $320,000, but each state has specific limits on 529 contributions.
- These plans are flexible; you can open a plan in any state, regardless of residency.
- The savings plans are portable, meaning the money can be used at any qualifying institution, not just those in your state.
- When it is time to pay the college bills, the money can be used for almost any cost associated with higher education – tuition and fees, books, computers, supplies, and room and board.

Drawbacks of the 529 plans include:

- Non-qualified withdrawals will incur a penalty. If you cancel the account and receive a refund, you will have to pay federal income taxes on the earnings and a 10 percent tax penalty.
- 529 plans are treated as a resource, which means they reduce the ability to qualify for need-based financial aid. When you withdraw money from a pre-paid tuition plan to pay for college, there is a dollar-for-dollar reduction in your need-based aid package.
- They do not guarantee admission into college. Prepaid accounts can only be used to pay the bills at schools in the plan's state. The savings plans are investments subject to market conditions. There are no guarantees.

Not all plans are created equal. Some have hefty expense ratios. In addition to the state plans, many private 529 plans are sold through brokers, so be on the lookout for loads and commissions, too. As with any investment, be sure you understand the fees and expenses before investing. You will find it helpful to choose a 529 plan if you first attend a *Saving and Investing* class offered at the Fleet and Family Support Center (FFSC). Choosing a 529 plan usually includes making a decision about the underlying investments, so knowledge of basic investment tools will help you make the best choice.

Coverdell Education Savings Accounts



SLIDE 18

Coverdell Education Savings Accounts (ESA) are used exclusively for the qualified education expenses. Contributions to an ESA are not tax-deductible, but earnings grow tax-deferred and qualified distributions are tax-free. Nonqualified withdrawals are taxed as ordinary income at the donor's rate and subject to a 10 percent tax penalty.

Plan details:

- Maximum contribution of $2,000 per beneficiary per year. This is a total amount for one or multiple accounts.
- The student or the student's benefactor (e.g., parent or grandparent) may own the ESA.
- The money must be used by the time the child reaches age 30 or the earnings will be taxed as ordinary income plus a 10 percent penalty.
- Accounts may be transferred to the ESA of a family member.
- You may not be able to contribute to a Coverdell ESA if your modified adjusted gross income (MAGI) is over a certain amount.
- Primary, secondary and postsecondary education expenses, including tuition, fees, tutoring, books, supplies, related equipment, room and board, uniforms, transportation and computers are considered "qualified expenses."
- ESAs can be used to pay for elementary and secondary education. Computers are included as a qualified expense for students in elementary and secondary schools, even if the school does not require them.
- You can contribute to both an ESA and a 529 plan in the same year.

Tax-free distributions from an ESA and a 529 plan can be taken in the same year, but not for the same expense. The ESA and 529 plans may be used for room and board. 529 plans are less restrictive with regard to room and board. ESAs permit elementary and secondary school tuition expenses, which are not permitted by 529 plans. If you have money left over in a 529 or ESA after school finishes, you will owe a 10 percent penalty or must transfer the money to another beneficiary.

U.S. Savings Bonds

SLIDE 19

The Education Bond Program offers a low-risk investment option for saving for your children's college education. Backed by the full faith and credit of the U.S. government, principal and earned interest are safe and cannot be lost due to market changes.

Program details:

- Series EE and Series I savings bonds offer special tax benefits when used for qualified educational expenses (tuition and required fees) or when rolled over into a 529 plan.
- Qualified expenses are reduced by the amount of any financial aid received in the same tax year, including the amount of other education tax breaks.
- Room and board and books are not included as qualified expenses.
- Parents can purchase bonds for their children, but the bonds must be registered in the parent's name. The child cannot be listed as a co-owner but may be listed as a beneficiary.
- You can also purchase bonds for your own education, in which case the bonds must be registered in your name.
- There is an annual purchase limit of $30,000 per owner for both Series EE and Series I bonds.
- The full interest exclusion is only available within certain income limits: between $69,950 and $84,950 for single filers, and between $104,900 and $134,900 for married filing jointly. These income limits apply in the year you use bonds for educational purposes, not the year you buy the bonds.
- You can cash in savings bonds in the same year you use an ESA or 529 plan, as long as it is not for the same expense.

Custodial Accounts

SLIDE 20

Parents cannot simply transfer assets to their minor children but instead must transfer the assets to a trust. The most common trust for a minor is known as a custodial account.

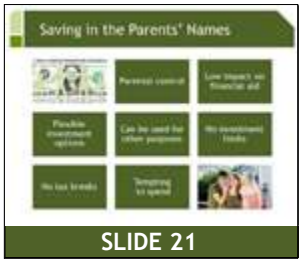
The Uniform Gift to Minors Act (UGMA) established a simple way for a minor to own securities. A state statute instead of a trust document establishes the terms of this trust. The Uniform Transfer to Minors Act (UTMA) is similar but also allows minors to own other types of property and for the transfers to occur through inheritance.

How they work:

- Any money placed in a custodial account belongs to the minor child but is controlled by the custodian until the minor reaches the age of trust termination (18 to 21, depending on the state and type of trust).

- The donor irrevocably gifts the money to the account.
- The income from the custodial account must be reported on the child's tax return and is taxed at the child's rate. The parent is responsible for filing an income tax return on behalf of the child. There is no special tax treatment for UGMA accounts. Children ages 14 and older must sign their own tax returns.
- Neither the donor nor the custodian can place any restrictions on the use of the money when the minor becomes an adult. At that time, the child can use the money for any purpose whatsoever without requiring permission of the custodian, so there's no guarantee that the child will use the money for education.
- UGMA and UTMA accounts are in the name of a single child; the funds are not transferable to another beneficiary.
- For financial aid purposes, custodial accounts are considered assets of the student. This means there is a high impact on financial aid eligibility.

Saving in the Parents' Names



SLIDE 21

Saving money in taxable accounts in the parents' names has advantages and disadvantages. If you decide to invest in your own name, use resources that will help to minimize your tax burden.

Advantages:

- The parent maintains control of the assets.
- The impact on financial aid eligibility is low, because the money is a parental asset.
- There is flexibility on choosing investments.
- You can use the money for another purpose if the child decides to not go to college.
- You can take full advantage of the other education tax benefits, such as the Hope Scholarship and Lifetime Learning tax credits.
- There are no limits on the amount you can invest.

Disadvantages:

- Earnings are subject to income and/or capital gains taxes at the parent's rate.
- You may be tempted to use the funds for a different purpose.
- There are no special tax breaks for qualified education expenses.

Penalty-Free Withdrawals from an IRA

SLIDE 22

Using your retirement funds is another way to pay for college expenses. Normally, if you withdraw money from a traditional or Roth IRA before you reach age 59½, you would pay a 10 percent early distribution penalty and any regular income tax due. There is an exception for distributions used to pay qualified higher education expenses.

- The portion of the distribution used for qualified higher education expenses is exempt from the 10 percent early distribution penalty, but you will still pay income tax.
- The qualified higher education expenses must be for you, your spouse, your children or your grandchildren.
- Qualified higher education expenses include tuition, fees, books, supplies and equipment, as well as room and board if the student is enrolled at least half time in a degree program.

Remember, this is your retirement money, and you will still need to take care of yourself. Be careful when considering this option. There is no scholarship for old age. Fund your retirement first. You can borrow for education, but no one is going to lend you money for retirement.

Effects on Financial Aid

SLIDE 23

In general, it is better to have assets in the parent's name. Colleges usually consider 35 percent of a child's assets as being available each year to pay for school, while considering just 5.5 percent of the parent's assets as being available. Money in a 529 plan and Coverdell ESA belongs to whoever funded the plan, not the child, and so is favorable when it comes to applying for aid. Money in a custodial account belongs to the child.

LEARNER ACTIVITY: *College Funding Recap*

Time: 10 minutes

Materials: Note paper, writing utensils.

Procedure: Divide the class into small groups. Pass out paper to each group. Explain that you are going to see how much they recall of the content covered on college funding options by doing a group summary of one or more topics.

Tell them that the only restriction is that they have to provide the basic idea and benefit from their topic to the class in less than two minutes. Tell learners they are welcome to use their handouts to construct their summary. You can allow learners to chose the topic(s) or you can assign topics to each group. If the class is small, you may want to have learners work individually or in pairs.

TAX INCENTIVES

> ***Trainer's note:*** The information included in this section is more detailed than needed for this course and is intended to provide supplemental information for facilitators. When facilitating this section, you should only provide a basic overview of the incentives, unless time allows for a more in-depth discussion on this topic.

SLIDE 24

The government provides several tax incentives for those paying for college. To use any of the options, the student must be enrolled at least half time in a degree program.

American Opportunity Credit

The American Opportunity Credit (formerly the Hope Credit), allows qualifying individuals to claim a credit of up to $2,500 per student per year. In addition to tuition and fees, the credit can be used for certain supplies. This credit is available for single parents with adjusted gross income of less than $90,000 or couples with adjusted gross income of less than $180,000. This credit applies only to undergraduate students who enrolled for a minimum of half the required full-time credit hours. This tax credit cannot be used in conjunction with the restructured Hope Credit or the Lifetime Learning Credit.

Lifetime Learning Credit

This tax credit of up to 20 percent on the first $10,000 of tuition expenses can take up to $2,000 off your annual tax bill. The money must come from a source other than a 529 plan or ESA and you must not be eligible for the American Opportunity Credit to qualify. The income limits for using this credit are the same as for American Opportunity. You only get this credit one time each year based on the tuition paid, not once for each student.

Limited Deduction for Tuition Expenses

If you do not qualify for either of these credits, you may be able to take an income-tax deduction for tuition and related expenses of as much as $4,000. You can take this deduction even if you do not itemize. The income limits are $80,000 (single filer) and $160,000 (married filing jointly). This deduction can be

used in conjunction with money from tax-free sources such as the ESA, 529 plan and savings bonds, but not for the same expense.

Student Loan Interest Deduction

You can deduct as much as $2,500 in student loan interest as an adjustment to income. This deduction is not available for those with adjusted gross income of more than $75,000 (single filer) and $150,000 (married filing jointly). The person obligated on the loan gets the deduction. For example, if a grandparent makes payments for a loan taken out by the grandchild, the grandchild takes the deduction, not the grandparent. Again, the expenses must have been paid with money from sources other than those tax-free education resources we have discussed.

The Fine Print on Using Tax Incentives

The basic rule is no double-dipping. You cannot use the American Opportunity Credit with the Lifetime Learning Credit for the same student in the same year, but you can use them for different students' educational expenses in the same year. You cannot use the Lifetime Learning Credit and the limited deduction for the same student in the same year. Most tax preparation software programs and many online resources offer comparison calculators to determine which incentives will be most beneficial. Check with your local Volunteer Income Tax Assistance (VITA) office or tax preparer for more information.

SUMMARY

SLIDE 25

When paying for college, your unique situation and needs will determine the funding or saving plan that is best for you. You should now have a good foundation to make an informed decision that best fits the circumstances of your family and your tolerance for risk.

There is no "best fit for all" program. A lot will depend upon when funds will be needed for college. If a spouse is looking to go to college in the next year, your options will differ greatly than if you were starting a college savings fund for your 2-year-old.

For more immediate funding needs, be sure to do your research on available scholarship, grant and loan options. For longer-range goals, remember that the earlier you start, both in your child's life (saving) and during the high school years (researching grants and loans), the better your chance of fully funding a college education. Explore all of the available options and use your resources when needed.

OPTIONAL LEARNER ACTIVITY: *College by Degrees* **Review Game**

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

Question Bank for College by Degrees

Categories: Give Me the Money, With Interest, I Need How Much?, Uncle Sam to the Rescue, Education Soup

GIVE ME THE MONEY

100 Q Which type of financial assistance allows the student to work at the institution to earn money to pay college costs?

A Work-study

200 Q This form of financial assistance does not need to be repaid and is often privately funded.

A Scholarship

300 Q This financial assistance option has a maximum award in 2015 of $5,775 and does not require repayment.

A Pell Grant

400 Q Name the federal program that swaps student loans with grants by charging a processing fee.

A There is none. This is a scam.

500 Q To receive any federal financial assistance, a student needs to complete this annually.

A Free Application for Federal Student Aid (FAFSA)

WITH INTEREST

100 Q What funding option provides money for education which must be paid back with interest?

A Loans

200 Q Which low-interest loan has loan amounts that depend on dependency status and year in school?

A Stafford Loan

300 Q What type of loan can be taken out by parents to pay for their children's education and can also be taken out by independent graduate students?

A PLUS Loans

400 Q What type of rate is charged on a federal consolidation loan?

A Fixed rate

500 Q What type of low-interest loan applies to undergraduates and graduate students with exceptional need (as determined by the school), with a maximum value of $27,000 for undergrads and $60,000 for graduate study?

A Perkins Loan

I NEED HOW MUCH?

100 Q What percentage of college students finish college with no debt?

A 30 percent

200 Q What is the maximum annual amount that can be contributed to a Coverdell ESA?

A $2,000

300 Q (Double jackpot) Using money from a/an _____ saving plan for a child's college expenses could dramatically affect your retirement.

A IRA

400 Q To whom does the money in a custodial account belong?

A The child. (They can use it for anything they want once they reach the age of majority.)

500 Q What type of tax treatment is allowed in a 529 plan for qualified withdrawals?

A Tax-free withdrawals (contributions grow tax-deferred)

UNCLE SAM TO THE RESCUE

100 Q What type of tax credit allows $2,500 per student per year during the first two years?

A American Opportunity Credit

200 Q Based on tuition paid, how many times per year can the Lifetime Learning Credit be used?

A Once per year (not per student)

300 Q Which tax incentive allows an income tax deduction of $4,000 for tuition and expenses?

A Limited Deduction for Tuition Expenses

400 Q When deducting student loan interest, who gets to take the deduction?

A The person obligated on the loan, which may not be the person who actually makes the payments

500 Q Which military funding option can be transferred to military dependents?

A Post-9/11 GI Bill

EDUCATION SOUP

100 Q What percentage of parental assets is deemed available for children's education expenses?

A 5.5 percent

200 Q What type of additional qualified educational expenses are allowed by Coverdell ESAs and not allowed by 529 plans?

A Elementary and secondary education expenses (529 plans are for college education only.)

300 Q Which expenses are not covered under the interest-free option on U.S. savings bonds?

A Room and board

400 Q True or false: Money in a UGMA or UTMA is transferable to another beneficiary.

A False

500 Q Can prepaid college tuition be used in a state other than the one in which the plan was purchased?

A Yes. (When going outside the plan's state, the benefits may be greatly reduced.)

Final Jackpot

Q In which military program may enlisted service members be eligible for full or partial repayment of postsecondary education loans up to $65,000?

A College Loan Repayment Program (CLRP)

NOTES:

DO YOU NEED MONEY FOR COLLEGE? Federal Student Aid at a Glance 2015–16

WHAT is federal student aid?

Federal student aid comes from the federal government—specifically, the U.S. Department of Education. It's money that helps a student pay for higher education expenses (i.e., college, career school, or graduate school expenses).

Federal student aid covers such expenses as tuition and fees, room and board, books and supplies, and transportation. Aid also can help pay for a computer and for dependent care.

There are three main categories of federal student aid: grants, work-study, and loans. Check with your school's financial aid office to find out which programs the school participates in. Details about the federal student aid programs are on page 2 of this document.

WHO gets federal student aid?

Our most basic eligibility requirements are that you must

- demonstrate financial need (for most programs—to learn more, visit **StudentAid.gov/how-calculated**);
- be a U.S. citizen or an eligible noncitizen;
- have a valid Social Security number;
- register (if you haven't already) with Selective Service, if you're a male between the ages of 18 and 25;
- show you're qualified to obtain a college or career school education by
  - having a high school diploma or an equivalent such as a General Educational Development (GED) certificate or
  - completing a high school education in a home-school setting approved under state law; and
- maintain satisfactory academic progress in college or career school.

Find more details about eligibility criteria at **StudentAid.gov/eligibility**.

HOW do you apply for federal student aid?

1. Complete the *Free Application for Federal Student Aid* (FAFSA®) at www.fafsa.gov.

If you need a paper FAFSA, you can get one from

- our website at **www.fafsa.gov**, where you can download a PDF, or
- our ED Pubs distribution center at **www.edpubs.gov** or toll-free at 1-877-433-7827.

For the 2015–16 award year, the FAFSA is available from Jan. 1, 2015, to June 30, 2016. But you need to apply as soon as you can! Schools and states often use FAFSA information to award nonfederal aid. Their deadlines are usually early in the year. You can find state deadlines at **www.fafsa.gov** or on the paper FAFSA. Check with the schools you're interested in for their deadlines.

2. Review your *Student Aid Report*. After you apply, you'll receive a *Student Aid Report*, or SAR. Your SAR contains the information reported on your FAFSA and usually includes your Expected Family Contribution (EFC). The EFC is an index number used to determine your eligibility for federal student aid. Review your SAR information and make any corrections or changes, if necessary. The school(s) you list on your FAFSA will get your SAR data electronically.

3. Contact the school(s) you might attend. Make sure the financial aid office at each school you're interested in has all the information needed to determine your eligibility. If you're eligible, each school's financial aid office will send you an aid offer showing the amount and types of aid (from all sources) the school will offer you. You can compare aid offers from the schools to which you applied and see which school is the most affordable once financial aid is taken into account.

Federal **Student Aid**

An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of the AMERICAN MIND®

HAVE QUESTIONS?

Contact or visit the following:

- StudentAid.gov
- a college financial aid office
- studentaid@ed.gov
- 1-800-4-FED-AID (1-800-433-3243) toll-free
- 1-800-730-8913 (toll-free TTY for the hearing impaired)

Federal Student Aid Programs 2015–16

Program	Type of Aid	Program Details	Annual Amount
Federal Pell Grant	Grant: does not have to be repaid	For undergraduates with exceptional financial need who have not earned bachelor's or professional degrees; in some cases, however, a student enrolled in a postbaccalaureate teacher certification program might receive a Federal Pell Grant. A student can receive a Federal Pell Grant for no more than 12 semesters or the equivalent (roughly six years).	Up to $5,730 For details and updates, visit **StudentAid.gov/pell-grant**
Federal Supplemental Educational Opportunity Grant (FSEOG)	Grant: does not have to be repaid	For undergraduates with exceptional financial need; Federal Pell Grant recipients take priority; funds depend on availability at school.	Up to $4,000 For details and updates, visit **StudentAid.gov/fseog**
Teacher Education Assistance for College and Higher Education (TEACH) Grant	Grant: does not have to be repaid unless student fails to carry out service obligation, in which case student must repay TEACH Grant as Direct Unsubsidized Loan with interest accrued (accumulated) from date grant was disbursed (paid out to student)	For undergraduate, postbaccalaureate, and graduate students who plan to become teachers; recipient must sign Agreement to Serve saying he or she will teach full-time in a high-need field for four complete academic years (within eight years of completing the academic program) at an elementary school, secondary school, or educational service agency serving children from low-income families.	Up to $4,000 For details and updates, visit **StudentAid.gov/teach**
Iraq and Afghanistan Service Grant	Grant: does not have to be repaid	For students who are not Pell-eligible due only to having less financial need than is required to receive Pell funds; whose parent or guardian died as a result of military service in Iraq or Afghanistan after the events of 9/11; and who, at the time of the parent's or guardian's death, were less than 24 years old or were enrolled at least part-time at an institution of higher education. A student can receive an Iraq and Afghanistan Service Grant for no more than 12 semesters or the equivalent (roughly six years).	Up to $5,311.71 For grants first disbursed on or after Oct. 1, 2014, and before Oct. 1, 2015 For details and updates, visit **StudentAid.gov/Iraq-Afghanistan**
Federal Work-Study	Money earned while attending school; does not have to be repaid	For undergraduate and graduate students; jobs can be on campus or off campus; students are paid at least federal minimum wage; funds depend on availability at school.	No annual minimum or maximum amounts For details and updates, visit **StudentAid.gov/workstudy**
Federal Perkins Loan	Loan: must be repaid with interest	For undergraduate and graduate students with exceptional financial need; must be repaid to school that made the loan; 5% interest rate.	Undergraduate students: up to $5,500; graduate and professional students: up to $8,000 For details and updates, visit **StudentAid.gov/perkins**
Direct Subsidized Loan	Loan: must be repaid with interest	For undergraduate students who have financial need; U.S. Department of Education pays interest while borrower is in school and during grace and deferment periods; student must be at least half-time; 4.66% interest rate for loans first disbursed on or after July 1, 2014, and before July 1, 2015; visit **StudentAid.gov/interest** for latest information on interest rates. First-time borrowers may not receive this type of loan for more than 150% of the length of their program of study; U.S. Department of Education may stop paying interest if student who received loans for maximum period continues enrollment.	Up to $5,500 depending on grade level For details and updates, visit **StudentAid.gov/sub-unsub**
Direct Unsubsidized Loan	Loan: must be repaid with interest	For undergraduate and graduate students; borrower is responsible for all interest; student must be at least half-time; financial need is not required; 4.66% (undergraduate) and 6.21% (graduate or professional) interest rates for loans first disbursed on or after July 1, 2014, and before July 1, 2015; visit **StudentAid.gov/interest** for latest information on interest rates.	Up to $20,500 (less any subsidized amounts received for same period), depending on grade level and dependency status For details and updates, visit **StudentAid.gov/sub-unsub**
Direct PLUS Loan	Loan: must be repaid with interest	For parents of dependent undergraduate students and for graduate or professional students; borrower is responsible for all interest; student must be enrolled at least half-time; financial need is not required; 7.21% interest rate for loans first disbursed on or after July 1, 2014, and before July 1, 2015.	Maximum amount is cost of attendance minus any other financial aid student receives For details and updates, visit **StudentAid.gov/plus**

Note: The information in this document was compiled in summer 2014. For updates or additional information, visit **StudentAid.gov**.

Printed: October 2014

LOOKING FOR MORE SOURCES OF FREE MONEY?

Try **StudentAid.gov/scholarships** for tips on where to look and for a link to a free online scholarship search.

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION
PROUD SPONSOR of the AMERICAN MIND®

Financial Aid Term Match

Fill in the blank with the letter of the correct definition for the term.

Terms:

1. Loan: _____
2. Grant: _____
3. Scholarship: _____
4. Work-study program: _____
5. Pell Grant: _____
6. Stafford Loan: _____
7. PLUS loan: _____
8. Consolidation loan: _____
9. Perkins Loan: _____
10. FAFSA: _____

Definitions:

A. The free application for federal student aid, which must be completed to receive any financial aid.

B. A financial award which includes a requirement to provide services to the school.

C. A monetary award that does not have to be repaid; usually provided by the school/government.

D. A loan which allows the borrower to combine many types of educational debt into one repayment plan, with the interest remaining fixed over the life of the loan.

E. Money borrowed which must be repaid with interest.

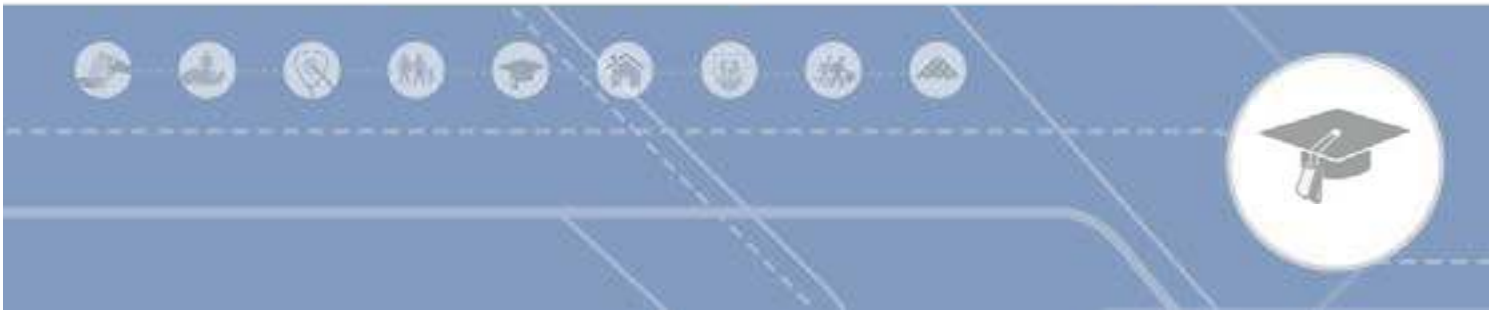
F. A low-interest loan for undergraduates and graduate students with exceptional need (as determined by the school), with a maximum value of $27,000 for undergrads and $60,000 for graduate study.

G. A need-based grant for students attending at least half time with a maximum award of $5,730 per year.

H. Financial assistance that does not need to be repaid; often privately funded.

I. A low-interest loan for parents to pay for education for children enrolled at least half time with a yearly limit based on college cost and other aid received.

J. A low-interest loan for students attending at least half time where loan amounts depend on dependency status and year in school.



WHAT IS TRANSFERABILITY?

The Post-9/11 GI Bill allows service members (officer or enlisted, active duty or Selected Reserve), to transfer unused education benefits to immediate family members (spouse and children). The service member must have at least six years of service, and commit to an additional four years of service in order to transfer benefits to a spouse or child. Because of the potential impact of this benefit on recruiting and retention, transferability policy is determined by the Department of Defense.

The DoD ***Fact Sheet on Post9/11 GI Bill Transferability***, dated April 28, 2009, can be found here. For the latest information on policy and rules for transferability of Post-9/11 GI Bill benefits, visit the DoD website at **http://www.defenselink.mil/home/features/2009/0409_gibill/**.

ELIGIBLE INDIVIDUALS

Any member of the Armed Forces (active duty or Selected Reserve, officer or enlisted) on or after August 1, 2009, who is eligible for the Post-9/11 GI Bill, and:

- Has at least six years of service in the armed forces (active duty and/or Selected Reserve) on the date of approval and agrees to serve four additional years in the armed forces from the date of election.
- Has at least 10 years of service in the armed forces (active duty and/or Selected Reserve) on the date of approval, is precluded by either standard policy (by Service Branch or DoD) or statute from committing to four additional years, and agrees to serve for the maximum amount of time allowed by such policy or statute.
- Is or becomes retirement-eligible and agrees to serve an additional four years of service on or after Aug. 1, 2012. A Servicemember is considered to be retirement-eligible if he or she has completed 20 years of active federal service or 20 qualifying years as computed (pursuant to section 12732 of title 10 U.S.C.).
- Transfer requests must be submitted and approved while the member is on active duty only

Disabilities determined by VA to be related to your military service can lead to monthly non-taxable compensation, enrollment in the VA health care system, a 10-point hiring preference for federal employment and other important benefits. Ask your VA representative or Veterans Service Organization representative about Disability Compensation, Pension, Health Care, Caregiver Program, Career Services, Educational Assistance, Home Loan Guaranty, Insurance and/or Dependents and Survivors' Benefits.

U.S. Department of Veterans Affairs

ELIGIBLE FAMILY MEMBERS

An individual approved to transfer an entitlement to educational assistance under this section may transfer the individual's entitlement to:

- The individual's spouse.
- One or more of the individual's children.
- Any combination of spouse and child.

- A family member must be enrolled in the Defense Eligibility Enrollment Reporting System (DEERS) and be eligible for benefits, at the time of transfer to receive transferred educational benefits.
- A child's subsequent marriage will not affect his or her eligibility to receive the educational benefit; however, after an individual has designated a child as a transferee under this section, the individual retains the right to revoke or modify the transfer at any time.
- A subsequent divorce will not affect the transferee's eligibility to receive educational benefits; however, after an individual has designated a spouse as a transferee under this section, the eligible individual retains the right to revoke or modify the transfer at any time.

NATURE OF TRANSFER

An eligible Service member may transfer up to the total months of unused Post-9/11 GI Bill benefits, or the entire 36 months if the member has used none.

Family member use of transferred educational benefits is subject to the following:

• Spouse:

- May start to use the benefit immediately.
- May use the benefit while the member remains in the Armed Forces or after separation from active duty.
- Is not eligible for the monthly stipend or books and supplies stipend while the member is serving on active duty.
- Can use the benefit for up to 15 years after the service member's last separation from active duty.

• Child:

- May start to use the benefit only after the individual making the transfer has completed at least 10 years of service in the Armed Forces.
- May use the benefit while the eligible individual remains in the Armed Forces or after separation from active duty.
- May not use the benefit until he/she has attained a secondary school diploma (or equivalency certificate), or reached 18 years of age.

- Is entitled to the monthly stipend and books and supplies stipend even though the eligible individual is on active duty.
- Is not subject to the 15-year delimiting date, but may not use the benefit after reaching 26 years of age.

For More Information, Call Toll-Free 1-888-GIBILL-1 or Visit Our Web Site at http://benefits.va.gov/gibill

The Post- 9/11 GI Bill is an education benefit program for individuals who served on active duty after September 10, 2001.

Am I Eligible?

You may be eligible if you served at least 90 aggregate days on active duty* after September 10, 2001, or were honorably discharged from active duty for a service-connected disability after serving 30 continuous days following September 10, 2001.

Note: *Children of a member of the Armed Forces who died in the line of duty on or after September 11, 2001, may be eligible for Post-9/11 GI Bill benefits under the Marine Gunnery John David Fry Scholarship Program.*

What will I receive?

You may receive a percentage of the following payments (see chart).

- A Tuition and Fee payment that is paid to your school on your behalf
- A Monthly Housing Allowance (MHA)** that is equal to:
  - the basic allowance for housing (BAH) payable for the zip code of your school to a military E-5 with dependents for students pursuing resident training
  - one-half the BAH national average for students training solely by distance learning
  - the national average BAH for students pursuing training at foreign schools

*includes active service as a National Guard member under title 32 U.S.C. for the purpose of organizing, administering, recruiting, instructing, or training and active service under section 502(f) of title 32 for the purpose of responding to a national emergency.

**The MHA is not payable to individuals on active duty or those enrolled at half time or less.

- A Books and Supplies Stipend of up to $1000 per year

Individuals serving an aggregate period of active duty after September 10, 2001, of:	Percentage of Maximum Benefit Payable
At least 36 months	100%
At least 30 continuous days and discharged due to service-connected disability	100%
At least 30 months < 36 months	90%
At least 24 months < 30 months	80%
At least 18 months < 24 months	70%
At least 12 months < 18 months	60%
At least 6 months < 12 months	50%
At least 90 days < 6 months	40%

How many months of assistance can I receive and how long am I eligible?

Generally, you may receive up to 36 months of entitlement under the Post-9/11 GI Bill. You will be eligible for benefits for 15 years from your last period of active duty of at least 90 consecutive days.

What kind of training can I take?

You can use the Post-9/11 GI Bill at colleges, universities, trade schools, and for on-the-job training, apprenticeships, and flight schools. To see what programs are currently approved for VA benefits, go to our website, http://www.benefits.va.gov/gibill/.

You can use the Post-9/11 GI Bill for tutorial assistance, licensing (attorney license, cosmetology license, etc.) and certification tests (SAT, LSAT, etc.)

Note*: If the program you are interested in isn't on our website, contact your State Approving Agency (list available on http://www.benefits.va.gov/gibill/) to see if it can be approved.*

Can I transfer my entitlement to my dependents?

You must be a member of the uniformed services to transfer your unused benefits to your spouse or dependent(s). Generally, you must agree to serve four more years when transferring benefits.

What is the Yellow Ribbon Program?

The Post-9/11 GI Bill can cover all in-state tuition and fees at public degree granting schools, but may not cover all private degree granting schools and out-of-state tuition. The Yellow Ribbon Program provides additional support in those situations.

Institutions voluntarily enter into an agreement with VA to fund uncovered charges. VA matches each dollar of unmet charges the institution agrees to contribute, up to the total cost of the tuition and fees.

Department of Veterans Affairs
Washington, DC

OFFICIAL BUSINESS
Penalty for Private Use $300

VA Pamphlet
Pamphlet 22-09-01
May 2012

Veterans Benefits
Administration
Washington, DC

Scan here for more information on the Post-9/11 GI Bill and other education benefits or visit http://www.benefits.va.gov/gibill/

Scan here to follow us on Facebook or go to www.facebook.com/gibillEducation for news and discussion on the Post-9/11 GI Bill.

Scan here to find participating Yellow Ribbon schools (also available at http://www.benefits.va.gov/gibill/yellow_ribbon.asp)

Department of Veterans Affairs

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Paying for College Internet Resources

The following websites provide a wealth of information to help you research college funding options:

The College Board (college and financial aid search engine): www.collegeboard.com

College Parents of America: www.collegeparents.org

College Savings Bank: www.collegesavings.com/csb

College Savings Plans Network: www.collegesavings.org

Consumer Financial Protection Bureau: www.consumerfinance.gov

FastWeb (scholarship search engine): www.fastweb.com

Federal Trade Commission (student loan information): www.consumer.ftc.gov/articles/0160-student-loans

Free Application for Federal Student Aid (FAFSA): www.fafsa.ed.gov

FINRA Investor Education Foundation: www.saveandinvest.org

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

Fleet Reserve Association: www.fra.org

Kiplinger's Personal Finance: www.kiplinger.com

Military.com (military community information and resources): www.military.com

Military.com scholarship finder: http://offers.military.com/v/scholarships/flow

Military Officers Association of America: www.moaa.org

Military OneSource: www.militaryonesource.mil

Naval Enlisted Reserve Association: www.nera.org

Naval Reserve Officer's Training Corps: www.nrotc.navy.mil

Navy College Program: https://www.navycollege.navy.mil

Navy Knowledge Online (CAC required for use): https://www.nko.navy.mil

Navy League Foundation scholarship program: http://navyleague.org/programs/scholarship.html

Navy-Marine Corps Relief Society education programs: www.nmcrs.org/pages/education-loans-and-scholarships

Navy Wives Clubs of America: www.navywivesclubsofamerica.org/scholarships

Sallie Mae: www.salliemae.com

Saving for College (college savings programs search site that tracks 529 plans): www.savingforcollege.com

The SmartStudent Guide to Financial Aid: www.finaid.org

U.S. Department of Education financial aid information: http://studentaid.ed.gov

U.S. Department of Education fraud hotline: http://www.ed.gov/misused

U.S. Department of Education resources and downloadable handouts: https://studentaid.ed.gov/sa/resources

U.S. savings bonds: www.savingsbonds.gov

Paying Off Your Student Loans

Print Course

Print Handouts

COURSE DESCRIPTION

Paying Off Your Student Loans is a 60-minute course intended to provide awareness of student loan debt management strategies so that learners can improve their current financial situations, avoid student loan delinquency and default and repay student loans as quickly and inexpensively as possible.

If possible, request learners bring any information on their current student loans to class. You should become familiar with student loan types and management options before teaching this course. Additional background information on specific student loan types and interest rates can be found in the *Paying for College* section within this curriculum. Additionally, it is recommended that you learn to navigate the different resource websites discussed in this course.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to understand the student loan management options available to them and take steps to apply repayment options to their loans.

Enabling:

- During the *Where Do You Stand?* activity, learners will list their current educational loan(s), estimate loan balances and determine the information necessary to evaluate repayment options.
- In the *Test Your Knowledge* activity, learners will correctly answer eight questions about student loan types and the features of each.
- In the *Management Options* activity, learners will summarize content material on managing student loan debt and present their summaries to the rest of the class.

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Useful Websites

Consumer Financial Protection Bureau: www.consumerfinance.gov

Federal Student Aid Ombudsman Group: https://fafsa.ed.gov/help.htm

National Consumer Law Center, Student Loan Borrower Assistance: www.student-loanborrowerassistance.org

National Student Loan Data System (NSLDS): https://www.nslds.ed.gov/nslds/nslds_SA/

U.S. Department of Education Federal Student Aid: http://studentaid.ed.gov

COURSE PREPARATION

Handouts:

- *Student Loan Resources*
- *Test Your Knowledge*
- *Where Do You Stand?*

Materials (vary depending on activities chosen):

- Pens, pencils
- Paper
- Calculators
- Internet connection (where available)
- *Paying Off Your Student Loans* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

Where Do You Stand?: A task-driven activity in which learners determine their overall student debt and service providers so that they can better evaluate educational debt management options.

Test Your Knowledge: A quiz activity for learners to identify student loan types, features and repayment aspects.

Management Options: A review activity in which learners summarize the content material and present it to the rest of the class.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Student Loan Troubles
    b. Agenda
2. Your Current Financial Situation (10 minutes)
    a. Determine Your Debt Balance
    b. Identify Loan Servicers
    c. Assemble Documentation
    d. Consider Options

   e. Stay Current with Loan Payments
   f. Make a Budget
   g. Learner Activity: *Where Do You Stand?*
3. Student Loan Programs (15 minutes)
   a. National Student Loan Data System (NSLDS)
   b. Federal Loans
   c. Private Loans
   d. Learner Activity: *Test Your Knowledge*
4. Student Loan Debt Management Programs (10 minutes)
   a. Learner Activity: *Management Options, Part 1*
   b. Time Extensions
   c. Payment Reductions
   d. Loan Forgiveness
   e. Service Member Only Options
5. Managing Private Lender Debt (15 minutes)
   a. Terms
   b. Options
   c. Documentation and Assistance
   d. Learner Activity: *Management Options, Part 2*
6. Summary and Conclusion (5 minutes)
   a. Sources of Help

CONTENT MATERIAL

SLIDE 1

SLIDE 2

WELCOME AND INTRODUCTION

Student loans provide the opportunity to get an education to many people who otherwise would not be able to afford the cost of college. However, student loan debt can cause financial hardship long after graduation.

STUDENT LOAN TROUBLES

In and out of the military, students and former students carry significant amounts of educational debt. According to the Consumer Financial Protection Bureau, the total amount of student loan debt crossed $1 trillion in 2013, surpassing credit card debt and second only to the amount owed on home mortgages. In 2015, the average college graduate owed more than $25,000 to public and/or private lenders. And student loan debt must be repaid regardless of whether the student

completes a degree or program. Current studies indicate that student loan payments could take up to 60 percent of a borrower's monthly income and that 17 percent of borrowers are behind in their loan payments.

SLIDE 3

There are a number of ways student borrowers get into financial trouble with their student loans.

Overborrowing: Especially when accepted from high-interest private sources, Overborrowing is one of the most common issues people face with student loan debt. Borrowers are often surprised by how deep their debt is at the end of two, three or four years because they have been focused on their finances one semester at a time. And, as many people later discover, it is easy to spend a lot of money on a credential that does not have much market value.

Discontinuance: Not everyone who starts a program of study finishes it. Many students stop taking classes, drop out or flunk out. They are no better off than they were when they started, only now they have student loans to pay on top of other expenses.

Life circumstances: Finally, life throws curve balls. Career fields go through cycles of boom and bust. Career fields get saturated with new graduates. And issues can occur within a family, such as accidents, relocations or even unplanned pregnancies.

Even with proper planning, many things can make student debt harder to pay on a standard repayment plan.

Agenda

SLIDE 4

Fortunately, there are programs in place to help student borrowers. Your job is to navigate the best course to effective student debt management. This course will help you to assess your current financial situation and student loan debt, provide information on student loan programs and outline different student debt management programs and strategies.

YOUR CURRENT FINANCIAL SITUATION

SLIDE 5

For those who carry it, managing student loan debt can be challenging – especially on a junior service member's salary. Service members who fall behind on their debt or do not properly manage their educational indebtedness could experience career-disrupting consequences, such as letters of indebtedness (LOIs), lost security clearances or even administrative separation.

The goal of this course is to help you assess your personal student debt circumstances and choose repayment options that will help you to maintain financial readiness and meet your future financial goals.

Determine Your Debt Balance

The first step to managing your student loan debt is to understand where you stand with your debt. Student borrowers typically draw loans from multiple sources. With military moves, address changes, variable due dates and the passage of time, it is easy to lose track of one or more outstanding loans. It is important to know how much you owe, and to whom, so that you can stay on top of repayment.

Identify Loan Servicers

Most students will have been issued multiple loans, each potentially assigned to a different servicer. A loan servicer collects payments from borrowers. Any or all of colleges or schools attended, banks and other lenders, or private companies specializing in loan management and operating under contract can be student loan servicers. You should make sure that you know, and have contact information for, your loan servicers.

Assemble Documentation

If you have several loans, payments can become overwhelming. If you want to change repayment options because of financial hardship, you will have to be able to document the hardship. You will have to show that your situation is not likely to change in the short term. Tax returns, medical evaluations and other documents may be required to prove financial hardship.

Consider Options

Trainer's note: Distribute the *Student Loan Resources* handout.

Most repayment options are specific to one or more loan programs and cannot be used with others. There are more than 20 different federal student loan programs under repayment at the present time, though most service members and family members will have been funded by just a few of them. The *Student Loan Resources* handout provides information on repayment and management options. It is important to remember that for requests for payment relief, you have to start with the loan servicer. If you have multiple instances of the same loan type, each assigned to a different servicer, you must make the same request to each one.

Stay Current with Loan Payments

The standard repayment schedule for student loans is 120 equal monthly payments, or 10 years. The interest rate on federal loans is fixed at the time a loan is signed and does not change during the life of the loan. Some private loans have adjustable rates. You should not reduce or change payments until you are directed to do so by loan servicers. Delinquency and/or default on student loans can have severe negative consequences for future credit, housing options and employability.

Make a Budget

Knowing your current situation includes accounting for more than just your student loan debt. To ensure that you understand your overall financial status, you should make a budget or spending plan. This will help you to see how your student loan payments and debt fit into your current financial spending. Additionally, a budget can help you to establish and meet financial goals. For additional information on budgeting, you may wish to attend a *Developing Your Spending Plan* class at your local Fleet and Family Support Center (FFSC). You can also talk with your Command Financial Specialist (CFS) or with an FFSC financial counselor for budgeting assistance.

LEARNER ACTIVITY: *Where Do You Stand?*

Time: 10 minutes

Materials: *Where Do You Stand?* handouts

Procedure: Distribute the *Where Do You Stand?* handouts. Tell learners that this handout is a worksheet to help them determine their overall student debt and service providers so that they can better evaluate educational debt management options. Instruct learners to fill out as much information as possible concerning their student loan(s), balance(s), type(s) and current monthly income. Give learners a few minutes to complete this worksheet.

Ask if any learners feel that all the information they listed is 100 percent accurate. Encourage all learners to use the information they listed on the handout as a starting point to clarify their student loan debt information. Explain that they can use this handout to take notes on information and options to manage their current debt.

STUDENT LOAN PROGRAMS

National Student Loan Data System

Trainer's note: If an Internet connection is available, navigate to the National Student Loan Data System (NSLDS) website (https://www.nslds.ed.gov/nslds/nslds_SA/) and walk learners through the pages and features. You may also want to explain to learners that they should start with the NSLDS to complete the worksheet from the previous activity, if they did not have complete information.

SLIDE 6

For most borrowers, the place to get information about their loans is the National Student Loan Data System (NSLDS). Most borrowers will have logged in to NSLDS to complete receipt of their loans. If the NSLDS is unfamiliar to you, your loans may be private; NSLDS only records federally funded student loans.

NSLDS records transactions in federal loan programs and references 21 different loan varieties. The NSLDS can help you find the name and contact information for each loan servicer by clicking on the number next to each loan to open a detail page. The status history of each loan will be part of this detail page. Any deferment, forbearance, delinquency or default will be noted in the loan detail page.

Even with NSLDS data, you may find that loan servicers disagree about balances or when payments were made. You should first attempt to resolve any discrepancies by working with the loan servicer, but should that prove impossible, you can contact the Federal Student Aid (FSA) ombudsman. The FSA ombudsman's contact information is included on the *Student Loan Resources* handout.

Federal Loans

Federal student loans fall into two categories: Direct Loans and Perkins Loans. Since 2010, these low-interest loans are funded through the federal Direct Loan Program (DLP).

Direct Loans

SLIDE 7

The majority of loans made since 2010 have been Direct Loans. "Direct" means that the federal funding comes to the financial aid office of the school or college rather than being funneled through a commercial bank. Direct Loan programs include Direct Subsidized Loans, Direct Unsubsidized Loans, PLUS Loans (for parents of undergraduates and graduate/professional students) and Direct Consolidation Loans. Direct Loans differ in purpose, in interest rate and how interest is

managed, and in options available for modifying their repayment plans. Note that you may hear Direct Subsidized Loans and Direct Unsubsidized Loans referred to as "Stafford Loans" or "Direct Stafford Loans."

Direct Subsidized Loans: These loans are need-based. The amount made available depends on household income as reported on the Free Application for Federal Student Aid, or FAFSA. "Subsidized" means that the government pays interest on the loan while the student attends college or has payments deferred. Direct subsidized loans have the lowest interest rate.

Direct Unsubsidized Loans: These loans are not need-based and accrue interest from the day they are signed. The interest on unsubsidized loans is added to the loan at the end of a student's course of study (or other deferment). It becomes part of the principal that has to be paid. Some variations of non-need-based loans (such as Direct PLUS Loans) may be based on student or parent credit ratings and have slightly higher interest rates. Direct Unsubsidized Loans can be used for on- or off-campus living expenses as well as for tuition, books and meal plans. There is a mandated limit on how much students may borrow each year and overall.

SLIDE 8

Perkins Loans

Perkins Loans (once referred to as "National Defense Student Loans" or "National Direct Student Loans") are small, need-based loans for students with exceptional need. The money comes from the U.S. Department of Education but is serviced by the school or college that offers the loan. The school, college or university with money to lend establishes the guidelines for need and services the loan. Perkins Loans have all the advantages of Direct Loans, including subsidized interest when deferred.

SLIDE 9

Federal Family Education Loans

From 1998 until 2010, Federal Family Education Loans (FFEL) (also known as indirect loans) were issued by commercial banks and guaranteed by the federal government. Because these loans belong to banks and not the government, some debt management programs are not available to borrowers who may have taken their loans before 2010. FFEL may sometimes be consolidated with other direct student loans, and the consolidated loan may qualify for some alternative repayment plans.

Private Loans

Trainer's note: If time allows, go to the Consumer Financial Protection Bureau (CFPB) website at http://www.consumerfinance.gov/students/ and note the predatory practices described concerning private loans, including high interest, balloon payments and stiff penalties for late payments.

SLIDE 10

If you cannot find your loan in NSLDS, it is probably a private loan. Privately issued student loans – also called "alternative" student loans – are interest-generating instruments promoted by banks and other lenders. Private loans offer fewer consumer protections and fewer opportunities to reshape payment terms. Like the loans people take out for houses and cars, a student's credit score typically determines the terms of private loans and interest accrual begins immediately on disbursement. In addition, the loan's terms may include increases over time.

While private loans vary from lender to lender, they may be declared "in default" much sooner than federal loans, and the penalties required to "rehab" a defaulted loan can be much higher. In the past, private loans were sometimes presented to prospective students as "financial aid," and borrowers, not knowing any better, signed loans with high interest rates, large origination fees, balloon payments and other predatory practices.

Fortunately, guidelines based on reforms imposed by the Obama administration require more transparency about the cost of borrowed money. There are also limits on how many students can default on loans at a specific school before the institution is ineligible for federal funding. Because schools do not want to lose funding, many have pressured their go-to lenders to try to work things out when students have trouble repaying, which is good news for students.

LEARNER ACTIVITY: *Test Your Knowledge*

Time: 10 minutes

Materials: *Test Your Knowledge* handout

Procedure: Distribute the quiz to learners. Allow them a few minutes to answer the questions and then go over the answers to review the information on loan types and features.

1. From 1998 until 2010, these loans were issued by commercial banks and guaranteed by the federal government.
    a. Stafford Loans
    b. Perkins Loans
    c. Federal Family Education Loans
    d. Private loans
2. _____ are small, need-based loans for students with exceptional need.
    a. PLUS loans
    b. Direct Consolidation Loans
    c. Stafford Loans
    d. Perkins Loans
3. Which Direct Loans are not need-based and accrue interest from the day they are signed?
    a. PLUS loans
    b. Direct Unsubsidized Loans
    c. Direct Subsidized Loans
    d. Direct Consolidation Loans
4. Private loans offer fewer consumer protections and fewer opportunities to reshape payment terms.
    a. True
    b. False
5. Direct Unsubsidized Loans can be used for on- or off-campus living expenses, as well as for tuition, books and meal plans.
    a. True
    b. False
6. The majority of loans made since 2006 have been this type of loan.
    a. Perkins Loans
    b. Direct Loans
    c. Private loans
    d. Alternative loans

7. Unlike Direct Loans, Perkins Loans do not offer subsidized interest when deferred.
    a. True
    b. False
8. These loans are need-based, and the amount made available depends on household income.
    a. Private loans
    b. Direct Unsubsidized Loans
    c. Direct Subsidized Loans
    d. Alternative loans

Answer Key

1. c) Federal Family Education Loans
2. d) Perkins Loans
3. b) Direct Unsubsidized Loans
4. a) True
5. a) True
6. c) Direct Loans
7. b) False
8. c) Direct Subsidized Loans

STUDENT LOAN DEBT MANAGEMENT PROGRAMS

Trainer's note: Tell learners that they can determine payments under different repayment plans using the comparison calculator at http://studentaid.ed.gov/repay-loans/understand/plans/standard/comparison-calculator. This calculator is also listed on the *Student Loan Resources* handout.

SLIDE 11

In an ideal world, student loans are an investment in a better future – a step on the way up in the world, rather than a source of anxiety and financial distress that weighs students down for a decade or more. In this section, we will discuss programs that allow student borrowers with federal loans to lower their current loan payments. These programs fall into two broad categories: time extensions and payment reductions. Additionally, we will cover programs that allow part or all of a student's debt to be forgiven or written off.

LEARNER ACTIVITY: *Management Options, Part 1*

Time: 2 minutes

Materials: Paper, pens, pencils

Procedure: Divide learners into pairs or groups. Distribute paper to each group. Assign each pair or group one of the following topics: time extensions, payment reductions, loan forgiveness, service member only option or private loan management.

Instruct each pair or group to take detailed notes on their assigned topic. Explain that they will be providing a summary of that management option at the end of the course. Time and class size may not allow for all topics to be covered, so you may wish to assign the topics with the most relevance for your audience.

SLIDE 12

Time Extensions

Time extensions allow a borrower to start making payments later, to make payments over a longer period of time or to graduate payments so that smaller payments made at the start of repayment are offset by higher payments later. Time extensions include deferment, forbearance, graduated payments and extended payments.

Deferment

Under certain conditions, payment on the principal of student loans may be suspended for a period of time. Loans may deferred for up to three years while borrowers continue their education, serve on active duty or deal with a financial hardship. The loan servicer determines documentation requirements. Private loans may also have deferment options.

Note that deferment is not usually the best option for service members because they probably qualify for income-driven repayment and loan forgiveness programs.

Forbearance

Forbearance, or the suspension of payments, may be granted to borrowers who do not qualify for deferment or have exhausted deferment options. Some private lenders may have forbearance options, as well.

There are two types of forbearance: discretionary forbearance and mandatory forbearance. Discretionary forbearance is applied on a case-by-case basis to

situations involving illness or financial hardship. Mandatory forbearance means that the servicer must grant forbearance if the borrower requests it. National Guard troops in full-time state service qualify for forbearance but not deferment.

Graduated Repayment

Graduated repayment structures a student loan so that the borrower pays less in its early years and more later on, when the borrower is presumably better-established financially. The term of a graduated repayment plan is 10 years, or 120 months, the same as a standard repayment plan. Because the principal does not decrease as quickly, the total cost of borrowing at the end of 10 years will be higher.

Extended Payment

An extended payment plan can reduce payments by spreading them over a period of up to 25 years. Most federal loans qualify for extended repayment. However, the borrower must owe more than $30,000 to be considered. Extended repayment plans can also be graduated. Payments will be lower with an extended payment plan, but the total cost of borrowing (the principal plus the interest paid) will be much higher.

Payment Reductions

Income-driven payment options differ by the loan program or programs to which they apply, the conditions borrowers must meet and the length of the payment schedule. They also have procedural and benefit differences.

Pay as You Earn

Trainer's note: Additional information about income-driven repayment plans can be found at: https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven#eligible-loans.

SLIDE 13

The main difference between income-driven payment options is the loan program or programs to which the various options apply. There are procedural and benefit differences, as well; you first need to clarify which loans you have to determine which alternative payment option(s) are available.

Income-based repayment (IBR): This repayment program may be used with any loans (except parent and private loans) contracted under FFEL or offered under the Direct Loan Program. IBR calculates payments using a unique formula. If the

borrower's payments fall short of meeting even the interest payments on the loan – and they may – the interest as well as principal are forgiven at the end of the loan period. Payments may continue for up to 25 years. IBR payments may be up to 15 percent of discretionary income (i.e., the difference between adjusted gross income [AGI] and 1.5 times the poverty guideline established for the borrower's state and family size).

Pay As You Earn (PAYE): This repayment plan may be used with either Direct or FFEL loans, though FFEL loans may have to be consolidated first. PAYE sets the borrower's payments using a formula based on discretionary income. For purposes of PAYE, discretionary income is the difference between adjusted gross income (AGI) and 1.5 times the poverty guideline established for the borrower's state and family size. A borrower's maximum payment would be 10 percent of discretionary income. If the amount required under a standard repayment plan is higher than that, the borrower might qualify for PAYE.

Under PAYE, the borrower has to recertify eligibility annually. Payments may last as long as 20 years. Any principal left outstanding at the end of 20 years is forgiven, that is, written off. Amounts forgiven may be considered income and taxed accordingly.

Income-contingent repayment (ICR): This applies only to Direct Loans, FFEL loans, and some loans made to parents, though consolidation may be required. Borrowers do not have to prove financial hardship to qualify; ICR is a voluntary option that takes income and family size into account when setting the repayment schedule. Borrowers must report their financial condition annually to the loan servicer. Payments may continue for up to 25 years; any remaining principal may be forgiven at that point, although the borrower must eventually pay all accrued interest, even if he or she makes payments that fall short of current and capitalized interest. ICR payments may be up to 20 percent of discretionary income.

SLIDE 14

Consolidation Loans

Direct Consolidation Loans may be available to combine student loans into a single payment under one servicer. The effective interest rate is usually a little higher than what you may have been paying, and the term of the loan may be extended – up to 30 years – which means that the cost of the borrowed money will be higher in the end. You can consolidate loans only once.

In some cases, FFEL and Direct Loans can be consolidated into a single loan. However, to be part of an income-based repayment (IBR) plan, the consolidation loan cannot include any loans made to parents. You should be aware of all your options and of the consequences of the options you select.

For more information, contact Direct Loan Consolidation at 1-800-557-7392 (TTY 1-800-557-7395), or go to www.loanconsolidation.ed.gov.

SLIDE 15

Loan Forgiveness

The Public Service Loan Forgiveness Program (PSLF) may help service members intending to make the military a career and/or to transition into jobs in the public or nonprofit sectors. Under PSLF, borrowers who make 120 consecutive on-time (presumably reduced-rate) loan payments while working in public service can have the remainder of their student loans forgiven. The forgiven portion may count as income and may be taxed.

There may be work documentation required for PSLF. Borrowers should check with their loan servicers for specific information.

SLIDE 16

Service Member Only Options

Servicemembers Civil Relief Act

Among other provisions, the Servicemembers Civil Relief Act (SCRA) caps at 6 percent the interest rate on all debts contracted before coming on active duty. This includes student loans – federal and private – as well as consumer loans and credit cards. The SCRA also applies to National Guard and Reserve personnel, whether in state or federal service.

Service members can apply the provisions of SCRA retroactively. For example, if a service member came on active duty and made two years of payments on a high-interest loan before realizing they were entitled to a lower rate, the lender would still be legally obligated to adjust payments back to the first day of the member's orders.

College Loan Repayment Program

Under the College Loan Repayment Program (CLRP), enlisted service members may be eligible for full or partial repayment of postsecondary educational loans up to $65,000 based upon their rate and the specific terms and conditions listed on your original enlistment contract.

SLIDE 17

Managing Private Loan Debt

As noted earlier, terms for private student loans may be very different from those of federally financed loans. Private lenders are under no legal obligation to change the terms of a signed contract. If borrowers do not live up to their obligations, private lenders can charge high late fees, turn accounts over to high-pressure collectors, garnish wages and report transgressions to credit services. In some cases, loans more than 30 days in arrears are considered to be in default. However, borrowers should not assume that just because their loans are private, they are without any recourse.

Terms

Options for repayment with private lenders are usually more limited because they are governed by the terms of the contract established with the borrower. As a general rule, these loans usually have more restrictions and fewer relief options than federal loans. Private lenders, we noted earlier, can declare a loan in default for a single missed payment; you would have to miss nine payments to default on a federal loan. For some private lenders, debt can even be carried into the estate in the event the borrower's dies. Fear of being declared in default sometimes keeps distressed private borrowers from calling loan servicers, but one of the best things a borrower can do is to contact the loan servicer to discuss terms and options.

SLIDE 18

Options

There are several private loan repayment options, such as interest-only payments for a period of time, extended payment plans (that cost more over time but less per month) and interest rate reductions that can often be negotiated. Military student borrowers often forget that under the right conditions, the 6 percent interest cap under the SCRA may apply to their student loans. They may also be able to get a better deal on interest if their credit scores have improved since they accepted the loan.

Documentation and Assistance

Eligibility for alternate repayment arrangements may only be available for loans that are in good standing. If your loan has slipped into default, it can still be rehabilitated and a suitable repayment option worked out. In this case, however, you will need to work with the Department of Education's Student Loan Default Resolution Group. Their website information is included in the *Student Loan Resources* handout.

The Dodd-Frank Act established a CFPB private education loan ombudsman to assist private student loan borrowers. You may file a private student loan complaint using the CFPB online student loan complaint form. The contact information for this ombudsman is listed on the *Student Loan Resources* handout.

LEARNER ACTIVITY: *Management Options, Part 2*

Time: 10 minutes

Procedure: Give each pair or group no more than two minutes to summarize their management option. Once learners have summarized the points from their topic, fill in with any pertinent information. You can also ask the rest of the class to add any missing information.

SUMMARY AND CONCLUSION

This training has covered steps you can take to clarify your student debt standing, reviewed various types of loan programs, explored different debt relief options and, finally, touched on strategies for dealing with private lenders.

SLIDE 19

SOURCES OF HELP

Here are some resources for additional information on student loans and loan repayment:

Consumer Financial Protection Bureau: www.consumerfinance.gov

Federal Student Aid Ombudsman Group: https://studentaid.ed.gov/sa/repay-loans/disputes/prepare

National Consumer Law Center: www.studentloanborrowerassistance.org

National Student Loan Data System (NSLDS): https://www.nslds.ed.gov/nslds_SA/

U.S. Department of Education Federal Student Aid: http://studentaid.ed.gov

These resources are included on the *Student Loan Resources* handout. Remember that you can also speak with your CFS or FFSC financial counselor for information and assistance.

Student Loan Resources

STUDENT LOAN TYPES

Federal Loans: Federal student loans fall into two categories.

- **Direct Loans:** "Direct" means that the federal funding comes to the financial aid office of the school or college rather than being funneled through a commercial bank. Direct Loan programs include Direct Subsidized Loans, Direct Unsubsidized Loans, PLUS Loans and Direct Consolidation Loans. These loans may also be referred to as "Stafford Loans."
- **Perkins Loans:** Perkins Loans are small, need-based loans for students with exceptional need. The money for Perkins Loans comes from the Department of Education but is serviced by the school or college that offers the loan. The school, college or university with money to lend establishes the guidelines for need and services the loan.

Private Loans: Privately issued student loans – also called alternative student loans – are interest-generating instruments promoted by banks and other lenders. Private loans offer fewer consumer protections and fewer opportunities to reshape payment terms. Like the loans people take out for houses and cars, a student's credit score typically determines the terms of private loans, and interest accrual begins immediately on disbursement. Additionally, the terms of the loan may include increases over time.

MANAGEMENT OPTIONS

Deferment: Under certain conditions, payment on the principal of student loans may be suspended for a period of time. Loans may deferred for up to three years while borrowers continue their education, serve on active duty or deal with a financial hardship. The loan servicer determines the documentation requirements. Private loans may also have deferment options.

Forbearance: Forbearance, or the suspension of payments, may be granted to borrowers who do not qualify for deferment or who have exhausted deferment options. Some private lenders may have forbearance options, as well.

Graduated Repayment: Graduated repayment structures a student loan so that the borrower pays less in the loan's early years and more later on, when the borrower is presumably better-established financially. The term of a graduated repayment plan is 10 years, or 120 months, the same as a standard repayment plan. Because the principal does not decrease as quickly, the total cost of borrowing at the end of 10 years will be higher.

Extended Payment: An extended payment plan can reduce payments by spreading them over a period of up to 25 years. Most federal loans qualify for extended repayment. However, the borrower must owe more than $30,000 to be considered. Extended repayment plans can also be graduated. Payments will be lower with an extended payment plan, but the total cost of borrowing (principal + interest paid) will be much higher.

Payment Reductions: Income-related payment options differ by the loan program or programs to which they apply, the conditions borrowers must meet and the length of the payment schedule. They also have procedural and benefit differences. This includes the Pay As You Earn (PAYE) plan, which sets the borrower's payments using a formula based on discretionary income, and other income-driven repayment plans.

Consolidation Loans: Consolidation loans may be available to combine student loans into a single payment under one servicer. The effective interest rate is usually a little higher than what you may have been paying and the term of the loan may be extended – up to 30 years – which means that the cost of the borrowed money will be higher in the end. You can consolidate loans only once.

Loan Forgiveness: The Public Service Loan Forgiveness program (PSLF) may help service members who intend to make the military a career and/or to transition into jobs in the public or nonprofit sectors. Under PSLF, borrowers who make 120 consecutive on-time (presumably reduced-rate) loan payments while working in public service can have the remainder of their student loans forgiven. The forgiven portion may count as income and may be taxed. There may be work documentation required for PSLF. Borrowers should check with their loan servicers for specific information.

Servicemembers Civil Relief Act (SCRA): The SCRA caps at 6 percent the interest rate on all debts contracted before coming on active duty. This includes student loans – federal and private – as well as consumer loans and credit cards. The SCRA also applies to National Guard and Reserve personnel, whether in state or federal service.

College Loan Repayment Program (CLRP): Under the College Loan Repayment Program (CLRP), enlisted service members may be eligible for full or partial repayment of postsecondary educational loans up to $65,000 based upon their rate and the specific terms and conditions listed on the original enlistment contract.

USEFUL WEBSITES

- Consumer Financial Protection Bureau: www.consumerfinance.gov
- Federal Student Aid Ombudsman: https://studentaid.ed.gov/sa/repay-loans/disputes/prepare
- National Consumer Law Center: www.studentloanborrowerassistance.org
- National Student Loan Data System (NSLDS), https://www.nslds.ed.gov
- U.S. Department of Education Federal Student Aid: http://studentaid.ed.gov
- U.S. Department of Education Loan Default Resolution Group: https://www.myeddebt.com

OTHER RESOURCES

CFPB Private Education Loan Ombudsman:
Email: CFPBOmbudsman@cfpb.gov
Phone: 1-855-830-7880
TTY: 202-435-9835
Fax: 202-435-7888

Direct Loan Consolidation information:
1-800-557-7392
TTY: 1-800-557-7395
https://studentloans.gov.

Student Loan Repayment Estimator:
https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action

Test Your Knowledge

Choose the correct option for each question.

1. From 1998 until 2010, these loans were issued by commercial banks and guaranteed by the federal government.
    a. Stafford Loans
    b. Perkins Loans
    c. Federal Family Education Loans
    d. Private loans
2. _____ are small, need-based loans for students with exceptional need.
    a. PLUS loans
    b. Direct Consolidation loans
    c. Stafford Loans
    d. Perkins Loans
3. Which Direct Loans are not need-based and accrue interest from the day they are signed?
    a. PLUS loans
    b. Direct Unsubsidized Loans
    c. Direct Subsidized Loans
    d. Direct Consolidation Loans
4. Private loans offer fewer consumer protections and fewer opportunities to reshape payment terms.
    a. True
    b. False
5. Direct Unsubsidized Loans can be used for on- or off-campus living expenses, as well as for tuition, books and meal plans.
    a. True
    b. False
6. The majority of loans made since 2010 have been this type of loan.
    a. Perkins Loans
    b. Direct Loans
    c. Private loans
    d. Alternative loans
7. Unlike Direct Loans, Perkins Loans do not offer subsidized interest when deferred.
    a. True
    b. False
8. These loans are need-based and the amount made available depends on household income.
    a. Private loans
    b. Direct Unsubsidized Loans
    c. Direct Subsidized Loans
    d. Alternative loans

Where Do You Stand?

Fill out as much information as possible about your student loan(s). On the bottom row, calculate your balance and total monthly payment.

	Student Loan Type	Loan Servicer	Balance	Monthly Payment	Interest Rate
1					
2					
3					
4					
5					
6					
7					
8					
		Totals:			

Loan Types, Features and Options:

Use the space below to note information about your specific loan types, features and options as discussed in the course.

Planning for Your Retirement

Print Course

Print Handouts

COURSE DESCRIPTION

The average American will spend approximately 20 years in retirement, yet fewer than half of Americans know how much they need to save to fund their retirement. Planning for Your Retirement is a 60- to 70-minute course to help learners estimate retirement needs, understand military retirement plans and evaluate retirement account options.

This course is intended to provide a basic overview of how to plan for retirement. For additional information on saving and investing or the Thrift Savings Plan, refer learners to additional courses at the Fleet and Family Support Center (FFSC) or recommend that they schedule a meeting with their Command Financial Specialist (CFS) or FFSC financial counselor.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to estimate retirement funding needs and compare and evaluate different retirement account options.

Enabling:

- Given the *Ballpark Estimate* worksheet, learners will fill in their information to calculate their estimated retirement funding needs.
- In the *IRAs: What's the Difference?* activity, learners will correctly differentiate between three forms of individual retirement accounts – traditional, Roth and rollover.

REFERENCES

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"Social Security: Understanding the Benefits." *www.socialsecurity.gov*. Social Security Administration. Web. June 17, 2015. www.ssa.gov/pubs/EN-05-10024.pdf

Thrift Savings Plan. Federal Retirement Thrift Investment Board. Web. June 17, 2015. www.tsp.gov

USEFUL WEBSITES:

Choose to Save: www.choosetosave.org

Department of Defense (military pay and retirement information): http://militarypay.defense.gov/retirement/

Military OneSource: www.militaryonesource.com

Morningstar Mutual Fund and Financial Research: www.morningstar.com

Standard and Poor's: www.standardandpoors.com/home/en/us

Thrift Savings Plan: www.tsp.gov

CALCULATORS:

Investment Rate of Return Data: www.moneychimp.com/features/market_cagr.htm

Retirement Funds Calculator: http://americanfundsretirement.retire.americanfunds.com/tools/calculators/investing.htm

Social Security Benefits Estimator: www.ssa.gov/retire/estimator.html

Wharton School of Business Life Expectancy Calculator: http://gosset.wharton.upenn.edu/mortality/perl/CalcForm.html

COURSE PREPARATION

Handouts:

- *Compound Interest and Time: Rate of Return = 10 Percent*
- *Get a Ballpark Estimate for Your Retirement Needs* (NOTE: You can download the latest version at http://www.choosetosave.org/ballpark/
- *IRAs: What's the Difference?*
- *Military Retirement Pay Plans*
- *Planning for Your Retirement: Five Basic Steps to Take Command of Your Future*
- *The Thrift Savings Plan: Wealth-Building Made Easy*

Materials (vary depending on activities chosen):

- Markers, pens, pencils, paper
- Calculators
- Internet connection (where available)
- *Planning for Retirement* PowerPoint slides
- *Retirement Planning: Your Hole in One!* (optional)

SUMMARY OF LEARNER ACTIVITIES

- *The Ballpark Estimate*: A worksheet activity to provide learners an opportunity to calculate what they need to be saving for retirement.
- *IRAs: What's the Difference?*: A quiz activity, done individually or as a group, where learners compare and evaluate three types of individual retirement accounts.

- *Retirement Planning: Your Hole-in-One!*: An optional PowerPoint game used to review course content.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Agenda
    b. What Are You Planning For?
    c. The Five Basic Steps of Retirement Planning
2. Consider the Factors (5 minutes)
    a. Pre-retirement Income
    b. Retirement Date
    c. Life Expectancy
    d. Compound Interest and Time
3. Calculate Income Needed (20 minutes)
    a. Sources of Retirement Income
    b. Learner Activity: *The Ballpark Estimate*
4. Committing to the Goals (20 minutes)
    a. Committing Mentally
    b. Committing Financially
    c. Social Security
    d. Employer-Provided Pensions
    e. Military Retirement Plans
    f. Survivor Benefit Plan
    g. Thrift Savings Plan
    h. Personal Savings and Investments
    i. Learner Activity: *What's the Difference?*
5. Summary (10-20 minutes)
    a. Resources
    b. Re-evaluate and Revise
    c. Optional Learner Activity: *Retirement Planning: Your Hole-in-One! Review Game*

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

Although your final retirement may seem far away, the earlier you start planning for it, the easier it will be. In fact, the best time to begin planning for retirement is when you first start earning income. The sooner you start saving for retirement, the less money you have to put away, because time is on your side.

AGENDA

SLIDE 2

This course will provide an introduction to retirement planning, which includes estimating retirement needs, understanding your military retirement plan options and building personal savings and investments.

WHAT ARE YOU PLANNING FOR?

SLIDE 3

When you study someone who is a success (or failure) with money, it quickly becomes apparent that success is much less dependent on the amount of money they have and more on what they do with it. In other words, financial success is about behavior more than it is about money. Individuals or families that fail financially do not plan to fail, but they do fail to plan.

Years ago, people did not live as long after retiring from active employment. The retirement situation today is much different. Today's retirees can expect:

- an extended period of retirement, possibly 20 to 30 years, much of it in good health;
- to start retirement earlier and to live longer than their parents or grandparents; and
- to need extensive financial resources, often beyond what a pension and Social Security provide.

A standard guideline to estimate how much money is needed after retirement is to use 70 to 80 percent of pre-retirement income as a starting point. With longer lives, better health and earlier retirement, that figure could be as high as 100 percent.

THE FIVE BASIC STEPS OF RETIREMENT PLANNING

Trainer's note: Distribute the *Planning for Retirement: Five Basic Steps to Take Command of Your Future* handout. Instruct learners to use it as a guide and to take notes as you proceed through the course. Note that the websites mentioned during the presentation are included at the bottom of the handout.

SLIDE 4

The model on your handout, *Planning for Your Retirement: Five Basic Steps to Take Command of Your Future*, shows what it will take to ensure you meet your retirement goals. They are:

1. Consider the factors.
2. Calculate the income needed.
3. Commit the appropriate amount to the appropriate tools.
4. Re-evaluate.
5. Revise.

Today's course will cover each of these topics.

CONSIDER THE FACTORS

SLIDE 5

First, you should consider the factors that will influence your retirement planning decisions. These factors include your pre-retirement income, your anticipated retirement date, your life expectancy and the effects of compound interest and time.

Pre-retirement Income

When trying to determine how much income you want during retirement, the best place to start is with your annual pay just before you retire, called your pre-retirement income. A standard guideline used as an amount you will need during retirement is 70 to 80 percent of your pre-retirement income. Although this is a somewhat arbitrary number, the younger you are, the more difficult it is to get a good estimate of retirement needs, so the guideline gives a great place to start.

If you prefer, or if you are closer to retirement (within 10 to 15 years), you can get a more specific amount by considering your current expenses, estimating changes in expenses and income, accounting for inflation and estimating fluctuations in expenses during retirement (such as paying off a mortgage, etc.).

Retirement Date

The next step is to estimate a retirement date. When will you retire from earning income? In recent years, retirement has occurred somewhere between the ages of 62 to 66 for most Americans. However, you may not want to retire at all and plan to earn some level of income as long as you can. Perhaps you will want to retire earlier, which would mean saving more in your younger years. To begin planning, you need to pick a retirement date. It is OK if the date changes over time because the last two steps in retirement planning are to re-evaluate your plan and revise it as circumstances change.

Life Expectancy

After considering the date of retirement, take some time to consider how long you might live and how long your money needs to last. According to the Centers for Disease Control and Prevention, as of 2013 the average life expectancy for men is 76.4 years and for women it is 81.2 years. Our continuing commitment to good health and long life has prompted some financial planners to plan to 100 years of age for some clients. If that seems extreme, there are online calculators that estimate your life expectancy based on your physical health, family history and lifestyle.

Compound Interest and Time

Trainer's note: Distribute the *Compound Interest and Time: Rate of Return = 10%* handout. If learners question the 10 percent rate of return on the handout, you can explain that it is an average return over time including the effects of inflation. If you look at the historical data from the Standard and Poor's 500 index, the average annual compounded rate of return (including reinvestment of dividends) from January 1980 to December 2014 was 13.3 percent. Even including the Great Depression, the average annual compounded rate of return from 1926 to 2014 was 12.14 percent (source: www.moneychimp.com/features/market_cagr.htm). And for more recent data, the average rate of return from 2004 to 2014 was 9.61 percent.

SLIDE 6

Compound interest, simply defined, is when the money you invest makes more money. For example, if a 25-year-old invests $100 each month for 40 years (a total of $48,000) and that money grows at a compounded average rate of return of 10 percent per year and she never takes any money out of the account, at 65 she will have $632,507. That is a great deal of money for a $100-per-month investment.

Take a look at the *Compound Interest and Time: Rate of Return = 10%* handout. This table shows four different plans to grow your money. Looking at Plan A, you can see another example of the magic of compound interest and time: this time, a 21-year-old has invested $3,000 per year ($250 per month) for six years, a total out-of-pocket expense of $18,000. If that money is left to grow at a rate of 10 percent, the investor would have more than $1 million at age 65.

You can see the power of starting early and leaving your money alone to grow at a good rate of return. With discipline, sound investments and a long-term attitude, your money will grow!

CALCULATE INCOME NEEDED

Once you have determined when you want to retire and have considered all the relevant factors, you are ready to calculate the income you will need and how much you have to save each month (or year) to reach your goal.

Sources of Retirement Income

SLIDE 7

There are four sources of retirement income: Social Security, employer-provided pensions, your personal savings and investments and earned income if you choose or need to continue working. Retirement income rarely comes from all four sources equally. Let us look at an example.

Petty Officer Smith is an E-6 with 15 years of service. He entered the military at 18. He plans on retiring in five years at age 38 with 20 years of service. He hopes to make Chief (E-7) before he retires. He has made some estimates and determined he would like to have $70,000 a year when he retires for good at age 65. When he retires, he has decided to plan for a 25-year retirement (when he will reach age 90). Using today's dollars, he estimates that he will have the following annual retirement income:

- $25,000 from his military pension plan
- $24,000 from Social Security

That leaves a gap of $21,000 that will either need to come from personal savings and investments or be provided through continued employment. To plan successfully for retirement, Petty Officer Smith needs to determine how much he needs to save each month/year to fill that gap and what types of saving and investment vehicles he will use. And if he does not save enough, how long will he have to continue working to earn the income to live on?

Now that you understand the factors that go into calculating retirement income, it is time to work on estimating your own retirement needs.

LEARNER ACTIVITY: *The Ballpark Estimate*

Time: 15 minutes

Materials and preparation: If an Internet connection is available in the classroom, go to www.choosetosave.org and click on the "Ballpark Estimate" link. If the Internet is not available, refer learners to the *Ballpark Estimate for Your Retirement Needs* handout.

Procedure: Explain to learners that they are going to calculate an estimate of what they need to be saving for retirement so they can get started immediately. If they already are saving for retirement, this estimate will show them whether they are on track to meet their goals. If time allows, you can read through the opening information on the estimate; but if time is short, go to Step 1 and walk learners through the calculations.

Have learners complete Steps 1 through 6 of their handout. Remind them that the total amount in Step 6 is an annual amount and that if they want a monthly amount, they should divide it by 12. You can complete the steps as a group, or learners can do it individually while you circulate and provide help as needed.

Once calculations are done, congratulate learners for taking this important step in planning for their retirement. Ask them whether they found the information helpful. Ask whether they were surprised by the results and what they plan to do, if anything, with this information. Explain that it is an estimate and that as they get closer to retirement, they should be able to focus on more specific numbers. Suggest to the learners that they complete a ballpark estimate every few years or when they have significant life events, such as a new job, new children, divorce, death, etc. This will help them stay on track with their financial plan.

COMMITTING TO THE GOALS

SLIDE 8

Once you know how much you need to save and invest, you must commit to the goal, both mentally and financially. Remember, financial success is rarely about the amount of money you have, and it is always about your behavior. So commit now to the behavior that will put you in command of your retirement.

COMMITTING MENTALLY

You have seen examples of the power of compound interest and time, so you should understand the power of starting early. The earlier you begin to save and invest for a specific goal, the less you need to put away, because compound interest and time will do the rest. Be sure to pay yourself first. This means paying from the top of your paycheck, not the bottom: make savings a priority. The easiest way to do this is to set up an allotment or join the Thrift Savings Plan (TSP). This will establish a habit of regular, disciplined investments. Now you are behaving like a millionaire!

Finally, think long and hard about the consequences of inaction. When you wait to invest, it means that you have to dedicate a lot more money later in life to your plan. If you choose to do nothing, be assured that, statistically, things will not take care of themselves.

Committing Financially

Committing financially means choosing the appropriate retirement tool and beginning to save and invest immediately. As mentioned earlier, there are four sources of retirement income:

- Earned income during retirement
- Social Security
- Employer-provided pensions
- Personal savings and investments

Earned income during retirement is the money you receive when you continue to work and draw a paycheck. Hopefully, by the time you decide to retire you will have accumulated enough savings that it will not be necessary to work after retirement unless you choose to. So, for this course, let us focus on Social Security, pensions and saving and investments.

Social Security

SLIDE 9

Social Security was established in 1935 as an effort to provide pensions for retired Americans suffering from the effects of the Great Depression. However, Social Security was never meant to provide the only source of retirement income. According to the Social Security Administration, Social Security replaces approximately 40 percent of the average wage earner's income after retirement. Each month you pay Social Security taxes based on your income up to a maximum amount. In 2015, that amount is $118,500.

Social Security remains an important part of retirement planning for most Americans. The age for receiving full benefits is 67 for anyone born in 1960 or later. At least some Social Security benefits will be taxable for most military retirees. You may start receiving benefits as early as age 62, but if you retire at that age, you will receive reduced benefits. You can also delay retirement benefits until 70 and receive increased benefits.

You should obtain a copy of your personal Social Security benefits statement as part of retirement planning. You can get a rough estimate of your future benefits from the Social Security Administration website, as well as general information about Social Security. This estimate will help you calculate what portion of your retirement income will come from Social Security and how much you will need to fund through other options.

The Social Security Administration mails statements automatically to workers starting at age 25. If you are not currently receiving Social Security income, you will receive statements every five years. Statements are mailed approximately three months prior to your birthday. After age 60, you will receive annual benefit statements. You may also request a benefits statement by phone or by visiting www.ssa.gov/retire.

Employer-Provided Pensions

SLIDE 10

There are two general categories of employer-provided pensions: defined-benefit plans and defined-contribution plans.

Defined-Benefit Plan

A defined-benefit plan is the traditional employer pension plan. It is called a defined benefit because the ultimate retirement benefit is definite and determinable as a dollar amount or as a percentage of wages. Defined-benefit plans usually base the benefit calculation on a combination of years of employment, wages earned and/or age at retirement. These plans are funded entirely by the employer, and the responsibility for the payment of the benefit and all risk on money invested to fund that benefit rests with the employer. The military retirement plan is a defined-benefit plan.

Defined-Contribution Plan

A defined-contribution plan is a qualified retirement plan in which the contribution is defined, but the ultimate benefit to be paid is not. Contributions come from the employee, and a portion may or may not be matched by the employer. In such plans, each participant has an individual account. The benefit at retirement depends on the amounts contributed and on the investment performance of that account through the years. In such plans, the investment risk may rest solely with the employee because of the opportunity to choose from a number of investment options. These plans take many forms and include 401(k) and 403(b) plans and the Thrift Savings Plan (TSP).

Military Retirement Plans

SLIDE 11

Trainer's note: Refer learners to the *Military Retirement Pay Plans* handout.

The cornerstone of any career service member's retirement has always been a military pension from the government – a defined-benefit retirement plan. Military retirement plans are based on base pay only. Most civilians believe every service member can "retire on half pay after 20 years," without recognizing that retirement pay does not reflect bonuses, housing allowances and many other parts of military compensation.

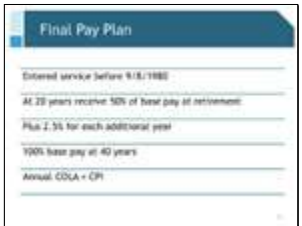
There are three different retirement systems currently in effect, depending on your Date of Initial Entry to Military Service (DIEMS):

- Final Pay
- High-36
- CSB (Career Status Bonus)/REDUX

The key to determining which retirement system applies is the date the service member was initially obligated to begin active duty; that is, the day they first signed to enter the military. If the service member had a delayed entry, it is the day they originally signed up. If they had broken service, it is the day they originally signed the paperwork to join; this may be earlier than their pay entry base date if the latter has been adjusted. For service academy graduates with no prior service, it is the date they reported to the academy. For ROTC scholarships, it is set by the beginning date, not by the graduation/commissioning day. For any other situations, refer to your Personnel Support Detachment (PSD) for additional information.

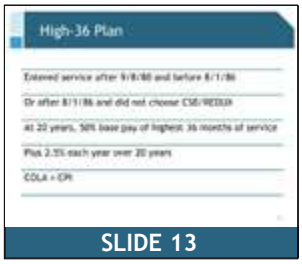
Final Pay Plan

Trainer's note: It is unlikely that any of your typical learners will fall into the Final Pay category for retirement. Facilitators may opt to reduce this section and simply provide the first sentence for basic information.



SLIDE 12

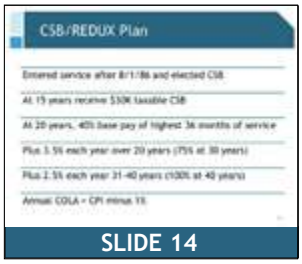
Final Pay, the original military retirement system, applies to anyone who initially entered the military before Sept. 8, 1980. Individuals receive 50 percent of their monthly base pay ("multiplier") if they retire at 20 years of service, plus 2.5 percent for each additional year of active service. This equals, but is not limited to, 100 percent for 40 years. This plan provides an automatic annual cost-of-living adjustment (COLA) equal to the consumer price index (CPI), which is the inflation rate.



SLIDE 13

High-36 Plan

This plan is based on the average base pay during the highest paid 36 months of service, normally the final three years of active duty. It applies to anyone who initially came on active duty on or after Sept. 8, 1980. The multiplier is the same as that found in the Final Pay plan: 50 percent of base pay at 20 years plus 2.5 percent per year for each additional year of active service. The COLA remains equal to the CPI.



SLIDE 14

CSB/REDUX Plan

Anyone entering on or after Aug. 1, 1986, must choose between taking the High-36 retirement plan or the CSB/REDUX plan. The CSB/REDUX plan has significant differences from High-36. Retirement pay is still based on the average of the highest 36 months of base pay, but the multiplier is reduced to 40 percent at 20 years of service. The multiplier is increased by 3.5 percent for each additional year of service up to 75 percent for 30 years of service, and 2.5 percent for each year after 30 years, equaling 100 percent for 40 years of service.

At Year 15, service members electing CSB/REDUX receive a one-time $30,000 taxable Career Status Bonus (CSB). In addition, all annual COLAs are based on the CPI minus 1 percent instead of the full COLA offered under the other plans. The bottom line: If service members opt to take the CSB, they are trading the $30,000 lump-sum payment for less retirement pay.

Details: Service members are given a six-month window to decide between the High-36 plan and CSB/REDUX. The window begins at the 14½-year point, and the decision must be made, and becomes irrevocable, at Year 15. If CSB/REDUX is chosen, the CSB is paid to the member and the CSB/REDUX rules are locked in at 40 percent of base pay versus 50 percent of base pay, a 3.5 percent increase in the multiplier, and a COLA of CPI-1 percent. There is a one-time catch-up at age 62, where the pay under CSB/REDUX is increased to the amount it would have been had the service member chosen High-36.

SLIDE 15

This chart shows the difference in the multipliers under the High-36 and CSB/REDUX plans. REDUX represents a substantial reduction in initial retirement benefits. The higher the grade and the lower the years of service at retirement, the greater the reduction in retirement income.

Years of Service	Final Pay Multiplier	High-36 Multiplier	REDUX Multiplier
20	50%	50%	40%
21	52.5%	52.5%	43.5%
22	55%	55%	47%
23	57.5%	57.5%	50.5%
24	60%	60%	54%
25	62.5%	62.5%	57.5%
26	65%	65%	61%
27	67.5%	67.5%	64.5%
28	70%	70%	68%
29	72.5%	72.5%	71.5%
30	75%	75%	75%

Trainer's note: The Center for Naval Analysis (CNA) publishes an annual study and report of military retirement choices. For updated information, check the CNA website (https://www.cna.org/research) and search for "Retirement Choice" to bring up the most recent report.

Taking the bonus: Service members can do one of two things with the CSB; they can save it or spend it. Either choice results in a reduction in benefits.

SLIDE 16

Save it: The bonus money would have to be invested aggressively to come even close to providing the difference in retirement pay. Most reputable financial planners will use 10 to 11 percent as the maximum long-term growth rate that can be expected from a diversified all-stock portfolio. A comprehensive study of the CSB/REDUX option by the Center for Naval Analysis showed that in order to get the same or better value from the CSB/REDUX decision as you would from High-36, the bonus would need to be fully invested for long-term growth at a virtually unattainable 13 to 18 percent annual rate of return, depending on the service member's pay grade and tax bracket.

Again, let's consider the case of Petty Officer Smith, who is now Chief Smith, an E-7 retiring after 20 years. In the 15 percent tax bracket, he would need an annual investment rate of return of 17.6 percent to get the same amount of money as he would have gotten under High-36. They did not even factor in investing the money in a tax-deferred plan such as the TSP, because the TSP has risk (unlike the military pension plan, which is backed by the full faith and credit of the U.S. government) and is not protected from inflation.

SLIDE 17

SLIDE 18

Spend it: If Petty Officer Smith were to spend the bonus, which would be about $25,500 after taxes, and live to be 79, it would cost him $319,600 in lost benefits. If he lived to be 85, he would lose $517,833, and if he lived to be 90, he would lose $674,583. This is not a good deal. Service members should think seriously about the substantial, long-term difference in retirement benefits before making their choice.

Other disadvantages: Besides the clear decrease in the retirement benefit amount, choosing the CSB/REDUX plan also results in a reduction in survivor benefits (because those benefits are based on the retired pay amount). The CSB is an early cash-out of your retirement plan. Think of it as a loan from your future benefits that you will spend the rest of your life repaying. If you were shopping for a $30,000 loan, would you accept these terms?

- Loan amount: $30,000
- Taxes: Reduces spendable amount to $25,500 or less, depending on your tax bracket.
- Interest rate: Effectively 13.8 percent
- Repayment: From retirement until death

To help you decide: You now are an informed consumer. There are several retirement calculators available that are designed specifically to help service members make an educated decision on their retirement plan. These websites are listed at the bottom of your *Five Basic Steps* handout. If you need additional assistance, see your CFS, career counselor or your FFSC financial counselor.

Survivor Benefit Plan

SLIDE 19

Any military retirement-pay planning must include information on the Survivor Benefit Plan (SBP). SBP provides peace of mind to your survivors by allowing designated beneficiaries (typically a spouse and/or children) to continue receiving a portion of retired pay after your death. Because the plan you choose for retirement will affect the amount of SBP pay available, it is important to learn about this benefit. Plan to attend an FFSC *Survivor Benefits Plan* or *Your Insurance Needs* course, or meet with your career counselor, CFS or FFSC financial counselor for more information.

Thrift Savings Plan

Trainer's note: Distribute the *Thrift Savings Plan: Wealth Building Made Easy* handout. You may wish to ask who among the learners participates in the TSP. Invite them to share their comments on how easy it was to join, how much they miss (or do not miss) their monthly contribution, would they recommend it, etc. Refer to the TSP website for any changes affecting the military at www.tsp.gov.

SLIDE 20

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for federal employees and service members sponsored by the federal government. It is a qualified defined-contribution plan; therefore, it has the same type of savings and tax benefits as a 401(k).

The TSP is open to all members of the uniformed services, active duty and Ready Reserve. With the TSP, you choose the contribution amount (which comes directly out of your pay); you choose the investments from multiple options; and you own all of your contributions and any earnings. Other advantages include a choice of several investments, a loan program and flexible withdrawal options. The main advantage of TSP is that it provides a relatively easy and automatic way for service members to build wealth for the future.

You can enroll in the TSP via your myPay account. The TSP has both a telephone customer service line (the"Thriftline") and a website that makes it simple to check on your TSP account and conduct transactions. After enrollment, the TSP will send you a password and a personal identification number (PIN). Your TSP account number and password are your secure identification for accessing your TSP account at the TSP website and on the Thriftline. The TSP website provides timely account and plan information. Here you will find rates of return, performance history, daily share prices and fact sheets on each fund. You can view your earnings statement online to check on the status of your account and to make changes to your account. However, to enroll in TSP or to start, change or cancel contribution amounts, you must go through your myPay account.

Once enrolled in the TSP, you can contribute up to 100 percent of your base pay each month ("elective deferral") as long as it does not exceed the total elective deferral limit of $18,000 (2015). This annual limit may be increased in later years by COLAs. The TSP cannot accept contributions that exceed the elective deferral limit. You can also contribute up to 100 percent of any incentive and special pays (including bonuses) up to the annual limit. When receiving tax-exempt combat-zone pay, you can contribute up to the lesser of $53,000 (2015) each year or 100 percent of pay.

Although many, if not most, may be unsure about whether you will remain in the military long enough to get the defined-benefit plan, everyone can participate in the TSP. It is one of the easiest retirement options that you can take advantage of immediately. In addition, there are some options in the TSP that are very safe, so if you are a nervous or first-time investor, the TSP has something for you.

Personal Savings and Investments

SLIDE 21

An individual retirement account, or IRA, is a tax-sheltered savings vehicle. With traditional IRAs, you are not taxed until the money is withdrawn. With a Roth IRA, you pay taxes upfront and are not taxed at withdrawal. Even if you contribute to the TSP, you still can fund an IRA. For all IRAs, you can assign a beneficiary to receive the funds after your death, although different rules apply to different types of IRAs.

For any type of IRA, the account owner must make the decision as to which saving or investment tool will be used to fund the account (e.g., mutual funds, certificates of deposit, stocks). In fact, the money placed in most common investments can be designated as an IRA and thus become subject to the unique rules and regulations of the individual retirement account. For new investors, it is important to gain a basic knowledge of saving and investment products, or seek the advice of a financial professional in order to make a good IRA investment decision. Remember, you can find out more about saving and investment options from a *Saving and Investing* class at your local FFSC.

Traditional IRA

SLIDE 22

IRA accounts are individual. There are no joint IRAs. You can, however, contribute to one for yourself and one for your spouse. Contributions for both traditional and Roth IRAs are limited to $5,500 per year for 2015 ($6,500 if you are over age 50). Earnings grow tax-deferred, and the gains are taxed upon withdrawal. There is a tax penalty if earnings are withdrawn before age 59½. Regular withdrawals must begin by age 70½. You choose the investments; in other words, the investments are "self-directed."

Rollover IRA

SLIDE 23

A rollover IRA holds money transferred from other retirement plans. Money from a 401(k) or a 403(b) – in fact, from any qualified retirement plan that allows it – can be rolled into this type of IRA. Typically the money will stay in the account separate from other retirement funds. You cannot make regular contributions to a rollover IRA, but you can add funds from other qualified retirement plans. It is important to separate tax-deferred funds into a rollover IRA so the money will

maintain its tax-deferred status (commingling money is not allowed). A rollover IRA also is a self-directed IRA; you choose the investments.

Roth IRA

In a Roth IRA, you pay the taxes on your contributions up front and there is no up-front tax break, but you are not taxed on the contributions as long as you withdraw money from your Roth IRA after age 59½ and have had the account for a minimum of five years. Although designed for retirement, some money may be taken out of a Roth IRA after as few as five years, with no taxes or penalties due. Traditional IRAs can be converted to Roth IRAs, but all taxes are due and payable in the year of conversion. There are no distribution requirements for a Roth IRA.

LEARNER ACTIVITY: *IRAs: What's the Difference?*

Time: 10 minutes

Materials: *IRAs: What's the Difference?* handout

Procedure: Working individually or in pairs, direct learners to complete the short quiz. The quiz reviews the material presented on IRAs. When all have completed the quiz, briefly review the answers and answer any remaining questions from the learners.

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

Answer options:

A. Traditional IRA
B. Rollover IRA
C. Roth IRA

Questions: *(Answers are noted in parentheses.)*

1. Regular withdrawals must begin by age 70½ *(A and B)*
2. Gains are taxed upon withdrawal *(A and B)*
3. Catch-up provisions for people over 50 *(A and C)*
4. Holds money transferred from other qualified retirement plans only *(B)*
5. Will not accept regular contributions *(B)*
6. You choose the investments *(A, B and C)*
7. No tax deduction for contributions *(A and C)*

8. No taxes paid on withdrawals *(C)*
9. Penalties for early withdrawal *(A, B and C)*
10. Beneficiary can be assigned *(A, B and C)*

SUMMARY

Resources

Trainer's note: Refer learners to the resources and calculators on their *Planning for Your Retirement: Five Basic Steps to Take Command of Your Financial Future* handout.

SLIDE 25

There are many resources available to help service members get started with retirement planning.

Government, military and nonprofit agencies: This includes your Command Financial Specialist (CFS) and the FFSC financial counselors. You may also find information through other DoD-affiliated organizations. For example, the Navy Mutual Aid Association and the USAA Educational Foundation provide assistance with aspects of retirement planning. And military banks and credit unions offer both fee-based comprehensive financial-planning services and low- or no-cost do-it-yourself planning tools.

Internet resources: There are many retirement-planning calculators on the Internet that enable you to do at least some of your planning on your own. Remember, the results will be only as good as the data you input.

Many of these calculators do not accurately reflect the impact of an inflation-adjusted employer pension, such as a military retirement check.

Assumptions: When using any type of calculator or working with a financial professional, be sure to use realistic assumptions for inflation and rates of return. A rate of inflation of 3 to 4 percent per year will accurately reflect most time periods of 20 years or more. For long-term rates of return on your investments, a reputable financial planner would use, at a maximum, 9 to 10 percent per year before retirement, and 7 to 8 percent during retirement. Many calculators automatically set the rate of inflation and rate of return. Make sure they are realistic.

Financial professionals: When you are searching for a financial professional, you should practice caution and always research the company and individual's performance. There are a many good stockbrokers and independent financial planners, but not all are fully knowledgeable about retirement planning. Most

should provide a free initial consultation; beyond that, some work on a fee basis, while others are paid through commissions on products they sell.

Ask about your planner's education, training or special credentials and how they will be paid for their services. A licensed certified financial planner (CFP), for example, has been through a detailed advanced program, passed a rigorous examination and agreed to abide by a comprehensive set of planning standards and a code of ethics. Always check at least two and compare their recommendations. Give yourself time to make the best decision. Remember, it is your money; do not be pressured into anything.

Re-evaluate and Revise

SLIDE 26

Your final two steps in retirement planning are to re-evaluate your plan consistently and revise it as needed. Are the factors still realistic? Are your investments meeting your long-term goals? Is it time to use a different tool? Re-evaluate and revise when major life events occur and at least annually as you get within 10 years of your retirement. With the steps outlined in this course, you are well on your way to building wealth and ensuring a comfortable (and affordable) retirement:

- Consider the factors.
- Calculate your income needs – update your ballpark estimate annually or with major life changes. Work with a financial professional, if necessary.
- Commit to the goals – do some serious thinking and planning before you decide to take the CSB/REDUX retirement plan. Join the TSP today, and commit a portion of future raises and bonuses to your retirement savings.
- Re-evaluate your factors periodically.
- Revise your plan to meet the needs of your new goals
- Use all of the resources available to you, especially while you are on active duty.
- Do not fail to plan; plan to succeed.

OPTIONAL LEARNER ACTIVITY: *Retirement Planning: Your Hole-in-One! Review Game*

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

Question Bank for Retirement Planning: Your Hole in One!

(answers in bold)

1. Which is not a factor when planning for your retirement?
   a. How long you have to invest before retirement
   b. How much income you will need during retirement years
   c. Life expectancy
   d. Your current debt-to-income ratio
2. What is the limit for the maximum contribution to the TSP from the base pay, special pays and bonuses in 2015?
   a. $16,500
   b. $17,500
   c. **$18,000**
   d. $20,000
3. Which of these is not a source of retirement income?
   a. **The lottery**
   b. Employer-provided pensions
   c. Personal savings and investments
   d. Earned income
4. When making assumptions for rates of return during retirement, a reasonable range to use is:
   a. 2 to 4 percent
   b. **7 to 8 percent**
   c. 10 to 12 percent
   d. 14 to 16 percent
5. CSB/REDUX differs from High-36 in all of these EXCEPT:
   a. CPI
   b. Amount of base pay
   c. **Multiplier at 30 years**
   d. Increase rate of multiplier

6. If you joined the Navy on Aug. 1, 2001, you will have to make an irrevocable decision between High-36 and CSB/REDUX:
    a. When you first join the service
    b. On Aug. 1, 2011
    c. At retirement
    d. **On Aug. 1, 2016**
7. True or false: If you are enrolled in the TSP, you cannot have an IRA.
   False. You can have both at the same time.
8. True or false: The government does not provide any form of a defined-contribution plan.
   False. The TSP is a government defined-contribution plan similar to a 401(k).
9. True or false: Social Security remains an important part of retirement planning.
   True. However, you should only consider it a supplement to your retirement income.
10. A standard guideline for estimating pre-retirement income is:
    a. 60 to 70 percent
    b. 70 to 80 percent
    c. 80 to 90 percent
    d. 100 percent

NOTES:

Choose to Save.®

Ballpark E$timate®

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

$_____

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

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

+$_____

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

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

–$_____

Total additional savings needed at retirement: =$_____

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

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

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

=$_____

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

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

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

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

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

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

IRAs: What's the Difference?

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

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

1. _____ Regular withdrawals must begin by age 70½
2. _____ Gains are taxed upon withdrawal
3. _____ Catch-up provisions for people over 50
4. _____ Holds money transferred from other qualified retirement plans only
5. _____ Will not accept regular contributions
6. _____ You choose the investments
7. _____ No tax deduction for contributions
8. _____ No taxes paid on withdrawals
9. _____ Penalties for early withdrawal
10. _____ Beneficiary can be assigned

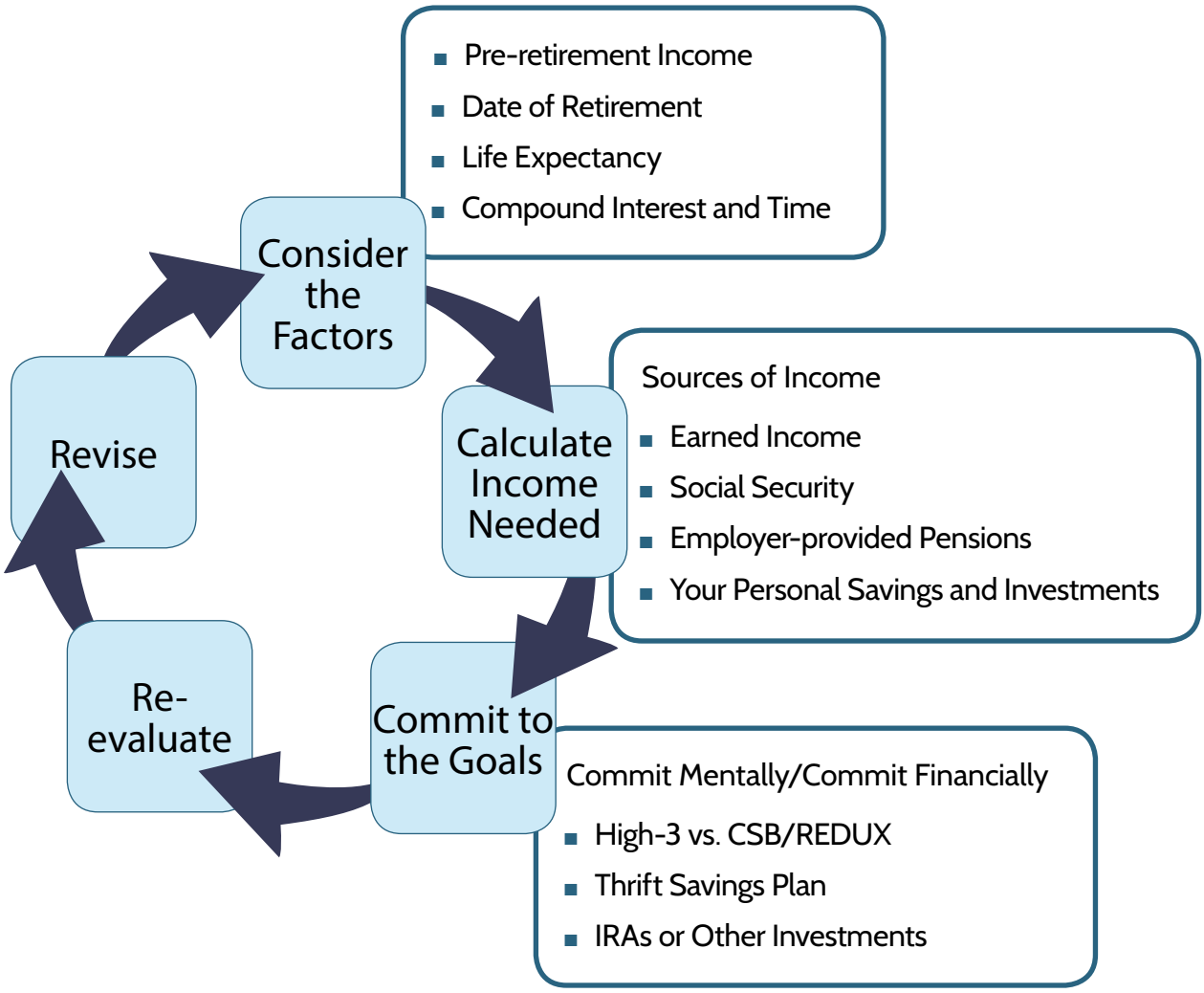
Military Retirement Pay Plans

Service members who accumulate 20 or more years of active service are eligible for retirement benefits. There are three retirement plans currently in effect for active-duty retirees. These are Final Pay plan, the High-36 plan and the CSB/REDUX plan.

PLAN	APPLIES TO	PROVISIONS
Final Pay	Those who entered service prior to Sept. 8, 1980.	After 20 years of service, retirees get 50% of their base pay on the day they retire, plus 2.5% for every additional year of active service. This equals, but is not limited to, 100 percent for 40 years. Annual COLA equal to the Consumer Price Index (CPI).
High-36	Those who entered service or after Sept. 8, 1980, but before Aug. 1, 1986 OR Who entered on or after Aug. 1, 1986, and did not choose the Career Status Bonus and REDUX retirement system	After 20 years of service, retirees get 50% of base pay on the day they retire, plus 2.5% for every for each additional year of active service. The retired pay is figured on the average base pay during the service member's highest paid 36 months of service. Annual COLA equal to CPI.
CSB/REDUX	Those who entered on or after Aug. 1, 1986, AND elected to receive the Career Status Bonus (if you do not elect to receive the Career Status Bonus, you will be under the High-36 plan)	Service members will choose, on their 15th anniversary of military service, between two plans: The High-36 plan OR A $30,000 Career Status Bonus, which is a cash payment at the 15th year of service, and reduced benefits after 20 years of 40% of base pay, with 3.5% added for each additional year of service up to 75 percent for 30 years of service, and 2.5 percent for each year after 30 years, equaling 100 percent for 40 years of service. (Promise to stay until retirement is a condition of receiving the cash payment.) Annual COLA equal to CPI-1%.

Planning for Your Retirement

Five Basic Steps to Take Command of Your Future



USEFUL WEBSITES:

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

SOURCES OF HELP:

- Command Financial Specialist
- FFSC financial counselor
- Reputable financial professionals

ONLINE CALCULATORS:

Investment Rate of Return Data: www.moneychimp.com/features/market_cagr.htm
Retirement Funds Calculator: http://americanfundsretirement.retire.americanfunds.com/tools/calculators/investing.htm
Social Security Benefits Estimator: www.ssa.gov/retire/estimator.html
Wharton School of Business Life Expectancy Calculator: http://gosset.wharton.upenn.edu/mortality/perl/CalcForm.html

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 ($18,000 in 2015; $53,000 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.

INVESTMENT OPTIONS:

- Individual Funds
  - G Fund: Government Securities Investment Fund
  - F Fund: Fixed Income Investment Fund
  - C Fund: Common Stock Index Investment Fund
  - S Fund: Small Cap Stock Index Investment Fund
  - I Fund: International Stock Investment Fund
- Lifecycle Funds (a professionally designed mix of stocks, bonds and government securities)
- Loans: Under certain circumstances, you can borrow from your TSP account. Check the TSP website for details.

TSP RESOURCES:

- TSP website: 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/civilianemployees/employeebenefits/TSP.html
- Military OneSource: www.militaryonesource.mil/pfm/saving-and-investing-basics?content_id=267395

GLOSSARY OF TERMS

After-tax Contributions – Contributions that are made after taxes have been taken from pay (i.e. Roth).

Automatic Contributions – Contributions deducted from pay and added to a TSP account by an employer.

Annuity – Guaranteed monthly income for the life of the TSP participant or survivor after separating from federal service.

Asset Allocation – The process of choosing among different kinds of assets such as stocks and bonds that will be included in an investment portfolio.

Beneficiary – The individual or entity that receives your TSP account balance (or a portion of it) at your death.

Bond – A debt security issued by a government entity or a corporation to an investor from whom it borrows money.

Catch–Up Contributions - Contributions which are made via payroll deductions by a participant age 50 or older and are permitted to exceed the Internal Revenue Code (IRC) elective deferral limit.

Contribution – A deposit made to the TSP by a participant through payroll deduction or on behalf of the participant by his or her employer.

Currency Risk – The risk that the value of a currency will rise or fall relative to the value of other currencies.

Elective Deferral Limit – An annual dollar limit, established under the Internal Revenue Code (IRC), that limits the contributions a participant can elect to make to plans like the TSP.

Eligible Employer Plan – A plan regulated under Internal Revenue Code (IRC), including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan.

Eligible Rollover Distribution – A distribution from the TSP that is eligible to be transferred or rolled over to an IRA or eligible employer plan.

Fixed Income Investments – Generally refers to bonds and similar investments (considered debt instruments) that pay a fixed amount of interest.

Index – A broad collection of stocks or bonds which is designed to match the performance of a particular market.

Inflation Risk – The risk that investments will not grow enough to offset the effects of inflation.

In-service Withdrawal – A disbursement made from a participant's account which is available only to a participant who is still employed by the federal government, including the uniformed services.

Interfund Transfer (IFT) – A redistribution of different TSP funds within an account.

Market Risk – The risk of a decline in the market value of stocks or bonds.

Matching Contributions – Contributions up to a certain limit made by an employer to TSP accounts for participants who have also contributed their own money.

Post-separation Withdrawal – A distribution from a participant's account which is available only to participants who have left federal service or the uniformed services.

Prepayment Risk – The probability that if interest rates fall, bonds that are represented in the index will be paid back early, thus forcing lenders to reinvest at lower rates.

Pre-tax Contributions – Contributions of pay that have not yet been taxed. All employee contributions to a TSP traditional balance are made pre-tax.

Qualified (earnings) – Roth earnings are qualified (i.e., paid tax-free) when two conditions have been met: 1) 5 years have passed since January 1 of the calendar year in which you made your first Roth contribution, and 2) you have reached age 59½, become permanently disabled, or have died.

Required Minimum Distribution (RMD) – The amount of money that the IRS requires be distributed to a participant each year after the participant has reached age 70½.

Risk (Volatility) – The amount of change (both up and down) in an investment's value over time.

Roth Contributions – Contributions from pay that has already been taxed (or from tax-exempt pay) and that has been deposited into a Roth balance.

Roth IRA – An individual retirement account that provides tax-free earnings.

Securities – A general term describing a variety of financial instruments, including stocks and bonds.

Stocks – Equity securities issued as ownership in a publicly held corporation.

Tax-exempt Contributions – Contributions of money to a TSP traditional balance that will never be taxed.

Time Horizon – The future point when withdrawals from an account are expected to begin.

Traditional IRA – A traditional individual retirement account or an individual retirement annuity with contributions from pay that have not yet been taxed. Also referred to as "tax-deferred," "pre-tax," or "non-Roth" contributions.

Vesting – The time in service a TSP participant must have in order to keep automatic contributions and earnings.

Source: Glossary of Terms available at www.tsp.gov.

Raising Financially Fit Kids

Print Course

Print Handouts

COURSE DESCRIPTION

Raising Financially Fit Kids is a 60-minute course designed to help parents learn how to teach their children sound financial management skills. During the course, parents will examine their own financial skills and behaviors so that they can determine how to best implement age-appropriate financial practices for their children.

Facilitators, especially those who are not parents, are encouraged to use the collective knowledge of the group to guide the session. Allow learners time to talk among themselves and compare and share any challenges, lessons learned, tips and best practices.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to assess their own financial situation and establish financial practices that will help their children develop sound financial management skills.

Enabling:

- In the *Your Financial Fitness* activity, learners will examine their own past and current financial behaviors and note four changes they would like to make to model good financial skills to their children.
- In the *Chat it Up!* activity, learners will note three communication tips that could benefit them in future family conversations about money.
- In the *Action Plan* activity, learners will use course information, tips and resources to develop at least three actions that will help them implement sound financial management skills and raise financially fit kids.

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"Thrive by Five: Teaching Preschoolers about Spending and Saving." *Cuna.org*. Credit Union National Association, n.d. Web. June 26, 2015. www.cuna.org/thrivebyfive

Useful Websites:

- It's a Habit: (Sammy the Rabbit savings site for kids): www.itsahabit.com

- It All Adds Up: (financial education website for middle school and high school students): www.italladdsup.org
- Jump$tart Coalition for Personal Financial Literacy: (resources for all ages): www.jumpstartcoalition.org
- Family Education: (money education resources and activities for children): http://life.familyeducation.com/money-and-kids/personal-finance/34481.html
- Federal government financial education: https://kids.usa.gov/money/index.shtml
- Kids' Money (financial site for parents and children): www.kidsmoney.org
- The Mint (financial education for kids): www.themint.org
- Money as You Grow (the President's Advisory Council on Financial Literacy): http://moneyasyougrow.org
- Money Instructor (lessons for kids): www.moneyinstructor.com

COURSE PREPARATION

Handouts:

- *Financial Fitness*
- *Financial Planning Worksheet* (optional)
- *Resources for Raising Financially Fit Kids*

Materials (vary depending on activities chosen):

- Pens, pencils
- Internet connection, where available
- *Raising Financially Fit Kids* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

- *Your Financial Fitness:* Learners examine their own financial habits and look for areas of improvement.
- *Goals and Change:* Learners list habits and behaviors they want to change or begin.
- *Chat it Up!:* Learners note communication tips that could benefit them in future family conversations.
- *Action Plan:* Learners make an action plan that will help them raise financially fit kids.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Agenda
2. How You Manage Your Money (20 minutes)
    a. What's Your Relationship with Money?
    b. Learner Activity: *Your Financial Fitness,* Part 1
    c. Change Your Behavior
    d. Learner Activity: *Your Financial Fitness,* Part 2
3. Developing Effective Communication Skills (10 minutes)
    a. Learner Activity: *Chat it Up!* Part 1
    b. How We Talk to Each Other
    c. How We Talk to Kids
    d. How Kids Talk to Us
    e. How Kids Talk to Other Kids
    f. Learner Activity, *Chat it Up!* Part 2
4. Growing the Financially Fit Child (20 minutes)
    a. Allowances
    b. Saving, Spending and Sharing
    c. Budgeting
    d. Learner Activity: *Action Plan*
5. Summary (5 minutes)
    a. Setting the Example
    b. Sources of Help

CONTENT

WELCOME AND INTRODUCTION

SLIDE 1

Every parent wants to raise healthy, happy children capable of managing their adult lives in an increasingly complex world. This includes raising financially fit kids. Although children learn their financial management skills from many different sources, studies show they learn the most by observing the financial behaviors of their parents. Studies also show that the earlier children are introduced to the fundamentals of money and money management, the more financially fit they are as adults. With the right information and a little commitment, parents can prepare their children to conquer the many financial challenges they will face as adults.

SLIDE 2

Agenda

Although financial education is available, it is often too little, too late. Today, most formal financial education is limited and takes place in high school, yet before children even get to kindergarten they have received thousands of indirect lessons about money through the media and by observing their parents' financial behaviors.

A child's understanding of money matters – even if what they know is wrong – may be too ingrained by the time they get to high school for financial classes to effect much change. In fact, research suggests children may be more receptive to learning financial concepts between the ages of 8 and 12. This course will help you bridge that gap by providing the information, tools and tips to create a "money smart" home for your kids. To help you achieve this goal, this course will ask you to:

- explore your own money values and habits.
- discuss effective communication skills.
- examine ways to teach your children sound financial management skills.

HOW YOU MANAGE YOUR MONEY

What's Your Relationship with Money?

SLIDE 3

Because children model the behavior of their parents, the first step in raising financially fit kids is to examine how you manage your money and what money messages you send to your children. Think about your own childhood. What financial management lessons did you learn from your parents? Some of you may have had wonderful role models and intend to use those same lessons with your children. In some cases, however, these may not be lessons that served you well or that you want to pass on. So let us first examine your relationship with money and what you want financially for your children.

LEARNER ACTIVITY: *Your Financial Fitness, Part 1*

Time: 10 minutes

Materials: *Financial Fitness* handout, pens and pencils

Procedure: Divide the class into pairs or small groups and distribute the *Financial Fitness* handout. If you have married couples or partners, pair them together or keep them in the same group. Explain that they will get an opportunity to explore their own financial fitness. Each learner should complete their own handout and then discuss with their partner or group.

Tell learners:

First, think about what you have done right with your money that you hope to pass along to your children. In the first column of "Your Financial Fitness," make a list of all of your successes and good habits, skills and values. Perhaps you have a budget, keep your debt down to a minimum, shop with a list and/or save regularly. Write down all of the positive characteristics of your money-management techniques.

Second, think about what you wish you had done with your money (up to this point in your life). What do you consider the "lost opportunities"? List all of these items in the second column. Items could include your wish that you had started to save sooner, that you had bought a less-expensive car, that you did not give in to your children's wants so much, that you did not allow yourself to be pressured into buying things because other people do, etc. Be honest and compose your wish list.

Third, honestly consider the mistakes you have made with your money and put those in the third column. This includes the things you do not want your child to do or mistakes you do not want them to make. This list could include not having a budget, not saving any money, spending on impulse, using money as a weapon, keeping up with the Joneses, etc.

Instruct learners to take about five minutes to fill out their handout and then five minutes to discuss their findings with their partner or group. Explain that you will build on that information a little later in the course.

Change Your Behavior

SLIDE 4

Financial success is not just about how much money you have but what you do with it. From the previous activity, you should have an idea of the financial behaviors that you could improve. Think about what type of budgeting system you use. Are you saving for your future? Could you stand to improve your credit?

Some habits and behaviors may need to be changed so that you can be financially successful. Other habits and behaviors may need to be started and become routine. As with any practice, it takes time for an action to become an ingrained habit – one that you do without thinking. First you need to determine what it is you want or need to change or start.

Your next step is to set goals that will help you make those changes. Goal setting forces you to decide what you want to accomplish with your money and clearly

defines the steps to take. The more specific you can be with your goals, the better prepared you will be to achieve them.

For example, maybe you determined that your budget is working but you really need to be saving more each month. Many people want to be saving more, but this goal does not have a specific plan. Without a plan, it is unlikely that you will change your behavior and establish a new financial routine. If you want to raise financially healthy children, you should be modeling sound financial practices.

LEARNER ACTIVITY: *Your Financial Fitness, Part 2*

Time: 10 minutes

Materials: *Financial Fitness* handout

Procedure: Ask learners to take a look what they have already filled out on the *Financial Fitness* handout. Next, instruct learners to choose at least four actions that could improve their own financial fitness and help them become the best possible financial role models for their children. Tell learners to write those four behaviors/habits for change on the "Goals for Change" section of the handout. These behaviors/actions should be as specific as possible. Give learners a couple of minutes to complete this step. Ask for volunteers to share the behaviors/habits they would like to change. Discuss as appropriate.

Tell learners:

You do not have to be perfect or have all the answers. There are many resources to help you get on or stay on the right financial track. Remember that your Command Financial Specialist (CFS) or FFSC financial counselor can help you establish a plan and goals that will help you implement these changes. You might also consider taking some of the financial classes offered at the FFSC. And remember that as you improve your own financial management skills, you can include your children in the process so that you can teach them as you go.

DEVELOPING EFFECTIVE COMMUNICATION SKILLS

SLIDE 5

Clearly our behavior speaks loudly to our children. In fact, 80 to 90 percent of all communication is nonverbal. We may demonstrate healthy financial behaviors, which is a good thing, but often we are not actually talking with our family about money. We need to hone our verbal communication skills and get a healthy financial dialogue going with the people in our family.

LEARNER ACTIVITY: *Chat it Up!* **Part 1**

Time: Ongoing through this section of the course

Materials: *Financial Fitness* handout, pens and pencils

Procedure: Explain to learners that the following section will offer many communication tips that will help them communicate with each other and their children about money. Instruct learners to turn to the "Chat it Up!" section of their *Financial Fitness* handout. As you go through this section, learners are to consider their own communication style and challenges and identify three tips that they want to try at home. Explain that you will discuss their answers at the end of this section.

How We Talk to Each Other

SLIDE 6

Now that you have examined your current financial situation and areas for improvement, consider how you will talk with your spouse or partner about your finances and financial goals. Remember that with each conversation you are modeling behavior for your child/children. Here are some tips for communicating with your spouse or partner.

Establish regular check-ins: Do not assume your finances are running on autopilot. Establish regular times to discuss your budget, re-examine your spending and make plans for the future. Having regular check-ins will not only help you stay on track financially, it will help reduce conflict over your finances.

Accept financial differences: Each person brings his or her own financial habits and values to a relationship. Your habits and values are shaped by your experiences growing up and by the things that you have experienced as an adult. You may find, however, that your spouse or partner has very different experiences and/or goals. Do not try to change the other person. Instead, accept his/her financial differences and establish an open line of communication so that you can work toward common financial goals.

Learn to compromise: With every relationship there must be give and take. Considering that each person in a relationship is different and is likely to have different priorities and goals, establishing a plan for the future could present challenges. Talk openly about your desires, but remember that you need to establish goals that benefit the entire family. Frequently the best solution to determining common goals is a compromise by both individuals.

Bring in a third party: If you have tried these suggestions and are still experiencing difficulty communicating about your finances, consider speaking with a clinical

counselor or marriage counselor to learn effective communication skills. You may also benefit from seeing a financial counselor to help you develop a financial plan. Most FFSCs offer both clinical counseling and financial counseling services or can provide information on and referral to local resources.

Once you have a healthy financial dialogue going, discuss how you are going to pass on good behaviors to your children. Make sure you agree on what methods and techniques you use before you engage your children.

How We Talk To Kids

SLIDE 7

It is not always easy to talk with your kids about money. Some parents think that a conversation about money, and family finances in particular, is inappropriate to have with a child. But how else will they learn the life lessons and skills they need? By preparing yourself, you can have healthy and productive conversations and you can bet your children will be interested.

Young people view managing money as a symbol of maturity and independence. Discussing personal finances with them shows that you expect them to behave appropriately with money and that you see them as capable and responsible. To help ensure a successful conversation, keep these tips in mind and tailor them to the age of your children:

- Approach the discussion with a positive attitude.
- Set a tone of confidence, openness and trust.
- Make the talk an equal exchange, not a lecture.
- Ask plenty of questions and listen carefully to the answers.
- Do not talk down to your child.
- Do not bring up old financial disagreements you may have had with your children.
- Make sure your kids know they can always turn to you for financial advice, information or help.

A great way to get financial conversations going with your kids is to involve them in some of your family's typical financial matters. Look for everyday opportunities to slip in money lessons. If you pay with a credit card, explain to your child that the bill will be sent to you and that if you do not pay in full, you will be charged more. Introduce the concept of taxes when garbage collectors pick up your trash by explaining that you have to give money to the government to pay for those kinds of services. Allow younger children to count out change or carry coupons.

How Kids Talk to Us

SLIDE 8

How does your child talk to you about money? Are they curious, looking to learn or are they simply trying to manipulate you into buying them things? Children and teens are exposed to a great deal of peer pressure. Part of a child's financial education needs to be learning to deal with peer pressure and live within their means. As parents, we want our kids to be happy, but if you give in to every wish it is not sending the right message or teaching your child sound financial behaviors.

For example, your child might say, "Mom, if you love me you will get me an iPad" or "I'll be the only one in my class without it." This is an opportunity for you to discuss financial behavior and turn that demand into a lesson. Ask your child how much the item costs. Ask them how they could save for this purchase. Help them come up with ways to earn the money needed.

When kids ask questions about money, explore why they are asking. Be ready to talk about the tough topics, even those where the answer may not be easy or comfortable. Go over your budget with your child and explain the concept of needs versus wants. Finally, learn to use the phrase, "That is not in our budget." By using this phrase when your children ask for money, you are telling them that you have a plan in place and are going to stick to that plan.

How Kids Talk to Other Kids

SLIDE 9

Listen to what your children say to other children. "My Dad is having my party at the best club in town!" "My prom dress cost $2,000!" "I can't believe you're wearing those!" "We're poor!" "You do not have a cellphone?" Kids feel pressure in many areas of their lives, and certainly one of those is financial: how they use money, what they spend it on, etc. Use these conversations with other kids as a platform to discuss peer pressure and help your child develop the skills necessary to stand up against it.

Start by talking with your child about these pressures and listen to them with compassion and without judgment. Share your story. Show that you can identify with the pressures they may be feeling. Even as we grow older, peer pressure is not a phenomenon that fades away. It just shifts from bikes, video games and clothing to homes, cars and vacations.

Do not back down from your values. Talk about your family money values and teach your children to stand up for them. It is OK to tell them, without condemning their friends, that in your family this is how you behave. Encourage your

children to choose their friends wisely when it comes to attitudes about money. When they do, praise them for doing the right thing.

Help young people understand the thousands of advertising messages and other influences to which they are exposed. Are their self-esteem and spending decisions being affected as a result? An easy way to jump-start the conversation is to try this exercise: For one day, have your children keep track of every time they feel they are influenced by peer pressure or advertising as it applies to money decisions. In fact, this might be a good exercise for the whole family. Set up a time to discuss what your children saw and heard and how it affects their financial behavior.

LEARNER ACTIVITY: *Chat it Up! Part 2*

Time: 5 minutes

Materials: *Financial Fitness* handout, pens and pencils

Procedure: Ask for volunteers to share any communication challenges they have experienced in the past and which tips they identified to try. Ask learners to share any additional communication techniques not mentioned in the course that they have found useful. Comment and discuss as appropriate.

GROWING THE FINANCIALLY FIT CHILD

Trainer's note: Distribute the *Resources for Raising Financially Fit Kids* handout. Explain that the handout includes some of the age-appropriate tips and activities discussed in this section, along with a list of useful resources and websites. If time allows, you may wish to display some of the websites listed on the handout to show parents the resources available to help them teach their children sound financial habits and skills.

SLIDE 10

As a parent, you have the opportunity to develop a learning environment that is suitable to your child's age and to do activities with them that will teach and/or reinforce healthy financial habits. Not all children advance through developmental stages at the same pace. So, what might be appropriate to teach the average 8-year-old could be learned and practiced by your precocious 6-year-old. Only you will be able to assess what money concepts and activities are appropriate for your child and determine whether they are able to successfully put into practice what you teach them.

Keep in mind that you should start with the easier and fun tasks first to get your child interested. You want to keep your child excited to learn about money,

because it is something they will have to manage their entire lives. Their first experience with money management should be rewarding. As they grow and mature, you can make the activities more challenging.

Do not expect miracles overnight. Regardless of your child's age and development, good habits can take a long time to develop. If you manage your expectations appropriately, your child will have a better experience overall. There is no rush to learn everything in one day.

After you take care of your own financial health and begin to start a healthy dialogue about money with all of the people in your family, use specific, age-appropriate activities to teach your children about money. There are three major categories of information to discuss with your child, whatever their age: 1) allowances, 2) saving/spending/sharing and 3) basic budgeting.

After discussing these three major areas, age-specific activities will be presented to help you teach your children about these fundamental areas of money management.

Allowances

SLIDE 11

One of the best ways to learn about money is to actually work with it. Let us consider some of the questions most parents ask concerning allowances.

Why Should I Give My Child an Allowance?

Having a regular amount of their own income is a great way for kids to learn how to manage money. They need to make mistakes when the cost is minimal. Knowing the limit of available funds forces children to think about how much things cost and to make spending choices between the many wants they may have. Ultimately, children will have a better appreciation for the purchases they make when they use their own money.

Some parents tie an allowance to chores. If you opt to tie an allowance to chores, be sure that children understand that chores are a family responsibility and that there will be consequences for not completing them. You do not want to send the message that a child can forgo household chores if they are willing to give up that week's allowance.

When to Start?

Once your child shows both an interest in and an understanding of the concept of money – the fact that it can be exchanged for goods or services – they are

ready to start learning the basics of money management. Although some parents start as early as age 3 or 4, many parents will wait until children are old enough to understand the basic value of money. Initially, allowance should be given at least once a week. For older children and teens, you can decide whether you want to stretch the time frame, but it will be easier for children to learn first to budget a smaller sum on a weekly basis.

How Much?

Deciding on the amount of allowance is a function of your family values, money available, what the child needs, the child's age and the "going rate."

Determine how much money you already give your children. If you do not give allowances, you are managing your children's money for them by deciding what they will buy and what they will do. Their role is salesperson and manipulator. Instead, let them learn to manage their own money. Total up the amount you are giving them now. Give that to them as an allowance and let them make their own decisions – and learn from those decisions.

Once you have settled on an amount, sit down with your child and make a list of everything they are expected to pay for. This resolves the conflicts that may come up in stores or as they walk out the door to go to the movies. The total required becomes their allowance. As their needs change, so can the amount. Be open to reviewing it when appropriate.

Keep in mind that kids have three uses for their money – spending, saving and sharing. Consider all three areas when you are deciding on an amount for allowances. In addition to setting the allowance, this process puts an end to the constant requests to buy this and that and to give them money to do whatever their hearts desire.

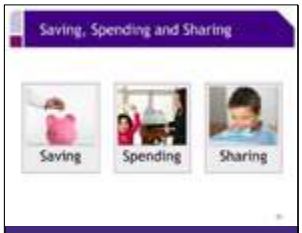
SLIDE 12

Additional allowance tips:

- Give allowances at a specific time (i.e., the beginning of the week, on set dates during the month, etc.)
- Make sure they have enough to set aside as savings.
- Increase the amount as they get older and have more needs.
- Clothing allowances help children learn to manage larger amounts of money.
- Negotiating raises teaches a valuable money management lesson.

Some problems you may encounter with allowances include your child running out of money before the next allowance is paid (more week than allowance), losing allowance money, lending allowance money to a friend who does not pay it back and/or saving all of it (never spending any money). Each of these problems presents parents with excellent opportunities to teach your child useful money management skills. Help create solutions by getting all of the facts and identifying the root cause of the problem together. Then you can jointly brainstorm to find a solution. Be sure to provide encouragement and financial assistance as appropriate.

Saving, Spending and Sharing



SLIDE 13

Help children understand that there are multiple uses for money. An easy division is:

- Saving – money put aside for a rainy day or for future spending
- Spending – money spent to buy the things we need and want
- Sharing – money shared with others (family, community, charity)

Start by showing your children how you save, how you spend and how you share. Set up a jar system for younger children – one for saving, one for spending and one for sharing. When giving allowances, give money that they can easily allocate; that is, rather than giving a $5 bill, give five $1 bills. Include a few dollars worth of change. For older kids, give them the opportunity to determine how much goes into each area or fund. For working teens, help them manage their pay into these three areas, and take it further by helping them budget for more complex needs.

When setting up a saving/spending/sharing division of money with your children, discuss how much should go into each category. A suggested amount would be 10 percent into saving, 10 percent into sharing and the rest into spending. Help them set goals for their saving and spending dollars. As children get older, introduce them to different savings and investment products. For wage-earning teens, talk with them about participating in retirement plans and/or opening an individual retirement account (IRA).

Budgeting

Trainer's note: Offer learners the *Financial Planning Worksheet* and encourage them to see their CFS or FFSC financial counselor for assistance in establishing or fine-tuning their household budget based on the information discussed in this course.

SLIDE 14

The rule for budgeting is "keep it simple." This applies to you and your children. The saving/spending/sharing approach forms the foundation for a budget, but a true budget is some type of a written system (including software and online systems) that tracks what comes in and what goes out and lists financial goals. For help establishing a household budget, you can use the *Financial Planning Worksheet*. You can also see your CFS or FFSC financial counselor for help in establishing a sound budget. Here are some age-appropriate techniques for introducing budgeting to your children.

SLIDE 15

Ages 3 to 5: As soon as children can count, introduce them to money. Take an active role in providing them with information. Observation and repetition are two important ways that children learn. Talk to them about money and show them how much things cost. Have them start making choices about buying small items. Help them learn about coins, paper money and basic counting. Communicate with children about your values concerning money – how to save it, spend it wisely and, most importantly, how to make it grow. Help children learn the differences between needs and wants. This will prepare them for making good spending decisions.

Suggested activities:

- Help your child understand income by talking with him/her about your job and how a job helps you to earn money. Pick some small chores or jobs that your child can do to earn extra money.
- Point out the costs of items in a store. Ask your child to identify which item costs more.

SLIDE 16

Ages 6 to 9: Introduce an allowance. Introduce children to the concept of saving/spending/sharing. Provide your children jars or envelopes, or have them make their own piggy banks. Give them money every week and help them to start setting short-term goals. Let them see you budgeting and paying bills. Answer any questions they have about money in a short and concise way. Be positive and encouraging.

Suggested activities:

- Talk with your child about sharing or giving back. Explain how "shared" money is used to help those in need or to support the community. Find a way for your child to share part of their allowance through giving to a community organization, faith community or charity. Help them see the end result of how that money helps others.

- Help your child to become a savvy shopper. Show them how the same item may cost more or less at a different store. Have them identify an item they want to purchase and show them how to find the lowest cost on that item.

SLIDE 17

Ages 10 to 12: Take a trip to the bank and help them open a savings account. Explain the power of interest and saving for the future. Think about setting up a savings-matching plan to help them achieve their goals more quickly. If appropriate, continue using savings banks or jars for saving/spending/sharing, and build on that by introducing them to a tracking system or basic budget. This can be as simple as a notebook listing "Income," "Expenses" and "Goals." Educate them on the power of advertising. Talk about peer pressure.

Suggested activities:

- Have your child help with the grocery shopping. Establish a budget, let them help with the list and then make it a game to see whether the child can buy everything on the list without going over the budget.
- Let your child help make the holiday shopping lists based on a budget for each gift. Encourage them to come up with low-cost or no-cost alternatives to regular gift buying.

SLIDE 18

Ages 13 to 15: Help them find paying jobs outside the home, such as baby-sitting, yard work, etc. Help them set long-range goals. If they do not already have a savings and/or checking account at a credit union or bank, take them to open an account. Help them learn to access their accounts online and teach them how to protect their identity online. Talk with them about credit and the cost of borrowing money.

Suggested activities:

- Go over a credit card or loan statement together. Show your teens what using credit costs in finance charges. If you do not carry a balance on your credit accounts, there are multiple online calculators that will show the total cost of credit.
- Go over the household budget with your teen. Explain the difference between wants and needs and have your teen pick out the items in the budget that are wants and those that are needs. Ask them to identify items that could be cut from the budget if there were a reduction in income or if there were a major purchase the family wanted to fund.

SLIDE 19

Ages 16 to 19: Help older teens develop more independence. Support their savings strategies. Help them assess job opportunities, standards of living and

major life purchases. Show them financial planning software. Discuss the costs of college, what your family can realistically afford and explore funding alternatives. Ensure that when they leave home they have the skills to function in the financial marketplace, including:

- They have established checking and savings accounts and can track account balances.
- They know how to use an ATM, debit and check cards and can write a check.
- They know how to budget and have written financial goals.
- They understand how compound interest and time works.
- They understand how to establish and maintain good credit.
- They understand how to comparison shop and research the items that they want to purchase.

Suggested activities:

- Help them to establish a balanced budget that accounts for all of their expenses and helps them to save for short- and long-term financial goals.
- Ask your older teen to list the top five "must have" items among their peer group. For example, this might be the latest cellphone, an iPad, a particular type of handbag or even a car. Now ask your teen to look at their budget and figure out how much they would have to save monthly to pay for one of these purchases or what it would cost in interest to buy that item on credit. Ask whether the item is worth the cost when they figure out how long they will have to save or after they determine the true cost of the purchase on credit.

LEARNER ACTIVITY: *Action Plan*

Time: 10 minutes

Materials: *Financial Fitness* handout, pens and pencils

Procedure: Tell learners that the last activity for the course will be to commit in writing their next steps for growing a financially fit child. Instruct learners to list three actions that they will commit to doing in the next 30 days on the "Action Plan" section of their *Financial Fitness* handout. This could be something to improve their own financial situation, such as seeing their CFS to establish a budget. It could also be establishing goals for regular money conversations or implementing learning activities with their children.

Give learners five minutes to make their list and then ask for volunteers to share their action items. Congratulate learners for taking the first steps toward raising financially fit kids. Encourage them to follow up on their action plan by enlisting help from their family or other valuable resources.

SUMMARY

Setting the Example

SLIDE 20

Once again, *you* set the example for raising financially fit children. Show your children that learning never ends and that it is important to keep up with the world of money. Read the financial pages of your local newspaper or read a financial blog. Subscribe to a financial magazine, such as *Money* or *Kiplinger's Personal Finance*. Visit websites geared to financial education and find new activities that you can do with your child. Pick up a book on personal financial management from your local library. For every age and stage of your life, there is something new to learn.

Sources of Help

Trainer's note: Refer learners to the "Resources" section of their *Resources for Raising Financially Fit Kids* handout.

SLIDE 21

Service members and their families have access to many free financial resources. A great first stop is your CFS, who has special training to help you with most aspects of financial management. Check out the local FFSC; they have financial counselors and parenting educators who can work with you one-on-one, or attend some of the great financial classes they offer. Stop by your bank or credit union for resources and suggestions on working with children and money. And do not forget to check out the websites listed on your *Resources for Raising Financially Fit Kids* handout.

NOTES:

YOUR FINANCIAL FITNESS

Great Things I Do With My Money	Great Things I Wish I Had Done With My Money	Mistakes I Have Made With My Money

GOALS FOR CHANGE

List four financial habits or behaviors you want to establish or change.

Areas of Improvement:

1. _____

_____

2. _____

_____

3. _____

_____

4. _____

_____

Specific Goals and Other Notes:

ACTION PLAN

List three actions you will commit to doing in the next 30 days.

1. _____

_____

2. _____

_____

3. _____

_____

4. _____

_____

Other Ideas and Goals:

Resources to Try:

CHAT IT UP!

List three communication tips you want to try with your family.

1. _____

_____

2. _____

_____

3. _____

_____

Other Communication Tips or Goals:

Financial Planning Worksheet

Date _____ Rate _____

Name _____ Age _____

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

Marital Status _____ Spouse's Name _____ Age _____

Spouse's Place of Employment _____

Number of Children and Ages _____

Home Address _____

Work Telephone _____ Home Telephone _____

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

Amount of SGLI Elected _____ Amount of FSGLI Elected _____

TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

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

LIABILITIES

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

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

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

MONTHLY INCOME

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

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

MONTHLY SAVINGS AND LIVING EXPENSES

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

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		
LIVING EXPENSES		**ACTUAL**		**PROJECTED**		**REMARKS**
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$____Long Distance=$____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

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

SUMMARY

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

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

ACTION PLAN

INCREASE INCOME

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE LIVING EXPENSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE INDEBTEDNESS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

REFERRALS/RECOMMENDED TRAINING

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

SETTING YOUR GOALS (Short and Long Term)

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

MONTHLY SPENDING PLAN

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

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

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

Resources for Raising Financially Fit Kids

Ages 3 to 5: As soon as children can count, introduce them to money. Take an active role in providing them with information. Observation and repetition are two important ways children learn. Talk about money and show them how much things cost. Have them start making choices about buying small items. Help them learn about coins, paper money and basic counting. Communicate with children about your values concerning money – how to save it, spend it wisely and, most importantly, how to make it grow. Help children learn the differences between needs and wants. This will prepare them to make good spending decisions.

Suggested activities:

- Help your child understand income by talking with him/her about your job and how a job helps you to earn money. Pick some small chores or jobs that your child can do to earn extra money.
- Point out the costs of items in a store. Ask your child to identify which item costs more.

Ages 6 to 9: Introduce an allowance. Introduce children to the concept of saving/spending/sharing. Provide your children jars or envelopes, or have them make their own piggy banks. Give them money every week and help them to start setting short-term goals. Let them see you budgeting and paying bills. Answer any questions they have about money in a short and concise way. Be positive and encouraging.

Suggested activities:

- Talk with your child about sharing or giving back. Explain how "shared" money is used to help those in need or to support the community. Find a way for children to share part of their allowance through giving to a church, community organization or charity. Help them see the end result of how that money helps others.
- Help your child to become a savvy shopper. Show them how the same item may cost more or less at a different store. Have them identify an item they want to purchase and show them how to find the lowest cost on that item.

Ages 10 to 12: Take a trip to the bank and help them open a savings account. Explain the power of interest and saving for the future. Think about setting up a savings-matching plan to help them achieve their goals quicker. If appropriate, continue using savings banks or jars for saving/spending/sharing, and build on that by introducing them to a tracking system or basic budget. This can be as simple as a notebook listing "Income," "Expenses" and "Goals." Educate them on the power of advertising. Talk about peer pressure.

Suggested activities:

- Have your child help with the grocery shopping. Establish a budget, let them help with the list and then make it a game to see whether the child can buy everything on the list without going over the budget.
- Have your child/children help make the holiday shopping lists based on a budget for each gift. Encourage them to come up with low-cost or no-cost alternatives to regular gift buying.

Ages 13 to 15: Help them find paying odd jobs outside the home. Help them set long-range goals. If they do not already have a savings and/or checking account at the credit union or bank, take them to open an account. Help them learn to access their accounts online and teach them how to protect their identity online. Talk with them about credit and the cost of borrowing money.

Suggested activities:

- Go over a credit card or loan statement together. Show your teens what using credit costs in financial charges. If you do not carry a balance on your credit accounts, there are multiple online calculators that will show the total cost of credit.
- Go over the household budget with your teen. Explain the difference between wants and needs and have your teen pick out the items in the budget that are wants and those that are needs. Ask them to identify items that could be cut from the budget if there were a reduction in income or if there were a major purchase the family wanted to fund.

Ages 16 to 19: Help older teens develop more independence. Support their savings strategies. Help them assess job opportunities, standards of living and major life purchases. Show them financial planning software. Discuss the costs of college and what your family can realistically afford, and explore funding alternatives. Ensure that when they leave home they have the skills to function in the financial marketplace, including:

- They have established checking and savings accounts and can track account balances.
- They know how to use an ATM, debit and check cards and can write a check.
- They know how to budget and have written financial goals.
- They understand how compound interest and time works.
- They understand how to establish and maintain good credit.
- They understand how to comparison-shop and research the items that they want to purchase.

Suggested activities:

- Help them to establish a balanced budget that accounts for all of their expenses and helps them to save for short- and long-term financial goals.
- Ask your older teen to list the top five "must have" items among their peer group. For example, this might be the latest cellphone, an iPad, a particular type of handbag or even a car. Now ask your teen to look at their budget and figure out how much they would have to save monthly to pay for one of these purchases or what it would cost in interest to buy that item on credit. Ask whether the item is worth the cost when they figure out how long they will have to save or after they determine the true cost of the purchase on credit.

Allowance Tips:

- Give allowances at a specific time (i.e., the beginning of the week, on set dates during the month, etc.).
- Make sure children receive enough allowance to save some.
- Increase the amount as they get older and have more needs.
- Clothing allowances help children learn to manage larger amounts of money.
- Negotiating raises teaches a valuable money management lesson.

Resources for Financially Fit Kids

- Your Command Financial Specialist (CFS)
- The Fleet and Family Support Center (FFSC)
  - Financial counselors
  - Parenting educators
  - Clinical counselors
- Your bank or credit union
- Military OneSource

Useful Websites:

- It's a Habit (Sammy the Rabbit savings site for kids): www.itsahabit.com
- It All Adds Up (financial education website for middle school and high school students): www.italladdsup.org
- Jump$tart Coalition for Personal Financial Literacy (resources for all ages): www.jumpstartcoalition.org
- Family Education (money education resources and activities for children): http://life.familyeducation.com/money-and-kids/personal-finance/34481.html
- Federal government financial education: https://kids.usa.gov/money/index.shtml
- Kids' Money (financial site for parents and children): www.kidsmoney.org
- The Mint (financial education for kids): www.themint.org
- Money as You Grow (the President's Advisory Council on Financial Literacy): http://moneyasyougrow.org
- Money Instructor (money lessons for kids): www.moneyinstructor.com

Print Course

Print Handouts

Renting

COURSE DESCRIPTION

Renting is a 60- to 75-minute course suitable for all potential renters. It is designed to increase the knowledge and comfort level of first-time renters, and to serve as a refresher for repeat renters.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to research rental options, determine affordability and locate an appropriate rental property.

Enabling:

- During the *Renting Q&A* activity, learners will develop and correctly answer questions to review content material about housing options, choosing a location and conducting a search.
- Using the *What Can You Afford?* handout, learners will correctly calculate an appropriate amount that can be dedicated each month to housing expenses.

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COURSE PREPARATION

Handouts:

- *Financial Planning Worksheet*
- *Move-in Checklist*
- *Rental Search Worksheet*
- *Renting: What Can You Afford?*

Materials (vary depending on activities chosen):

- Chart paper or whiteboard
- Markers, pens, pencils, paper
- Notecards or index cards
- Local base housing office information

- Current BAH rates
- Military pay chart information, available from www.dfas.mil
- Local apartment guides or classified section of a local newspaper
- *Renting* PowerPoint slides
- *The Rental Jackpot Review Game* (optional)

SUMMARY OF LEARNER ACTIVITIES

- *Renting Q&A:* Group activity in which learners develop review questions for the class to answer.
- *Renting: What Can You Afford?:* Learners complete a worksheet to determine what rental price they can afford.
- *The Rental Jackpot (optional):* An optional PowerPoint game that can be used for presentation of course content or in lieu of lecture or as a review.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Agenda
2. Weighing Your Options (15 minutes)
    a. Rent or Buy
    b. Visiting Your Housing Office
    c. Rental Options
    d. Checking Out Locations
    e. Conducting the Search
    f. International Renting
    g. Learner Activity: *Renting Q&A*
3. What Can You Afford? (20 minutes)
    a. Basic Allowance for Housing
    b. Needs Versus Wants
    c. Money Matters
    d. Learner Activity: *Renting: What Can You Afford?*
4. Roommates: What You Need to Know (5 minutes)

5. Getting Down to Business (10 minutes)
    a. The Application Process
    b. Negotiating the Deal
    c. Renters Insurance
6. Summary (5-20 minutes)
    a. Optional Learner Activity: *Renting Jackpot*

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

Moving is an exciting part of military life. Each duty assignment promises new experiences, adventures and friends. The first order of business is usually to find a place to call home. Renting a house or an apartment can be a good solution for military families and single service members, as it can offer the flexibility that home ownership does not always provide.

AGENDA

SLIDE 2

The purpose of this course is to provide prospective military renters the information needed so that they will be confident in their rental decisions and be better able to negotiate the potential financial pitfalls they may encounter during the rental process. Specifically, this course will cover:

- weighing your housing options.
- determining what you can afford.
- understanding the pros and cons of living with roommates.
- obtaining a lease.
- protecting yourself and your property.

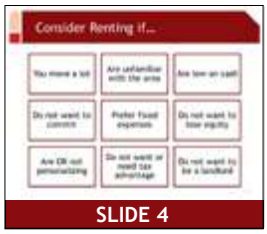
WEIGHING YOUR OPTIONS

SLIDE 3

There are many decisions that go into choosing a new home. Do not rush into a decision without first weighing your options on location, type, cost and renting versus buying. These are important decisions to ensure that you make wise housing choices.

RENT OR BUY

Your first decision in choosing a new home for you and your family is whether you will rent or buy. Both renting and buying have advantages and disadvantages.



SLIDE 4

Renting may be a better choice if ...

- **You move a lot.** Unless you live in one place at least a few years, you may lose money when selling your home. If you cannot sell, you may become a landlord by having to rent your home.
- **You are unfamiliar with the area.** Before taking the plunge and buying a home, you may want to identify a neighborhood and rent there first to determine its ultimate long-term desirability.
- **You are low on cash to cover the down payment and initial costs involved in purchasing a home.** Renting for a while to save for a down payment and closing costs makes sense in this case.
- **You do not care to commit the time, effort and expense of maintaining a home.** The costs of maintaining a home greatly exceed those of renting.
- **You prefer more fixed expenses.** There are a lot of variable, unplanned expenses when you own a home.
- **You do not want to lose any equity**. However, you will not gain any equity either.
- **You do not mind not being able to personalize your home.** Often with renting you take the dwelling as-is, and the landlord may not be willing to let you paint or change anything.
- **You do not need or want the tax advantages that come with owning a home.**
- **You do not want to be a landlord.** If you buy a home and have to move, you may be unable to sell it for a profit or unable to sell it at all (depending on the home, location, market, etc.). As a result, many military homeowners become landlords. If you do not want to be a landlord, renting may be a better option for you.

SLIDE 5

Buying may be better if ...

- **You want your equity to grow.** If you are moving to an area enjoying high appreciation in the value of residential property, your equity can grow and offset the costs of selling should you be transferred.
- **You can afford to buy a home that will allow you to itemize deductions on your tax return.** It must be expensive enough that the interest paid and real estate taxes nearly equal or exceed the standard deduction.
- **You are ready for stability and a sense of community.** Buying a home automatically commits you to a region and a neighborhood. You become interested

in the zoning ordinances, the tax rates, the city's/county's plans for expansion and growth, and the appearance of your neighbor's property.

- **You do not mind the possibility of becoming a landlord.**
- **You have money for the larger initial investment involved in buying a home.**
- **You like to remodel and personalize your home.**

Visiting Your Housing Office

Trainer's note: Have handouts and information from the base housing office available for learners. Be prepared to provide phone numbers, locations and hours of operation, etc. As an option, you may choose to have a representative from the housing office come in as a guest speaker to provide information on their services.

SLIDE 6

Once you have decided to rent your next home, the base housing office should be your first stop for information. Services can include in-depth briefings on renting in your chosen community, rental listings, scheduling appointments to view rentals, transportation to view prospective rentals (in some locations), lease review, complaint mediation, discrimination complaint processing, inspecting rentals for adequacy, Basic Allowance for Housing (BAH) rates, school information, maps, security deposit waiver information (utilities) and Rental Partnership Program (RPP). Housing offices also maintain current computerized listings of rental housing available.

Renting involves more than just choosing the right apartment or house at the right price. It is important to be fully aware of every decision that needs to be made and every possible cost. Consulting with the housing office will also ensure that you do not inadvertently select a landlord who does not comply with DoD policies on fair housing.

Rental Partnership Program

The purpose of the Rental Partnership Program (RPP) is to provide service members with affordable, off-base rental opportunities. The program, formed from a contract between the landlords and the U.S. Navy, is open to active-duty service members who have at least six months of active-duty service remaining before they leave the military or rotate to another area. Service members must provide documentation to prove that they meet these requirements as well as have authorization to live off base. Rent is paid by allotment only, and security deposits and application fees may apply. Check with your local housing office for specific details in your area.

SLIDE 7

Rental Options

The next factor to consider is what type of rental you would like to live in. Choices include:

- **Type:** Single-family home, duplex, townhome, condominium, apartment complex?
- **Size:** How many stories? How many square feet?
- **Bedrooms:** How many? Do you have a lot of furniture and need a large bedroom? If you will have a roommate, will you need two master suites (bedroom with attached bathroom)?
- **Bathrooms:** How many?
- **Windows:** How many, how much light?
- **Closet space and storage needs.**
- **Utilities:** Are any included in rent? If so, which? If you pay for utilities, what is the average monthly bill?
- **Appliances:** Washer, dryer, refrigerator, microwave?
- **Yard:** Do you want one? Will you be responsible for maintenance?
- **Parking:** Garage? Carport? Assigned? On the street? None?
- **Furnished:** Fully, partially or unfurnished?

SLIDE 8

Checking Out Locations

Where do you want to live? Some of the factors affecting location include:

- Distance to work.
- School system (if school-age children).
- Safety of the area.
- City, suburb or country.
- Availability of mass transit.
- Proximity to child care.
- Proximity to services (e.g., base facilities, shopping, libraries, police, fire station).

Make a list of priorities when it comes to location, again differentiating between what you absolutely need to have and what would be nice to have if available and in your budget.

Conducting the Search

Trainer's note: Provide learners with a *Rental Search Worksheet* handout. You may wish to make extra copies available so that learners can have a master from which they can make copies for each property they view.

SLIDE 9

Use all of your available resources to help you find the right place. For every unit you look at, fill out a *Rental Search Worksheet* to help you remember the details. If you have anything printed about the unit, attach it to the worksheet, as well as any pictures of the property. Search resources include:

- **Internet:** Internet searches greatly increase the ability to find a rental property to fit your budget. Larger cities might have websites just for real estate in that location alone, and there are national websites that list rentals from all over. Often pictures are posted, as well as contact information for owners and/or property managers.
- **Personal contacts:** Telling friends, family and work colleagues that you are looking for a place to live will increase your chances of finding the right place, because you can trust them to be honest and they may know of forthcoming vacancies that have yet to be advertised.
- **Local newspapers/magazines:** Find out when your local newspaper publishes new real estate listings (typically weekends) and be sure to check the listings regularly. If you do not subscribe, check the newspapers kept at your local library. Make sure to check out the base newspaper as well.
- **Housing office:** The base housing office often has rental listings and may even have some rental programs to benefit the military member.
- **Bulletin boards:** Check out the bulletin boards on the base, by the convenience store, at the Navy Exchange or anywhere else people post rental properties.
- **Real estate agencies:** Many real estate agencies also deal in property management, meaning they rent homes as well. Check in the Yellow Pages or do an Internet search for property management agencies in your area. These agents often work for the landlord and there is no charge to the renter, except for the occasional application fee.
- **Rental agent:** Some people are professional rental agents and are hired by tenants to help them find desirable properties. There is usually a fee for this type of service, but if you are renting in an area where the rental market is tight (not a lot of available rentals), you may want to hire someone to help you with your hunt.

- **Apartment complexes:** Most apartment complexes have their own rental office. When you visit the management office, you should be provided with pricing, floor plans and availability. Check with your base housing office for listings of complexes or for published apartment books.

International Renting

Trainer's note: This section is primarily for learners at CONUS sites who are heading overseas. It provides only a minimal amount of information on the topic. Learners should be directed to an Overseas Transfer Workshop for additional information.

SLIDE 10

International renting is different and more complicated than renting in the United States. While there are private enterprises that can help you locate housing, the finder's fee may be substantial. If you are a service member, you must consult the housing office on the installation before renting. Only approved property may be rented. The office keeps a list of approved and off-limits housing.

One of the biggest surprises to many Americans is discovering just what is included in an international house or apartment rental. In fact, you may be renting little more than four walls. Kitchen cabinets and appliances may be among the special needs you are expected to supply. In addition, international houses and apartments often have no built-in closets, so you will be expected to provide your own storage areas. Some items considered routine in the United States, such as window screens, heating and air conditioning systems, and even telephone service may not always be available.

Other differences in international renting:

- Landlords are accustomed to long-term renters, so they are likely to require a generous advance notice of departure – 90 days is customary.
- In some Asian countries, landlords expect to receive "key money," a nonrefundable payment equal to two months' rent.
- In some countries, renters must maintain rented houses and apartments much more meticulously than in the United States.

Changing Currency Rates

Remember that foreign currency values fluctuate daily. Over a period of months or years, the change in value can be substantial. Before you negotiate your rent, research the prevailing currency rates to determine whether they are comparatively high or low to the dollar. While the value of your dollars will change during

your residency, the rent should remain set at the foreign currency rate specified in your lease. In only a few months, a rent that seemed quite reasonable when the dollar was especially strong can become prohibitive. Be sure to attend the Smooth Move OCONUS workshop at the Fleet and Family Support Center for more specific information on moving overseas.

LEARNER ACTIVITY: *Renting Q&A*

Time: 10 minutes

Materials: Index cards, writing materials

Procedure: Divide the class into groups and pass out index cards to each group. Tell the class that their challenge is to create two review questions to test their classmates' knowledge. (They can create additional questions, if time allows.) Instruct them to write down the review questions and the answers on the index card(s). When they are done, ask each group to read their question. Provide additional information, clarification and reinforcement of concepts as needed.

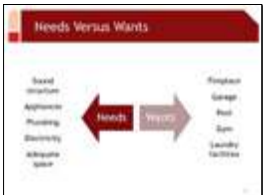
WHAT CAN YOU AFFORD?

Basic Allowance for Housing

SLIDE 11

Basic Allowance for Housing (BAH) is paid to uniformed service members to provide housing compensation based on pay grade, ZIP code and dependency status. It is payable when government quarters are not provided and when temporarily living in barracks (i.e., during basic training, schools or unaccompanied overseas assignment). BAH is based on the median housing cost in a particular area. If you are unable to find adequate housing within your allowance, you will have to make up the difference. Note that for BAH, housing costs include rent and utilities.

Needs vs. Wants



SLIDE 12

As you begin to consider your new rental, keep in mind what you absolutely need to have (i.e., a roof that does not leak, the appropriate number of bedrooms, plumbing and electricity that works, etc.) and what you just want to have (i.e., a workbench in the garage, a fireplace, a gas stove, granite countertops, etc.).

Often in renting, those "wants" are referred to as "amenities." Amenities are things like a pool, a gym and laundry facilities. You may want to have a pool but find that renting a home with a pool is out of your budget or too much to care for. However, townhome or apartment communities often have pools that are available to residents. You may want to have access to a gym, which is often an

amenity in apartment complexes, but you may be willing to pass on that because you have access to a base gym. Another good example of an amenity is laundry facilities. You can always go to a self-service laundry, either in town or on the base. However, it is nice to have laundry facilities in an apartment complex and even nicer if an apartment or other rental property comes with a washer and dryer. Carefully consider what the absolute needs are, and what the wants are, and write them all down to help you make a decision on what to rent.

Money Matters

Trainer's note: Give each learner a copy of the *Financial Planning Worksheet*. Explain the various elements of the worksheet. Invite learners to a *Developing Your Spending Plan* course for additional information on building their spending plan.

SLIDE 13

If you do not already keep track of your income and expenses with some type of a written budget, now is the time to develop one. Plan to attend the FFSC's *Developing Your Spending Plan* course, or sit down with your Command Financial Specialist (CFS), who is trained to help you develop your budget. Use the *Financial Planning Worksheet* to organize your income and expenses and ensure you have a realistic picture of where your money goes and how much you have available for rent and other housing expenses.

Guidelines for rental amount: Looking at rentals that are beyond a comfortable price limit will only result in frustration and wasted energy. For guidance, the industry standard for how much you should spend on housing (rent and utilities, including renters insurance) is about 30 percent of your net income (pays and allowances minus taxes). You can use the amount of your BAH as a guide for total housing expenses, because anything over BAH comes out of your pocket. Make an honest assessment of your cash flow. There may be other things you would like to do besides putting most of your budget into rental payments.

Refine your plan: After you develop a realistic budget, return to your list of needs and wants and cross off all of the amenities you can live without. Go back through your budget and look for ways to reduce living expenses and indebtedness. Remember that even though you are renting, there are still large out-of-pocket expenses at the beginning for rent and utility deposits, communications (phone, cable TV, Internet or satellite TV) and possibly bills for water and sewer and garbage collection. As you consider specific properties to rent, you will be able to develop a more detailed spending plan.

The influence of your credit history: Most potential landlords will ask for your permission to look at your credit report. Before you complete a rental application, it is recommended that you obtain a copy of your credit report and review it to ensure you know what your potential landlord will be seeing. You can get a free credit report once a year from www.annualcreditreport.com. Understandably, landlords want to make sure the people they rent to have clean financial histories. The better your credit report, the more likely you will pay the rent on time. Their judgment may be based on the application you fill out, which will list income, expenses and assets, as well as a credit report and possibly a personal interview.

LEARNER ACTIVITY: *What Can You Afford?*

Time: 10 minutes

Materials: *Renting: What Can You Afford?* handouts, calculators, military pay charts, BAH rates, housing advertisements and/or apartment guides.

Procedure: Distribute the *Renting: What Can You Afford?* handouts to learners. Explain that they will be calculating a realistic and reasonable amount to spend each month on rental costs. Distribute resource materials and go over the instructions on the handout. Although learners should each complete a handout, allow learners to discuss options with one another. After several minutes, ask for volunteers to share their findings. Were they able to find an appropriate housing option in the calculated price range? Answer any questions and provide any information to clarify how to apply this information as they search for their new home.

Note: Although learners may be moving to other regions, unless they know what their rental costs will be at the new location, instruct them to use local information to practice determining what they can afford. If they do not have a Leave and Earnings Statement (LES) with them, encourage them to verify the information on the handout when they have access to their LES.

ROOMMATES: WHAT YOU NEED TO KNOW

Trainer's note: Before covering this material, ask whether anyone will be having a roommate. If no one in the class will be sharing rent, then briefly cover or omit this section.

SLIDE 14

Factors to Consider

You may decide to have one or more roommates for social or financial reasons, or both. Some of the issues that potential roommates need to discuss before signing a lease include:

- **Possessions:** Who has what, who can use what and where will things go?
- **Borrowing:** As a general rule, do not borrow from your roommate, but if you have to, be sure to ask first.
- **Neatness:** What level of neatness can each of you tolerate?
- **Noise:** Will there be a quiet time? Will there be a stereo blasting or TV on at all times?
- **Bathrooms:** Will you share or do you need your own?
- **Guests:** What will the rules be for guests, especially those that might spend the night?
- **Food:** Who buys it? Who shares it? Will there be a grocery list? Will you have a common food fund?
- **Pets:** Any pets? Any allergies?
- **Smoking:** Yes, no, inside, outside?
- **Extended absences:** Will any roommates be gone for an extended period? Will the absences be at the same time? Can the rental unit be unoccupied for that period?

If you will be signing a lease with a co-tenant (roommate), you will share equal responsibility for rent payments. You also should determine how all other joint bills (e.g., security deposits, electricity, etc.) will be paid.

Vacating the Premises

SLIDE 15

There are legal issues associated with roommates, especially when one tenant decides to move out. Protect everyone by getting everything in writing. Legal experts recommend roommates agree that a vacating co-tenant:

- Will pay a stated amount of rent and utilities. If you rent under a written rental agreement, this will normally be rent and utilities for 30 days from the date the departing tenant gave written notice (or left without notice), unless a new roommate comes in earlier and covers these costs. If you rent under a lease, the amount owed will depend on when a new co-tenant, acceptable to the landlord, is ready to take over. If, despite your best efforts, you cannot find an

acceptable replacement, the departing tenant will be liable for the rent for the balance of the lease.

- Will pay for any damage the co-tenant caused to the rental unit.
- Will pay for rent and damage no later than a stated date.
- Has moved out for good and gives up any claim to be a tenant.

GETTING DOWN TO BUSINESS

The Application Process

SLIDE 16

Once you have found a rental property you would like to live in, you will need to apply to become a tenant by signing a rental agreement or a lease. Often the first step is a rental application. When completing a rental application, it is important to provide all of the required information. Bring a detailed list of the last five years of landlords and employers, including company names, a contact person, address, phone number and dates you have rented or been employed. If you have ever had an unlawful detainer (eviction) or criminal history, be honest and explain how you addressed the issue. Have a copy of your LES and credit report available.

Application Fee

An application fee is used to cover the cost of a tenant screening report. Many landlords require prospective tenants to pay a fee with the application. It is important to remember that this is a business for the landlord and they want to protect their investment. This is why a landlord screens applicants before allowing them to move into their property.

Security Deposit

Most rentals require payment of a security deposit. The security deposit can be anywhere from $500 up to two months' rent. There are laws regarding the use and refunding of security deposits, so make sure your lease or rental agreement clearly states what they are, including allowable deductions.

Negotiating the Deal

SLIDE 17

Although there is not as much to negotiate when renting as there is in buying, it is still a good idea to ask a prospective landlord whether renter incentives and flexible leasing arrangements are available. Apartment complexes that offer covered and uncovered parking may include a reserved, covered parking spot as an incentive. In cities with large military communities, some landlords offer

rental discounts to service members. Some landlords offer an incentive for a longer-term lease. Other negotiable items may include appliances, pets, yard work, cleaning services and furnishings.

Improvements

Tenants can ask that improvements be made to a rental house or apartment. Tenants have the right to live in a habitable rental unit and should not give up those rights. Repairs might include painting, installation of new carpet or appliances or repairs to the structure. Remember that while there may be an opportunity to negotiate, both the renter and property owner must benefit from any agreement made, and all agreements should be in writing.

Inspect the Property

SLIDE 18

Give your unit a thorough inspection before you move in. It is best to inspect the premises before you move in or sign the lease. It will be easier to spot problems while the place is empty. Do not neglect to check out things that might not be readily apparent, such as water pressure and sink drainage in the kitchen and bathrooms, the operation of appliances, the appearance of floors and walls, and the condition of the carpet.

Move-in/Move-out Checklists

Trainer's note: Give each learner a copy of the *Move-in Checklist* and explain the various elements of the form. Encourage learners to be thorough in their inspection. Have the phone numbers and hours of operation for the local Legal Service Office.

During the exhausting process of moving into a new apartment or rented home, the last thing on your mind is moving-out day. However, since your landlord is probably holding a sizable chunk of your money in the form of a security deposit, it is risky not to prepare for the end of your tenancy right from the beginning. Before you start unpacking dishes and hanging prints on the walls, inspect the property and take a few simple steps to avoid future misunderstandings, disagreements and disputes over damages that could affect your security deposit.

Make a detailed inventory of what you find in your rental. The best way to do this is with a good checklist. The more you record about the unit when you move in, the better position you will be in when moving out to show that certain problems existed before you moved into the unit. In some states, landlords are required to give new tenants a written statement on the condition of the unit at move-in

time, including a comprehensive list of existing damage. In other states, many landlords provide a checklist to new tenants, but some do not. Check with your local housing office to see what forms are required by law in your state/area.

Ideally, you and your landlord should fill out the checklist together to prevent any disputes or disagreements. Otherwise, it is smart to bring along a roommate or a friend so that there is at least one other witness to the condition of the unit at move-in time. If you spot problems, describe specifically what is wrong. Rather than simply noting "damage to carpet," for example, state "cigarette burns, frayed edges in carpet next to bedroom window." The more detailed you are, the clearer it is that you are not responsible for those damages. You and your landlord should both sign the checklist after completing it. Make a copy so that each of you has one.

At the end of your tenancy, you will make another inspection of the same items, noting their condition at move-out time. If items that were OK at move-in are damaged, your landlord may hold you responsible for repairing them. By doing a thorough inspection when you move in, you will be protected from being billed for any pre-existing damages.

Take Pictures or Videos

Besides completing a checklist, you may also want to document the condition of your unit with photos or video. Send printed or digital copies to your landlord along with any check-in paperwork. Make sure the time and date the images were produced can be proven. Once you have done this, the landlord will not be able to claim that the photos were taken later than they actually were.

Repeat this process when moving out.

Review the Lease

Make sure you carefully review all of the conditions of tenancy written in the lease before you sign. If there is any doubt about what you are signing, take the lease to your local Legal Service Office for review. It is recommended that you include a military clause in your rental or lease agreement. A military clause is intended to define the circumstances by which you can be released from the obligations of your lease before its normal expiration. Although the Servicemembers Civil Relief Act (SCRA) includes certain protections for service members who receive transfer orders, a military clause will outline the conditions and circumstances under which you can terminate your lease.

Get Everything in Writing

Whatever you negotiate, make sure it is in writing. Any time you have to write to your landlord, keep a copy and ask your landlord to respond in writing. It is critical that you keep a paper trail of everything between you and your landlord in case there is a future dispute.

Renters Insurance

SLIDE 19

Renters insurance is the type of coverage most overlooked by consumers. If you do not have renters insurance, you have no coverage if you lose your possessions in a burglary, storm or fire. You would not be covered if you were held liable for injury to someone else or for damage to their property.

Do not assume your landlord's insurance will protect your possessions. Landlords usually carry insurance only on the building itself. The same applies to military housing. The federal government provides only minimal, limited coverage to your personal possessions if they are damaged or stolen from your quarters. Your possessions are your responsibility. It is surprising that most renters do not have renters insurance, especially considering the cost. The average renters policy costs about $200 to $300 per year, or about $17 to $25 per month. Between the affordability and the fact that landlords do not cover your personal property, every renter should look into this type of insurance.

Coverage for Personal Property

The first part of a renters insurance policy is coverage for personal property, which protects your belongings in case they are stolen (from your home or vehicle) or damaged by certain perils named in the policy; for example, water pipes in your apartment burst, causing damage to personal rugs and furniture. Without renters insurance, you would have to cover all expenses on your own. When you buy a renters policy, you choose either actual cash value or replacement cost coverage.

Actual cash value coverage: Pays to replace your possessions minus depreciation. For example, if your television is stolen, your insurance company would settle the claim by taking the current cost of the television, then decreasing your payment on the claim according to the age of the television.

Replacement cost coverage: Pays you what you actually would spend to replace the television at today's prices with no depreciation. To claim replacement cost, you must actually replace the item. Replacement cost policies will always cost slightly more than actual cash value policies because insurance claims filed on

replacement cost policies usually cost the company more than those filed on actual cash value policies.

Liability coverage: The second part of a renters insurance policy is personal liability coverage. This pays for claims resulting from injuries or damage to other individuals or property for which you are held legally responsible.

Take inventory: Once you have your property insured, take an inventory and keep a copy of the list somewhere safe. Photos or videos of each room and its contents will help you to settle a claim in the event of a loss. Do not wait until a fire or other incident to find out whether you have enough coverage. Take an inventory to help you decide how much insurance you need.

To reduce premium costs:

- Shop around for the best rates. Be sure the company is financially sound and reliable.
- Increase the deductible. Make sure you can afford whatever amount you choose.
- Ask about non-smoker's discounts.
- Install fire and burglary detection systems.
- Use the same insurance company for renters, auto and life insurance.

SLIDE 20

SUMMARY

Trainer's note: Review and summarize major topic points or, if time allows, use *The Renting Jackpot* as an optional review activity.

You can find the perfect rental property that meets your needs and wants by following the steps outlined in this course. Remember these tips:

- Visit your base housing office to take advantage of all of the services they offer.
- Once you decide to rent, list your needs and your wants.
- Decide what type of place you want to rent, the location and any amenities you prefer.
- Calculate your budget.
- Work out details with roommates before you rent.

- Search for a rental that fits your budget and your needs by using all available resources.
- Apply for the rental and negotiate the deal.
- Fully inspect the property before moving in.
- Get renters insurance.

Sources of Help

SLIDE 21

Now that you know what steps to take in finding the rental that is right for you, remember to use all of the available resources. Here is a list of resources that you might find useful:

- Fleet and Family Support Center (FFSC) (for classes or to speak with a financial counselor)
- Command Financial Specialist (CFS) (for financial information, education and counseling)
- Local base housing office (for local listings, education and information)
- Legal Service Office (to review unsigned applications or to answer legal questions)

OPTIONAL LEARNER ACTIVITY: The *Rental Jackpot*

Trainer's note: See the "PowerPoint Game Directions" in the curriculum introduction for information on how to conduct this review activity.

Question Bank for *The Rental Review Game*

Categories: Renting vs. Buying, Potpourri, I'm Searching, Sign Right Here ..., Stuff Happens!

RENTING VS. BUYING

100 Q: Which is the better option if you move frequently?

A: Renting

200 Q: Which is the better option if you are low on cash?

A: Renting

300 Q: Which option will allow you to build equity?

A: Buying

400 Q: Which option is better if you want to become a landlord?

A: Buying

500 Q: Which option is better if you prefer more fixed expenses?

A: Renting

POTPOURRI

100 Q: What is the guideline for the amount of net income that should go to housing costs?

A: 30 percent

200 Q: Give an example of a housing "need"?

A: Answers could include: walls, rooms, plumbing, electricity, etc.

300 Q: The things you "want" in a rental are often described by rental communities as _____.

A: Amenities

400 Q: You should get a copy of this when you build your budget and apply for an apartment.

A: Credit report (You should check this annually!)

500 Q: Service members authorized to live off base are entitled to this allowance.

A: BAH

I'M SEARCHING

100 Q: What should be your first stop when you are looking for current listings, BAH rates and education and information on housing?

A: Base housing office

200 Q: Which professionals are rental professionals?

A: Property management rental agents

300 (double jackpot)

Q: Name the person at the command who can help you develop your spending plan and determine what is affordable.

A: Command Financial Specialist (CFS)

400 Q: True or false: Rental terms are non-negotiable.

A: False. You may be able to negotiate amenities and rental costs.

500 Q: What are the factors that will help you determine the best place to rent?

A: Type of rental, location and cost

SIGN RIGHT HERE ...

100 Q: True or false: You should get everything you negotiate with a potential landlord in writing.

A: True

200 Q: What is the often-required refundable amount that the landlord holds in case of unscheduled vacancy, excessive damage, etc.?

A: Security deposit

300 Q: What is something you should do at move-in to ensure the condition of the rental?

A: Conduct a thorough move-in inspection

400 Q: Where can you go to have a legal professional check important documents before you sign them?

A: Legal Services Office

500 Q: What are three things you should have when you fill out a rental application?

A: Employment history, landlord history, credit report, LES, application fee (allow any three of these answers)

STUFF HAPPENS!

100 Q: What should you have to protect your personal belongings in your rental property?

A: Renters insurance

200 Q: Name two parts of a standard renters insurance policy.

A: Personal property coverage and liability coverage

300 Q: What is the average annual cost of renters insurance?

A: $200 to $300 per year

400 Q: What should you do so that you can make an accurate and thorough claim should a loss occur?

A: Take an inventory, including pictures and/or video

500 Q: What are two ways to reduce insurance premiums?

A: Shop around, increase the deductible, install fire and burglary detection, use the same company for renters, auto and life insurance

Final Jackpot

Q: Where can you obtain a free credit report from each of the three credit reporting agencies once a year?

A: *www.annualcreditreport.com*

Financial Planning Worksheet

Date _____ Rate _____

Name _____ Age _____

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

Marital Status _____ Spouse's Name _____ Age _____

Spouse's Place of Employment _____

Number of Children and Ages _____

Home Address _____

Work Telephone _____ Home Telephone _____

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

Amount of SGLI Elected _____ Amount of FSGLI Elected _____

TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

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

LIABILITIES

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

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

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

MONTHLY INCOME

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

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

MONTHLY SAVINGS AND LIVING EXPENSES

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

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		
LIVING EXPENSES		**ACTUAL**		**PROJECTED**		**REMARKS**
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$____Long Distance=$____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

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

SUMMARY

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

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

ACTION PLAN

INCREASE INCOME

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE LIVING EXPENSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE INDEBTEDNESS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

REFERRALS/RECOMMENDED TRAINING

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

SETTING YOUR GOALS (Short and Long Term)

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

MONTHLY SPENDING PLAN

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

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

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

Move-In Checklist

	Clean and in good repair? YES	NO	Repairs Needed		Clean and in good repair? YES	NO	Repairs Needed
KITCHEN				**BEDROOM 1**			
Doors				Doors			
Walls				Walls			
Floor				Floor/carpet			
Stove				Electric fixtures			
Refrigerator				Closet/shelves			
Countertops				Furniture			
Sink				Windows			
Electric fixtures							
Windows				**BEDROOM 2**			
Cabinets				Doors			
Furniture				Walls			
Other				Floor/carpet			
				Electric fixtures			
BATHROOM				Closet/shelves			
Doors				Furniture			
Walls				Windows			
Floor							
Toilet				**BEDROOM 3**			
Basin				Doors			
Tub/shower				Walls			
Electric fixtures				Floor/carpet			
Windows				Electric fixtures			
Medicine cabinet				Closet/shelves			
				Furniture			
LIVING ROOM				Windows			
Doors							
Walls				**BEDROOM 4**			
Ceiling				Doors			
Floor/carpet				Walls			
Electric fixtures				Floor/carpet			
Closet/shelves				Electric fixtures			
Furniture				Closet/shelves			
Windows				Furniture			
				Windows			
DINING ROOM							
Doors				**BEDROOM 5**			
Walls				Doors			
Floor/carpet				Walls			
Electric fixtures				Floor/carpet			
Closet/shelves				Electric fixtures			
Windows				Closet/shelves			
Furniture				Furniture			
				Windows			
MISC.							
Screens							
Blinds			Tenant's signature:			Date:	
Porch							
Stairs			Landlord's signature:			Date:	
Smoke detector							

Rental Search Worksheet

	Rental A	Rental B	Rental C	Rental D
Terms and Conditions				
Date available				
Rent amount				
Rent due				
Deposit				
Pet rules/deposit				
Late payment charges				
Length of lease				
Penalty for breaking lease				
Physical changes allowed				
Subletting				
Utilities included				
Water/sewer				
Heat				
Garbage/recycling				
Other				
Dwelling				
Square footage				
Bedrooms				
Living/family room				
Bathrooms				
Dining area				
Kitchen				
Air conditioning				
Fireplace				
Furnace type				
Number of outlets				
Bedroom privacy				
Blinds/curtains				
Cable TV connection				
Number of phone jacks				
High-speed Internet				
Carpet				
Hardwood floors				
Closet space				
Storage				

	Rental A	Rental B	Rental C	Rental D
Furniture				
Light fixtures				
Natural light				
Paint/wall condition				
Patio/balcony				
Pets allowed				
Upstairs/downstairs				
View				
Water pressure				
Age of appliances				
Counter space/drawers				
Dishwasher				
Garbage disposal				
Gas/electric				
Microwave				
Community				
Parking				
Noise level				
Appearance				
Lighting				
Laundry facilities				
Garbage disposal				
Bike racks				
Elevators/stairs				
Safety				
Fire extinguishers				
Locks on all doors				
Outside lighting				
Smoke detectors				
Emergency exits				
Window locks				
Gated entrance				
Screens				
Neighborhood				
Public transportation				
Highway access				
Distance to school/work				
Age of community				
Shopping				
Bank				
Post office				

Renting: What Can You Afford?

Using the materials provided, determine what you can afford to spend monthly on rental costs.

1. Calculate your current net income. If you do not have your LES, you can estimate your net income or you can look it up on military pay charts.

   Total Pay and Allowances – Taxes = Net Income. _____

2. Calculate 30 percent of your net income. Net income x .30 = _____

3. What is the current BAH rate for where you will be renting? _____

4. Using ads or apartment guides, choose a house or apartment that suits your housing needs.

   What is the monthly rental cost? _____

Remember the guidelines discussed in class:

- Your rental amount should not exceed 30 percent of your net income.
- BAH is a good guide for total housing expenses, because anything over BAH comes out of your pocket.
- Make an honest assessment of your cash flow. There may be other things you would like to do rather than put most of your budget into rental payments.

Based on these guidelines and the calculations above, what can you afford to spend each month on rent?

Saving and Investing

Print Course

Print Handouts

COURSE DESCRIPTION

Saving and Investing is a 60- to 75-minute course designed to develop the knowledge and skills that will enable learners to achieve their saving and investing goals. This instructor's guide contains more information than can be presented in the session. This additional content and information is included to deepen the facilitator's knowledge of the topic and to prepare them to answer learners' questions.

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

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to understand the purpose and value of saving and investing, and evaluate and choose appropriate tools and techniques to build wealth.

Enabling:

- Learners will illustrate the effect of inflation using the eight examples in the *Has Inflation Affected You*? activity.
- During the *Which Tool Is It?* quiz, learners will demonstrate knowledge by correctly identifying 15 saving and investing tools.
- During the *Post-it Polling* activity, learners will demonstrate their recognition of saving and investing concepts and tools by choosing options in three scenario questions based on time horizon, risk tolerance and financial situation.

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Department of the Navy. (2010). *OPNAV Instruction 1740.5B Change Transmittal 2, United States Navy Personal Financial Management (PFM) Education, Training, and Counseling Program.* Chief of Naval Operations, Washington, D.C.

Department of the Navy. (2009). *Command Financial Specialist Training Manual*. Commander, Navy Installations Command, Washington, D.C.

Bureau of Labor and Statistics. *U.S. Department of Labor*. Web. Sept. 10, 2015. www.bls.gov.

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Garman, E. Thomas, and Raymond E. Forgue. (2014). *Personal Finance*. 12th ed. Boston, MA: Cengage Learning. Print.

Goodman, Jordan E. *Everyone's Money Book*. 3rd ed. Fort Lauderdale, Florida: Kaplan Business, 2001. Print.

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Quinn, Jane Bryant. *Making the Most of Your Money Now*. Revised. New York: Simon and Schuster. 2009. Print.

Shaw, Adam, and Marc Robinson. *Investing Basics*. New York: Dorling Kindersley Publishing. 2000. Print.

Stanley, Thomas J., and William D. Danko. *The Millionaire Next Door*. Reissue. Lanham, Maryland: Taylor Trade Publishing. 2010. Print.

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USEFUL WEBSITES:

Bankrate.com (current rate information): www.bankrate.com

Military Compensation: http://militarypay.defense.gov

Military OneSource: www.militaryonesource.mil

Military Saves Campaign, Consumer Federation of America: ww.militarysaves.org

Saveandinvest.org, FINRA Investor Education Foundation: www.saveandinvest.org

COURSE PREPARATION

Handouts:

- *Compound Interest and Time*
- *Has Inflation Affected You?*
- *Investing Resources*
- *The Thrift Savings Plan*
- *Thinking About Investing?*
- *Which Tool Is It?*

Materials (vary depending on activities chosen):

- Whiteboard or chart paper
- Pens, pencils and markers
- Post-it Notes and blank paper
- *Saving and Investing* PowerPoint Slides
- Optional Excel file: Compound Interest and Time

SUMMARY OF LEARNER ACTIVITIES

- *Has Inflation Affected You?:* A short activity to illustrate the effects of inflation.
- *Which Tool Is It?:* A matching quiz used to review all of the savings and investment tools covered during the course.
- *"Post-it" Polling:* A group activity in which learners review content material and then plan options that will help them build a portfolio to increase financial security.

CONTENT OUTLINE

1. Welcome and Introduction (3 minutes)
    a. Agenda
2. Understanding the Basics (5 minutes)
    a. Starting Early
    b. The Effects of Compound Interest and Time
    c. The Financial Planning Pyramid
3. The Tools of Saving (15 minutes)
    a. Safety, Liquidity and Yield
    b. Types of Savings Accounts
    c. Saving Versus Investing
    d. Learner Activity: *Has Inflation Affected You?*
    e. Taxes
    f. Compounding
4. The Tools of Investing (15 minutes)
    a. Asset Classes
    b. Fixed-Income: Bonds
    c. Equity: Stocks
    d. Asset Lessons
    e. Mutual Funds
    f. TSP Funds
    g. Learner Activity: *Which Tool Is It?*
    h. The Stock Market
5. The Techniques of Saving and Investing (20 minutes)
    a. Pay Yourself First
    b. Participate in the Military Saves Campaign
    c. Maximize Any Tax-Deferred Investment Opportunities
    d. Make Regular, Steady Investments
    e. Learner Activity: *"Post-it" Polling*
6. Summary and Conclusion (2 minutes)
    a. Take Action

CONTENT MATERIAL

WELCOME AND INTRODUCTION

Agenda

SLIDE 1

This course will explore how to use saving and investing to achieve financial security. We will start with a discussion of the basics, such as using compound interest and time to your advantage. Then we will discuss the different saving and investing tools and their uses. Finally, we will talk about some basic investing techniques to help you reach your goals and achieve financial security.

SLIDE 2

UNDERSTANDING THE BASICS

Starting Early

How much wealth is enough? How much should a person save each month or year? What is a good goal? A few years ago, the head of the Social Security Administration suggested that the average middle-aged person today will need at least $500,000 of their own money to retire comfortably (in addition to Social Security benefits and any employer-provided pensions). Are you on track to reaching $500,000 by the time you retire? Did you know that the earlier you start to save and invest, the less you need to put away? Let's get right to work on the importance of starting early by looking at an example.

SLIDE 3

A 25-year-old investor would have to invest $79 per month at a rate of return of 10 percent – a total out-of-pocket expense of $37,920 – to have $500,000 at age 65. If the same investor delayed starting for 10 years, at age 35, he or she would have to invest a monthly amount of $221 – a total out-of-pocket expense of $79,560 – to get the same $500,000 at age 65. What if the investor delayed until age 45? He or she would have to invest $658 each month – a total out-of-pocket expense of $157,920 – to have $500,000 by age 65. (All examples assume a 10 percent long-term rate of return, with taxes deferred.)

What does this example show? The earlier you start to invest, the less you will have to save each month. This is the "magic" of compound interest and time. The sooner you begin to put money aside, the longer your money will be working for you. This is so important that it is almost impossible to overemphasize. Just like the key to building wealth is saving and investing, the keys to successful investing are simple: start early in life, be consistent and disciplined, and let compound interest and time work for you.

THE EFFECTS OF COMPOUND INTEREST AND TIME

Trainer's note: Distribute the *Compound Interest and Time* handout. If learners question the 10 percent rate of return on the handout, you can explain that it is an average return over time, including the effects of inflation. If you look at historical data from the Standard and Poor's 500 index, the average annual compounded rate of return (including reinvestment of dividends) from January 1980 to December 2014 was 13.3 percent. Even including the Great Depression, the average annual compounded rate of return from 1926 to 2014 was 12.14 percent (source: www.moneychimp.com/features/market_cagr.htm). And for more recent data, the average rate of return from 2004 to 2014 was 9.61 percent.

Note that Scenario D (below) is based on receiving the $30,000 Redux bonus at the 15-year point in an active-duty service member's career and investing all of it under the TSP installment plan. For further examples, you can use the Excel spreadsheet for this handout to show the differences in time and rate of return.

SLIDE 4

SLIDE 5

SLIDE 6

SLIDE 7

SLIDE 8

Compound interest, simply defined, is when the money you invest, makes more money. The following slides show four different plans to grow money. In Plan A, $3,000 is put away each year for six years (a total of $18,000 out of pocket) starting at age 21. Without ever saving another cent, if the money were left to grow at 10 percent per year with no withdrawals, the plan would amount to more than $1 million by age 65.

Plan B shows the result of a 10-year delay in the same investment. Rather than investing $3,000 for six years starting at age 21, this scenario starts at age 31. For the same investment, the total will end up being $403,898. That 10-year delay cost about $600,000!

Plan C shows what the investments would add up to if, at the 31-year point, the investor put away $3,000 a year every year up to age 65, a total out-of-pocket expense of $105,000. Will it equal Plan A? No, the return in this scenario would be $894,380.

Plan D shows investment of a $30,000 lump sum over three years ($10,000 per year) starting at age 36. The growth would amount to $477,335.

Some service members object to these projections. Objections include, "But I'll be dead by the time I'm 65!" Actually, financial planners are planning out to 100 years of age these days. Another common objection: "You can't get 10 percent anywhere that I know of!" Again, this is not true. Reasonable investment returns and where to get them will be discussed later in this course.

Earlier, a figure of $500,000 might have seemed impossible. After looking at these scenarios and how invested money, through the "magic" of compound interest and time, can grow into substantial sums, it clearly is possible (and easy if you start early) to reach twice that figure!

The Financial Planning Pyramid

SLIDE 9

With the Financial Planning Pyramid, building wealth can be easy if you follow a few simple steps. The Financial Planning Pyramid provides a simple and organized approach to achieving your financial goals. Let us take a look at the Savings and Investment levels of the pyramid.

Once your management "tools" are in place, there is another level to emphasize before you start investing – establishing savings. Although you can certainly save and invest at the same time, you should focus on establishing your savings, especially emergency savings, before you concentrate on the investment levels.

The Financial Planning Pyramid shows that a sound savings plan consists of three components. These do not actually need to be three separate accounts (although some people find it easier to keep the money separate that way), but it should be three separate "accountings."

Reserve Fund: Money should be available in savings to cover expenses that are predictable but do not occur on a monthly basis, such as car insurance, regular maintenance, taxes, birthdays, anniversaries and holiday spending. Calculate the annual expense and divide it by 12, and put that amount aside monthly.

Emergency Fund: These are cash reserves set up in a safe, easy-to-access savings account to provide money for unexpected financial situations, such as emergency leave to visit a sick parent, car repairs, etc. You should strive to have one to three months of your monthly expenses and debt payments set aside in your emergency fund.

Goal-Getter Fund: The purpose of this fund is to provide savings for short-term goals (money needed in less than five years) such as buying a car, putting a down payment on a house or financing a special vacation.

THE TOOLS OF SAVING

Trainer's note: Check and regularly update the rates for all tools discussed. These can be found at www.bankrate.com and www.savingsbonds.gov. Current Consumer Price Index/rate of inflation can be found at www.bls.gov. Other current market data, such as the Standard & Poor's 500 index, Nasdaq and Dow Jones indexes, can be found at any financial website.

SLIDE 10

Safety, Liquidity and Yield

Where do you put your money when you are filling up your savings funds? Typically, you will use some type of savings tool. Before discussing the different types available, it is important to understand the three main factors used to evaluate the appropriateness of a saving or investing tool (or "product"). These factors are: safety, liquidity and yield.

Safety: When you save and/or invest $1, you want to be certain you at least will get your $1 back. Is the account insured? How safe is the principal? Some products guarantee you will get your money back, while others do not. You could lose some or all of what you invest.

Liquidity: How quickly and easily can you get to your money? Some money is available immediately, such as money in a savings or checking account. Other money could take a long time to get, such as equity in a real estate investment.

Yield (or rate of return): The yield is how much money your money earns. Some financial tools, such as a savings account, usually have a low rate of return, while others, like a growth stock, have the potential for high returns.

When considering the "S-L-Y" factors, it is important to know that you never can have all three working in your favor – there always will be a trade-off. The trade-off you are willing to accept will depend on your goals and your time frame for the money you have. For example, for your emergency fund, safety and liquidity will be most important, so you will have to sacrifice some yield.

Types of Savings Accounts

Trainer's note: The Federal Deposit Insurance Corporation protects the majority of banks. Credit union accounts have similar protection from the National Credit Union Administration. Both organizations are backed by the U.S. government and insure as much as $250,000 per account, per individual. This means that accounts are insured against a loss up to a balance of $250,000, even if the financial institution were to fail.

SLIDE 11

There are four options for savings: savings accounts, certificates of deposit, money market accounts and U.S. savings bonds. Each should be evaluated in view of safety, liquidity and yield.

Regular Savings Accounts

- **Safety:** Guaranteed up to $250,000 (per Social Security number), if federally insured.

- **Liquidity:** No restrictions on withdrawals.
- **Yield:** Generally carry lowest rates of interest. The current average rate is about 0.17 percent (as of January 2015).
- Go to your local credit union or bank to open a regular savings or share savings account.

Certificates of Deposit

A certificate of deposit is a deposit of a fixed sum of money for a fixed period of time.

- **Safety:** Guaranteed up to $250,000, if federally insured.
- **Liquidity:** Funds are invested for a fixed period, usually six months to five years. CDs may be liquidated at any time, but if it is before the maturity date, some interest may be forfeited.
- **Yield:** Higher than savings deposits; the longer the term, the higher the yield. The average rate of return is for a one-year CD is 0.36 percent (as of August 2015).
- Minimum deposits (usually at least $500) are required. These often are called share certificates at credit unions. Go to your local credit union, bank or brokerage to purchase a CD.

Money Market Accounts

A money market account is an interest-earning savings account offered by FDIC-insured institutions, with limited transaction privileges.

- **Safety:** Safe but may not be federally insured, depending on where the account is maintained. A money market account at a bank or credit union should be insured up to $250,000 per account. A money market account held at a brokerage or through a mutual fund typically will not be insured.
- **Liquidity:** Generally, there are no restrictions on withdrawals. Money market accounts may have a large minimum deposit required, a required minimum balance, fees for withdrawals and/or limited check-writing privileges.
- **Yield:** Generally low but higher than regular savings. The yield varies with changes in interest rates. Money market accounts may be attractive if rates are rising rapidly. The current national average rate is 0.39 percent (as of July 2015).

- Go to your local credit union, bank or a brokerage to open a money market account. Remember that many brokerages may help you open a money market fund account, which will not be insured. For savings purposes, an insured money market account is appropriate.

SLIDE 12

U.S. Savings Bonds

U.S. Savings Bonds are issued by the Department of the Treasury at face value and a fixed rate of return. The once-familiar EE paper bonds are no longer issued, though existing paper bonds may still be redeemed.

- **Safety:** Guaranteed by the U.S. Treasury.
- **Liquidity:** Can be redeemed after 12 months but are subject to a three-month interest penalty if held for less than five years.
- **Yield for Series EE bonds:** A fixed rate of return determined twice a year. The current rate is 0.30 percent (through October 2015).

Individuals can purchase savings bonds by establishing a TreasuryDirect account with the U.S. Department of Treasury and making purchases directly or through allotment. The minimum investment is $25.

Saving Versus Investing

SLIDE 13

After working on the Management Level of the Financial Planning Pyramid, savings becomes the next critical step toward financial security. Do not start an investment plan until you have a solid emergency fund for a safety net. However, for long-range goals, it is important to get a better rate of return than is available with savings tools, and it is here that we move up the pyramid to look at investment options.

How does investing differ from savings? They differ in the time frame in which the money is needed, in the higher risk associated with investment tools, in the effect of inflation and taxes on investment earnings and in the significant effect of compound interest and time.

Time Frame

As discussed earlier, it is most appropriate to use savings tools for short-term financial goals – money to be used in five years or less. If the money is needed for a goal in five or more years, investment tools that offer the potential for a higher yield are the best option. This is because in the short term, money that is placed in investment tools is subject to market fluctuations and the investor has

a higher risk of losing money. The longer your investment horizon (the distance from making the investment to using the investment), the better your ability to lower some of the risk of market fluctuations.

Risk

SLIDE 14

There is risk involved in every type of investment tool. These risks differ, depending on what investment product is used. Many people never invest their money because they are afraid of losing any of it – they do not want to take on any risk whatsoever – so they keep all of their money in a low-earning savings tool. Unfortunately, doing that may mean they never will achieve their financial goals because they never take advantage of the bigger earnings available in the investment market.

Some risk can be minimized through diversification (not putting all of your money in one investment type), which will be addressed later. Some risk also can be minimized by investing for the long term, as discussed above. The riskiest thing you can do with your money is to do nothing at all. Risk is not something to be feared but is something to be managed.

Knowledge of investing will help you manage risk. Among the most common types of risk are:

- **Physical risk:** Theft, loss of principal.
- Market risk: The ups and downs of the stock market. This is what most people consider when they weigh the risks of investing. If an investment loses value, it reduces your potential earnings. However, market risk often is reduced when money is in a sound investment over a long period of time. Savvy investors often will invest more of their money when the market is "down" in value because they see it as a big sale, and what could be a better time to buy than when a sale is in progress?
- **Interest rate risk:** The price of some investments fluctuates with changes in interest rates, particularly fixed-income investments.
- **Inflation risk:** This is probably the greatest risk to your money over the long term. To keep ahead of inflation in your long-term savings/investments, you will need to accept a greater degree of other risks. An annual inflation rate of 3 percent will cut the value of your money in half in 20 years.

SLIDE 15

Inflation

Inflation is an increase in the cost of goods and services. Inflation means that what costs $1 today will cost more than $1 in the future; for example, $100 in 1985 had the same buying power as $221.78 in 2015 (30 years).

The current inflation rate is 0.2 percent (as of November 2015). Historically, the annual rate of inflation, also referred to as the consumer price index (CPI), has averaged about 3 percent over the past 100 years.

LEARNER ACTIVITY: *Has Inflation Affected You?*

Time: 5 minutes

Materials: *Has Inflation Affected You?* Handouts

Procedure: Distribute the *Has Inflation Affected You?* handout. Ask learners to fill in the blank spaces for the prices of products in 1985. Allow about three minutes for completion and then poll the class for their responses to each item. Provide the correct answers:

- First-class stamp: 20 cents
- One dozen Grade A large eggs: 80 cents
- Extra-dry stick deodorant: $1.77
- Two-liter bottle of soda: 89 cents
- Ford Mustang: $6,885
- Movie ticket: $3.55
- Can of shaving cream: 66 cents
- Gallon of regular unleaded gasoline: $1.24

Discussion: This activity shows the effect of inflation on items we use in everyday life. Why does it matter? It matters because the cost of living rises every year. The purpose of investing is to get your money to increase in value even when the effect of inflation is taken into account. That means that if you do not earn at least the rate of inflation on your investment, then you are losing money every year.

SLIDE 16

Taxes

Along with risk and inflation, taxes become a bigger consideration when working with investment tools; therefore, they provide another difference between saving and investing. Taxes are calculated differently, depending on the type of investment account opened and the length of time the investment is held.

Regular Savings and Investment Accounts

Savings, investments and individual retirement accounts can affect your taxes. Money earned on these accounts is taxed as follows:

Savings: Earnings on your savings are taxed each year. If you earn interest or dividends on your savings and/or checking account, you will receive a statement from the bank or credit union at tax time indicating how much you earned. You must include it as unearned income on your IRS Form 1040, and you will be taxed on it at what is called your marginal income tax bracket (MITB), which usually is 15 percent or 25 percent for most military taxpayers. Typically taxes on savings are minimal, because earnings are minimal.

Investments: Earnings on your investments come in a couple of forms: dividends and capital gains. At the end of each year, tax statements are sent out noting the earnings on investments, and these earnings need to be included on tax returns.

Here is an example of how taxes on investment tools can work:

One share of stock is purchased for $50 and sold for $60. The difference between the purchase price and the selling price is called a "capital gain." In this example, the capital gain of $10 will be taxed based on how long the investment was held and on the investor's income-tax bracket. Taxes are due only if there is a capital gain. If the investment is sold for less than the purchase price, the difference is called a "capital loss." In some circumstances, these types of losses can be used to offset gains when paying income taxes.

Mutual funds, on the other hand, pass capital gains to the investor every year, regardless of whether shares are sold. This will be discussed later in this course. For now, be sure to keep all financial statements in order to calculate taxes due correctly.

Tax-Deferred Accounts

SLIDE 17

Tax-deferred accounts allow the investor to delay paying taxes on any earnings. They typically are used for retirement planning. Tax-deferred accounts include the Thrift Savings Plan; civilian retirement plans, such as a 401(k); and a "deductible" individual retirement account (IRA). An immediate benefit of these accounts is that the contributions made to them are deducted from paychecks before income taxes are calculated, so taxable pay is reduced. Special withdrawal rules apply to these types of accounts, and the money earned on them is taxed when it is withdrawn. Tax rates are at the investor's MITB at the time of withdrawal.

The Roth IRA is a type of after-tax account. The money put into a Roth IRA cannot be deducted from income before taxes, so the contribution is considered an "after-tax" contribution. All withdrawals (contributions and earnings) made after a specified period are not taxed. For more information on retirement plans, attend a *Retirement Planning* course at your local Fleet and Family Support Center (FFSC), or visit your Command Financial Specialist (CFS).

Compounding

SLIDE 18

The only way to overcome taxes and inflation is to put the power of compound interest and time to work with a long-term, disciplined investment plan. Here is one more example of how money can grow over time. Over 30 years, $100 saved monthly with no interest will equal $36,000. The same amount accumulating earnings at 5 percent will grow to about $84,091. This amount with a 10 percent rate of return grows to about $229,916. This example, along with earlier examples, shows again that the greater the rate of return and that the longer your money works for you, the more you eventually will earn. Compound interest can be a powerful force.

SLIDE 19

There is a difference, however, between what an investment can do on paper and what investors do in real life. Unfortunately, when some people see their money begin to add up, they feel a temptation to spend it. Using the above example, what if, after five years of saving, the investor decided to use the approximately $7,800 that had grown (at 10 percent) to buy a car? Continued investing at the same rate would grow only to $136,649 instead of the $229,916 if all of the money had been left to grow. In other words, you could say that the car did not cost you $7,800 but $93,276 when your account for the lost growth. The message: Save regularly, and leave it alone to grow.

THE TOOLS OF INVESTING

Trainer's note: Distribute the *Thinking About Investing?* and *Investing Resources* handouts to learners.

SLIDE 20

So far, this course has considered the magic of compound interest and time; the Savings level of the Financial Planning Pyramid; the differences between saving and investing; and some characteristics of both saving and investing tools, namely safety, liquidity and yield. Moving up the pyramid to the Investment levels, one can see that several tools are available to help us achieve our investment goals. Let us now explore some of the more popular and useful tools available.

Asset Classes

SLIDE 21

There are three main types of asset classes available to investors. An asset class is a group of securities that have similar characteristics, behave similarly in the marketplace and are subject to similar laws. The three are equities (stocks), fixed-income (bonds) and cash equivalents (money market instruments). Everything else is a combination of these three. When you invest in equity – when you buy a stock – you become an owner. When you invest in fixed-income – buy a bond – you become a lender. Fixed-income securities are also known as debt securities, but this is good debt, the type where people owe you money. A well-planned financial portfolio will have a combination of equities, fixed-income and cash, depending on investment goals, time frame and risk.

The Financial Planning Pyramid lists some of the better-known forms of equity and debt: bonds (fixed-income or debt); stocks (equity); mutual funds (explained below); hard assets (things you can touch), such as real estate, precious metals (gold or silver) and collectible items; and a few others. Several of these are worthy of a more detailed discussion because they are the best investment tools for service members and their families.

Fixed-Income: Bonds

SLIDE 22

Companies and governments issue bonds to fund their day-to-day operations or to finance specific projects. When you buy a bond, you are lending your money for a certain period of time to the issuer, be it General Electric or Uncle Sam. In return, bondholders get back the loan amount plus interest payments, which usually are distributed twice a year.

- Bonds represent money owed to the investor – an IOU.
- Companies and governments (i.e., local, state and federal governments) issue bonds.
- Bonds can be very safe (guaranteed by the U.S. government), have a high risk of default (if a company is heading toward bankruptcy, etc.) or fall somewhere in between. As an investor, you need to research the "rating" of a bond to ensure you buy only ones that match your risk tolerance.
- Bond returns have averaged between 3.5 to 5 percent during the past 86 years.
- Bonds are moderately liquid; however, you will not likely get money out of a bond the same day you need it.
- Bonds have a fixed interest payment, so they usually provide a reliable stream of income.

- Bonds typically are purchased through a brokerage.

Equity: Stocks

SLIDE 23

SLIDE 24

Common stocks are the classic equity investment. You can buy stocks in U.S. companies, foreign companies, large companies, small companies, companies that analysts believe will grow (growth) and companies that analysts currently believe are selling at a bargain (value).

- Common stocks represent ownership in a company.
- Returns come from dividends and/or an increase in stock prices; dividends represent profits passed to shareholders.
- Stocks have averaged an annual return of 10 to 12 percent for the past 88 years.
- Stocks can be purchased through a brokerage (online or in person), through an employer investment plan or even directly from the company that sells the stock through a dividend reinvestment plan (DRIP).
- Developing an individual stock portfolio takes research and time. Financial experts suggest having a well-diversified portfolio of 10 to 30 different stocks.
- Stocks normally are the best long-term way to beat inflation and represent the best opportunity for long-term growth of your money.

Asset Lessons

SLIDE 25

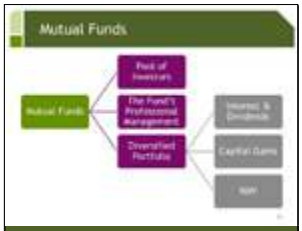
What should you be learning from this discussion of asset classes?

- It should be clear that an investor can have higher potential earnings by putting money in the stock market than by putting it in bonds or in a savings product.
- There always is the S-L-Y trade-off to consider. The higher the potential yield of an investment, the higher the risk (lower the safety). We already said you should be prepared to lose money, but you also should expect a decent rate of return if you have done your homework.
- A well-balanced portfolio will contain a combination of asset classes (stocks, bonds, cash), and the stocks and bonds chosen should be diverse as well.
- Assets are neither good nor bad, but there are good and bad uses. Which investment is best for an investor depends on the time horizon, objective, risk tolerance and age.
- For young people starting to invest, over long periods of time it usually is better to be an owner (stocks) rather than a lender (bonds). Stocks have a higher return

over extended periods than bonds and will provide the greater opportunity for long-term growth.

- Use bonds to receive a stream of income (useful for those in retirement).
- There are several options that make investing easy, almost to the point where it takes care of itself.

Mutual Funds



SLIDE 26

Mutual funds provide an easy alternative to selecting individual stocks or bonds. A mutual fund is a company that pools money from many investors and invests in the different asset classes or some combination of them. The combined holdings are called a mutual fund's portfolio. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate.

Mutual funds make money for shareholders in several ways:

- The investments the fund owns may pay dividends (stocks) or interest (bonds).
- When the manager sells an investment for a profit, there will be a capital gain.
- There will be an increase in share price (net asset value, or NAV) if the fund performs well.
- Dividends and capital gains must be paid regularly to the fund's shareholders. Many people choose to reinvest the dividends or capital gains into their account.

Whether they take the money or reinvest it, income tax still must be paid on the profits at the end of the year (unless the mutual fund is a tax-deferred account, which will be discussed later).

SLIDE 27

Mutual funds offer a number of advantages, including:

Professional management: An individual who invests in a mutual fund is hiring a professional money manager to research, select and monitor the performance of the portfolio.

Diversification: Mutual funds can offer automatic and immediate diversification. When you diversify, you put your money in a mixture of individual securities; if one performs poorly, the others may make up for it. Diversification helps spread the risk and also the opportunity. This can be difficult to do for a new investor developing a portfolio independently. It takes time, education and larger investment amounts. Mutual funds make diversification easy and cost-effective.

Liquidity: Shares can be redeemed at net asset value (minus any fees and charges) at any time.

Affordability: Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases or both.

SLIDE 28

There also are some disadvantages:

Costs despite negative returns: Sales charges, annual fees and other expenses must be paid annually whether or not the fund makes money. Also, there is the possibility of having to pay taxes even when the fund performs poorly, depending on when the shares were purchased.

Lack of control: The portfolio is determined by the manager, not the investor. The investor may not be able to determine the exact makeup of the portfolio at any given time.

Price uncertainty: Net asset value may not be computed until many hours after a redeem order has been placed. Mutual funds generally calculate their net asset value after the major U.S. exchanges close.

Not insured: Mutual funds are not federally insured like deposits in a bank or credit union. You can lose your money.

Complex records: Mutual funds can be complex when it comes to tracking purchases, sales and earnings over long periods of time. Keep all end-of-year statements.

Choosing a Mutual Fund

SLIDE 29

There are thousands of mutual funds available – how do you choose one? You can narrow the field by looking at the following:

Your goals and objectives: The objective of the fund should match your objective. For example, if you just want your money to grow, go with a large "growth" fund.

The fund's performance history: Although past performance is not an indicator of future performance, sometimes that is all the information you have available. Look for a fund with good returns over one, three, five and 10 years. The returns should be at least as good as other funds in its category and its benchmark index.

Management: The manager's performance history and length of time with the fund may help in the decision. The longer the manager has been with the fund, the more you can rely on getting the same returns the fund has earned in the past.

Costs: There are costs associated with buying mutual funds. You can buy "no-load" funds, where no commission is charged, or "load" funds. A load is a sales commission you will pay to the person who sold you the fund. Loads can be as high as 8.5 percent and can be assessed when the fund is purchased (front-load) or redeemed (contingent deferred sales charge or back-load). If you are going to buy a mutual fund with a load, be sure you are satisfied with the services of the person who is selling the fund. Funds also will have annual expenses (you will not see them taken out of your account, but they affect fund performance). All loads, expenses and fees are disclosed in the fund prospectus.

Services: Many mutual funds are part of a larger organization (called a "family" of funds) that will offer many funds with different investment objectives. Investors may be permitted to transfer money to a different fund at little or no charge as their goals or investment outlook changes. Some funds allow withdrawals by check-writing. Other services also may be available.

Buying a mutual fund: Mutual funds can be purchased through a full-service broker, discount broker, financial planner, a bank or credit union investment adviser, or directly and easily from a fund family via the phone and online. A financial service professional can provide a prospectus and an annual report for a mutual fund. When dealing with a fund directly, the prospectus will be sent when you request information on the fund. It also may be helpful to consult additional sources of information on mutual funds before investing. A wide range of information is available, and most of the information you need can be found easily by consulting rating services such as Morningstar or Lipper.

TSP Funds

Trainer's note: Distribute the *Thrift Savings Plan* handout to learners. The information about fund averages is current as of September 2015 and based on averages as of December 2014. Update this information annually for the presentation and on the PowerPoint slides. When the 10-year averages are negative, it is sometimes helpful to provide averages since inception to illustrate the value of the TSP investments.

SLIDE 30

A great way to understand how mutual funds and stock market indexes relate to each other is to consider the Thrift Saving Plan funds. Briefly, the TSP is a retirement savings and investment plan sponsored by the federal government. This plan allows for each member to invest a certain amount of money each month into one of 10 mutual funds. The majority of these funds have a portfolio designed to mimic the performance of some of the indexes just discussed.

G Fund: The Government Securities Investment Fund, which invests in special, non-traded U.S. Treasury securities guaranteed against any loss. The G Fund has a low level of volatility and a 10-year average return of 3.19 percent.

F Fund: The Fixed Income Index Investment Fund invests in government and corporate bonds and is designed to track the Barclays Capital U.S. Aggregate Bond Index. The F Fund has a low to moderate level of volatility and a 10-year average return of 4.89 percent.

C Fund: The Common Stock Index Investment Fund, which invests in stocks in the Standard and Poor's 500 Index. The C Fund has a moderate level of volatility and a 10-year average return of 7.72 percent.

S Fund: The Small Capitalization Stock Index Investment Fund, which invests in small- and medium-size companies in the United States and is designed to track the Dow Jones Wilshire 4500 Completion Index. The S Fund has a moderate to high level of volatility and a 10-year average return of 9.44 percent.

I Fund: The International Stock Index Investment Fund, which invests entirely in non-U.S. companies and is designed to track the MSCI EAFE (Europe, Australasia, Far East) Index. The I Fund has a moderate to high level of volatility and a 10-year average return of 4.58 percent.

Lifecycle Funds: Lifecycle, or L Funds, consist of five prepackaged portfolios with professionally determined asset allocation among the G, F, C, S and I funds. The L funds are professionally managed to meet your retirement needs. Assets are rebalanced daily, maintaining your portfolio mix. Assets are reallocated quarterly (redistributed among the available funds), creating a more conservative (less risk) mix with age. When a fund reaches maturity (reaches the year it is named for), it rolls to the next more conservative fund and a new fund is added.

LEARNER ACTIVITY: *Which Tool Is It?*

Time: 10 minutes

Materials: *Which Tool Is It?* handout.

Procedure: Distribute the quiz to learners. Allow them a few minutes to answer the questions and then go over the answers to review the information on the different tools.

1. _____ An account that pays a low rate of interest at a low level of risk and is covered by federal insurance up to $250,000.

2. _____ An interest-earning savings account that offers higher interest on deposits but may limit check-writing privileges and may not be insured.
3. _____ A deposit of a fixed sum of money for a fixed period of time.
4. _____ A safe way to save and invest, this tool is purchased from the U.S. Treasury at half its face value.
5. _____ An IOU with a fixed interest payment and a promise to repay within a specific period of time.
6. _____ Also known as "equity," this investment represents a share in ownership of a company.
7. _____ An investment that pools the resources of many investors and can invest in a variety of these tools.
8. _____ Investment tools that should be limited to a small percentage of your portfolio due to their risk level.
9. _____ The tool that has average returns of about 10 percent to 12 percent for the past 88 years.
10. _____The tool that has average returns of about 3.5 percent to 5 percent for the past 86 years.
11. _____ The tools that require you to pay a penalty if held for less than the specified term.
12. _____ These investments include precious metals.
13. _____The tool that offers the best way to achieve diversification.
14. _____ By contributing to this, a service member can build up tax-deferred money for retirement.
15. _____ When the money you invest, makes more money.

Answers:

1. Savings
2. Money market account
3. Certificate of deposit
4. U.S. savings bonds
5. Bond
6. Stocks
7. Mutual funds
8. Collectibles, options, etc.
9. Stocks

10. Bonds
11. Certificates of deposit
12. Hard assets
13. Mutual funds
14. Thrift Savings Plan (TSP)
15. Compound interest and time

SLIDE 31

The Stock Market

This would be a good time to discuss a term that is used frequently but may not be understood completely. When you hear "the market" on in the news, usually as in, "Today the market was ...," to what does the term refer?

The Dow: The Dow Jones industrial average tracks the daily gains and losses of 30 leading U.S. stocks from the New York Stock Exchange that are considered to be key players in the market and the economy. In other words, the Dow is an index. An index is a tool for comparing your investment's performance against other similar investments. It is a measurement of the combined average performance of groups of similar securities. For the Dow, they take the value of all 30 stocks, run a formula on it each day (like an average) and then track the changes in that number every day.

The Nasdaq: The Nasdaq is a computerized trading system on which stocks (typically smaller companies or high-tech companies) are bought and sold. The Nasdaq is not a bricks-and-mortar place. Every day, an average of all stocks traded on the Nasdaq is computed, and the change in that index, the Nasdaq composite index, is reported daily.

The S&P 500: The Standard and Poor's 500 is an index that tracks the top companies in leading U.S. industries. S&P is a financial research and publishing company. It is like the Dow, only it includes more companies, and in fact the components of the S&P 500 can comprise 70 to 75 percent of the economic base of this country.

The Wilshire 4500: This is an index of small-company stocks that reflects the rest of the market not included in the S&P 500.

The Wilshire 5000: This is an index of 5,000 companies designed as a measure of the entire U.S. stock market.

The Barclays Capital U.S. Aggregate Index: This is an index designed to measure both government and corporate bonds.

The NYSE: The New York Stock Exchange is an actual building in New York City where stocks are bought and sold. An index for all the stocks traded on the exchange is reported every day.

The AMEX: The American Stock Exchange is another brick-and-mortar building where stocks are bought and sold, and there also is an index computed on it. It is the second-largest options-exchange market.

The Nikkei: Short for the Nikkei 225, the Nikkei is an index of the stock market in Tokyo, Japan.

The Hang Seng: An index of the Hong Kong Stock Exchange, one of three in China.

The Shanghai Composite: An index of the stock market in Shanghai, China, located in a northeastern coastal city on the Chinese mainland.

The Shenzhen Stock Exchange Composite Index: An index of the Shenzhen Stock Exchange, which is physically located on the southeastern coast of the Chinese mainland.

The EAFE: Computed by Morgan Stanley, this index tracks the performance of about 1,200 non-U.S. companies representing 21 countries in Europe, Australia, New Zealand and the Far East.

When you hear the term "the market," it may be in reference to one of these elements or all of them. These indexes can be a valuable way of determining how your investments are performing. For example, if you hold stocks that are included in the S&P 500 and you want to see whether your portfolio returns are keeping up with the market in general, you would compare your portfolio returns with the S&P 500 for the same period. If you held a mutual fund with technology stocks, you would be better to compare the return on your mutual fund to the Nasdaq, as that would be a better comparative index. If most of your stock or mutual fund investments are in foreign companies, you would compare the rate of return on your portfolio with that of the EAFE index.

THE TECHNIQUES OF SAVING AND INVESTING

Pay Yourself First

SLIDE 32

Make sure you have adequate income to pursue a savings and investment plan and that you have adequate insurance. Save from the top of your spending plan versus the bottom (Do not save whatever is left after your expenses are paid; make your savings and investments a regular expense, too.). Set up a savings allotment–you will not miss it if you do not see it–or join the TSP.

Participate in the Military Saves Campaign

This program is sponsored by the Consumer Federation of America through an agreement with DoD. It is designed to encourage you to set your savings goals and to provide suggestions and information on how to make that happen. The goal of the program is to help service members and their families become financially prepared and put them on the path toward financial freedom. Contact your CFS, FFSC or go to www.militarysaves.org to enroll.

Maximize Any Tax-Deferred Investment Opportunities

When you have all of the necessary savings funds in place, decide how much money you can invest regularly and how much of that amount will go into retirement accounts. Put the maximum amount possible into any tax-deferred opportunities. These include the TSP, a 401(k) and an IRA. However, once money is put into retirement accounts, it cannot be withdrawn without a penalty. Therefore, it is wise to put some of your available dollars into retirement accounts and some into regular, taxable accounts.

Make Regular, Steady Investments

Earlier in this course, an example was used that showed the impact of spending money that had accumulated in an investment account. Even if you continue investing at the same rate, you never will catch up to what you could have had if you had not withdrawn your money early. Keep in mind that investment performance is not the same as investor performance. The stock market could be posting a return of 25 percent, but if you are not investing regularly, you will not see your investments grow.

If you have a lump sum of money to invest, research the options, consult a professional and identify the appropriate investment tool for your goals, time frame and risk tolerance. If you are like most small investors, you do not have a large sum of money and are investing a smaller amount on a monthly basis. Keep at it, and do not stop the flow of money into your investments.

SLIDE 33

LEARNER ACTIVITY: *"Post-it" Polling*

Time: 15 minutes

Materials: Post-it Notes, chart paper or whiteboard, markers, pens or pencils

Preparation: First, prepare three sheets of chart paper or sections of whiteboard by writing one of the following topics on each sheet/section: Risk Tolerance, Time Horizon, Your Plan. Next, divide each piece of chart paper or whiteboard section into four equal areas. Write the following subtopics in the four areas: Savings, Bonds, Mutual Funds, Stocks. See the following example.

Time Horizon	
Savings	Bonds
Mutual Funds	Stocks

Procedure: Distribute three Post-it Notes to each learner. Explain that they are going to use the Post-it Notes to "vote" on their choices for the following three considerations. For clarification, they are listed on the slide. Allow the learners about two minutes to "vote" by placing their Post-it Note in the section which corresponds with their choice for each consideration.

- Risk Tolerance: Assuming you have $1,000 to invest tomorrow, which one of the tools would you choose?
- Time Horizon: Based solely on your time horizon, which is the best tool to use?
- Your Plan: Based on your situation and the knowledge gained in this class, which will you most likely do in the next year?

Summarize the results and discuss various reasons why the results are similar or different. For example, you may note that based on time horizon alone, you might expect to see different or similar results to the risk tolerance scenario. Conclude by asking whether learners would like to share their reasons for their choices under "Your Plan."

SUMMARY AND CONCLUSION

Take Action

SLIDE 34

The investment markets never have been friendlier to small investors. Employer-provided retirement plans such as the TSP, the Internet and mutual funds make investing easy and effective. Remember: The riskiest thing you can do with your money is to do nothing at all. Inflation will guarantee that you will move away from building wealth as the value of your money erodes. So keep first things first and put your money where it can grow.

Determine financial goals: Set short- and long-term goals and determine which types of investments are appropriate for the time horizons associated with each.

Review your budget: Cut expenses, pay down your debt and determine how much you can put into savings and investments each month. Pay yourself, as you would any other bill – except pay yourself first!

Save money you do not have yet: Commit a portion of every future raise to your investment plan. You do not have it now, so you will not miss it when you invest it.

Establish emergency, reserve and goal-getter savings funds: Goals should include having three months of expenses in emergency savings and putting aside about 10 percent of net income for long-term goals.

Get help if you need it: Talk to trusted family, friends and co-workers and ask how they invest their money. Encourage members to meet with you or the FFSC financial counselor for additional information. Explore the possibility of hiring a financial professional (such as a certified financial planner) to help you with your plan if you need it.

Build an investment portfolio: Maximize tax-deferred opportunities. Choose a mutual fund or the stock of a company you have researched. Interview and hire a financial professional if you prefer to have assistance.

Keep learning: New information is available all the time, and the investment environment changes frequently. Read books and magazines, attend classes, talk to fellow investors, start an investment club. Even if you plan to work with a broker, financial planner or other investment adviser, it still will help if you improve your knowledge about how you plan to invest; no one is as interested in your family's financial future as you are. A course on investing at a local community college or adult education center can be interesting as well as informative. Free seminars,

given by individuals and organizations in financial services as a way to attract potential clients, also can be useful as long as you remain on guard for the sales pitch. Scan the Internet or visit the local library and read financial magazines and newspapers.

Keep at it: Finally, once you get started, keep at it! Continue saving for short- and long-term goals. It takes time to produce virtually anything worthwhile. Never take money out of your TSP, IRA or other long-term investments for short-term objectives – that is why you have established a goal-getter or emergency fund.

OPTIONAL SHORT COURSE

Description: A shorter version of *Saving and Investing* covering a few of the topics can be used as a marketing pitch or when presentation time is limited. Start by introducing yourself and the topic. Use Slides 3 through 8 to discuss the effects of compound interest and time, and to motivate learners to save and invest. Use Slide 9 to discuss the Financial Planning Pyramid, how it lays out the steps to take to build wealth, and what needs to be done at the management and savings levels. Do not discuss the tools of savings yet. Go to Slide 13 and discuss the difference between saving and investing. Finally, distribute the *Which Tool Is It?* handout and have the group complete it either individually or in groups. Explain that they may not know the answers, but to answer the ones they think they know. After everyone is finished, go through the answers, explaining each of the tools as time permits. End by inviting learners to the full *Saving and Investing* course, and to visit their CFS for guidance on starting an investment program.

Time: 30 Minutes

Materials and Handouts:

- *Compound Interest and Time*
- *Investing Resources*
- *The Financial Planning Pyramid*
- *Which Tool Is It?*
- PowerPoint slides as indicated in outline

Topics:

- Welcome and Introduction, Slide 1
- Effect of Compound Interest and Time, Slides 3 through 8
- The Financial Planning Pyramid, Slide 9
- Saving Versus Investing, Slide 13
- *Which Tool Is It?* Handout and Activity
- Invitation to other classes and to consult CFS

NOTES:

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

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

Has Inflation Affected You?

As of 2015, the U.S. inflation rate is a low 0.2 percent per year. For the last 100 years, however, it has averaged 3.22 percent a year. Even that may not seem like much, but it adds up. Over time, inflation erodes the purchasing power of present-day dollars. Prices have even jumped over the last 30 years. See if you can guess the prices of the following items from 1985 compared with 2015.

	1985	2015
First-Class Stamp		$0.49
One Dozen Grade A Large Eggs		$2.57
Extra-dry Stick Deodorant		$3.79
Two-liter Bottle of Soda		$1.79
Ford Mustang (V6 Coupe)		$24,995
Movie Ticket		$8.50
Can of Shaving Cream		$2.99
Gallon of Regular Unleaded Gasoline		$2.65

Investing Resources

BOOKS

- *Barron's Dictionary of Finance and Investment Terms*
- *Get a Financial Life: Personal Finance in your Twenties and Thirties*, by Beth Kobliner
- *Investing from Scratch: A Handbook for the Young Investor*, by James Lowell
- *Making the Most of Your Money Now*, by Jane Bryant Quinn
- *Master Your Money Type*, by Jordan E. Goodman
- *Personal Finance,* by E. Thomas Garman and Raymond E. Forgue
- *The Millionaire Next Door (Series)*, by Thomas J. Stanley and William D. Danko
- *The Total Money Makeover: A Proven Plan for Financial Fitness*, by Dave Ramsey
- *The Truth About Money*, by Ric Edelman
- *Who's Afraid to be a Millionaire? Mastering Financial and Emotional Success*, by Kelvin Boston
- *Women and Money: Owning the Power to Control Your Destiny*, by Suze Orman

NEWSPAPERS AND MAGAZINES

- *Barron's*
- *Forbes*
- *Fortune*
- *Investor's Business Daily*
- *Kiplinger*
- *Money*
- *Wall Street Journal*

INTERNET SITES

Consumer Organizations
Consumer Reports: www.consumerreports.org
Consumer World: www.consumerworld.org

Financial Planning and Education
American Association of Individual Investors: www.aaii.com
Association for Financial Counseling, Planning and Education: www.afcpe.org
Choose to Save: www.choosetosave.org

Edelman Financial Services: www.edelmanfinancial.com
Financial Planning Association: www.fpanet.org
Kiplinger: www.kiplinger.com
Military Saves: www.militarysaves.org
National Endowment for Financial Education: www.nefe.org
Navy Fleet and Family Support Program:
www.cnic.navy.mil/ffr/family_readiness/fleet_and_family_support_program.html
Save and Invest (FINRA Investor Education Foundation): www.saveandinvest.org

Government Agencies
Board of Governors of the Federal Reserve System: www.federalreserve.gov
Consumer.gov (Federal Trade Commission): www.consumer.gov
Federal consumer information: http://publications.usa.gov
Federal Deposit Insurance Corporation: https://www.fdic.gov
Federal Student Aid: www.studentloans.gov
Federal Trade Commission: https://www.ftc.gov
U.S. Bureau of Labor Statistics: www.bls.gov
U.S. Securities and Exchange Commission: www.sec.gov

Investing
Earnings Whispers: https://www.earningswhispers.com
Businessweek: www.bloomberg.com/businessweek
Dailystocks: www.dailystocks.com
Hoovers (business intelligence database): www.hoovers.com
ICLUBcentral (tools for investors and investment clubs): www.iclub.com
MarketWatch: www.marketwatch.com
Morningstar: www.morningstar.com
The Motley Fool: www.fool.com
MSN Money: www.msn.com/en-us/money
Saving for College (guide): www.savingforcollege.com
Treasury Direct: www.savingsbonds.gov
Value Line (research): www.valueline.com
Zacks (research): www.zacks.com

Retirement
Choose to Save/American Savings Education Council: www.choosetosave.org/asec
Military OneSource: www.militaryonesource.mil
Social Security Administration: www.ssa.gov
Thrift Savings Plan: https://www.tsp.gov
U.S. Department of Defense Military Pay: http://militarypay.defense.gov

Taxes
Internal Revenue Service: www.irs.gov

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 ($18,000 in 2015; $53,000 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.

INVESTMENT OPTIONS:

- Individual Funds
  - G Fund: Government Securities Investment Fund
  - F Fund: Fixed Income Investment Fund
  - C Fund: Common Stock Index Investment Fund
  - S Fund: Small Cap Stock Index Investment Fund
  - I Fund: International Stock Investment Fund
- Lifecycle Funds (a professionally designed mix of stocks, bonds and government securities)
- Loans: Under certain circumstances, you can borrow from your TSP account. Check the TSP website for details.

TSP RESOURCES:

- TSP website: 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/civilianemployees/employeebenefits/TSP.html
- Military OneSource: www.militaryonesource.mil/pfm/saving-and-investing-basics?content_id=267395

GLOSSARY OF TERMS

After-tax Contributions – Contributions that are made after taxes have been taken from pay (i.e. Roth).

Automatic Contributions – Contributions deducted from pay and added to a TSP account by an employer.

Annuity – Guaranteed monthly income for the life of the TSP participant or survivor after separating from federal service.

Asset Allocation – The process of choosing among different kinds of assets such as stocks and bonds that will be included in an investment portfolio.

Beneficiary – The individual or entity that receives your TSP account balance (or a portion of it) at your death.

Bond – A debt security issued by a government entity or a corporation to an investor from whom it borrows money.

Catch–Up Contributions - Contributions which are made via payroll deductions by a participant age 50 or older and are permitted to exceed the Internal Revenue Code (IRC) elective deferral limit.

Contribution – A deposit made to the TSP by a participant through payroll deduction or on behalf of the participant by his or her employer.

Currency Risk – The risk that the value of a currency will rise or fall relative to the value of other currencies.

Elective Deferral Limit – An annual dollar limit, established under the Internal Revenue Code (IRC), that limits the contributions a participant can elect to make to plans like the TSP.

Eligible Employer Plan – A plan regulated under Internal Revenue Code (IRC), including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan.

Eligible Rollover Distribution – A distribution from the TSP that is eligible to be transferred or rolled over to an IRA or eligible employer plan.

Fixed Income Investments – Generally refers to bonds and similar investments (considered debt instruments) that pay a fixed amount of interest.

Index – A broad collection of stocks or bonds which is designed to match the performance of a particular market.

Inflation Risk – The risk that investments will not grow enough to offset the effects of inflation.

In-service Withdrawal – A disbursement made from a participant's account which is available only to a participant who is still employed by the federal government, including the uniformed services.

Interfund Transfer (IFT) – A redistribution of different TSP funds within an account.

Market Risk – The risk of a decline in the market value of stocks or bonds.

Matching Contributions – Contributions up to a certain limit made by an employer to TSP accounts for participants who have also contributed their own money.

Post-separation Withdrawal – A distribution from a participant's account which is available only to participants who have left federal service or the uniformed services.

Prepayment Risk – The probability that if interest rates fall, bonds that are represented in the index will be paid back early, thus forcing lenders to reinvest at lower rates.

Pre-tax Contributions – Contributions of pay that have not yet been taxed. All employee contributions to a TSP traditional balance are made pre-tax.

Qualified (earnings) – Roth earnings are qualified (i.e., paid tax-free) when two conditions have been met: 1) 5 years have passed since January 1 of the calendar year in which you made your first Roth contribution, and 2) you have reached age 59½, become permanently disabled, or have died.

Required Minimum Distribution (RMD) – The amount of money that the IRS requires be distributed to a participant each year after the participant has reached age 70½.

Risk (Volatility) – The amount of change (both up and down) in an investment's value over time.

Roth Contributions – Contributions from pay that has already been taxed (or from tax-exempt pay) and that has been deposited into a Roth balance.

Roth IRA – An individual retirement account that provides tax-free earnings.

Securities – A general term describing a variety of financial instruments, including stocks and bonds.

Stocks – Equity securities issued as ownership in a publicly held corporation.

Tax-exempt Contributions – Contributions of money to a TSP traditional balance that will never be taxed.

Time Horizon – The future point when withdrawals from an account are expected to begin.

Traditional IRA – A traditional individual retirement account or an individual retirement annuity with contributions from pay that have not yet been taxed. Also referred to as "tax-deferred," "pre-tax," or "non-Roth" contributions.

Vesting – The time in service a TSP participant must have in order to keep automatic contributions and earnings.

Source: Glossary of Terms available at www.tsp.gov.

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 additional 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.

Which Tool is It?

_____ 1 An account that pays a low rate of interest at a low level of risk and is covered by federal insurance up to $250,000.

_____ 2 An interest-earning savings account that offers higher interest on deposits but may limit check-writing privileges and may not be insured.

_____ 3 A deposit of a fixed sum of money for a fixed period of time.

_____ 4 A safe way to save and invest, this tool is purchased from the U.S. Treasury at its face value.

_____ 5 An IOU with a fixed interest payment and a promise to repay within a specific period of time.

_____ 6 Also known as "equity," this investment represents a share in ownership of a company.

_____ 7 An investment that pools the resources of many investors and can invest in a variety of these tools.

_____ 8 Investment tools that should be limited to a small percentage of your portfolio due to their risk level.

_____ 9 The tool that has average returns of about 10 percent to 12 percent for the past 88 years.

_____ 10 The tool that has average returns of about 3.5 percent to 5 percent for the past 86 years.

_____ 11 The tools that require you to pay a penalty if held for less than the specified term.

_____ 12 These investments include precious metals.

_____ 13 The tool that offers the best way to achieve diversification.

_____ 14 By contributing to this, a service member can build up tax-deferred money for retirement.

_____ 15 When the money that your money makes, makes more money.

LIST OF TERMS

Bond
Certificate of Deposit
Collectibles, Options, etc.
Compound Interest and Time
Hard Assets
Money Market Account
Mutual Funds
Savings Account
Stocks
Thrift Savings Plan (TSP)
U.S. Savings Bonds

Smart Transition Planning

Print Course

Print Handouts

COURSE DESCRIPTION

Transition from the military to the civilian sector creates many changes, including changes to a service member's income and benefits. Transitioning service members need to have a plan to help them determine their current financial situation, establish goals and prepare adequately for future financial changes. *Smart Transition Planning* is a 60-minute course intended to help learners calculate their current military compensation, examine their current financial situation, prepare to develop a financial spending plan and determine financial goals to meet their changing financial needs during transition.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to prepare financially for the transition from military to civilian pay.

Enabling:

- During the *Planning for Your Transition* activity, learners will assess their current financial situation, identify what will be necessary to maintain financial stability and create a list of action items for transition.
- In the *Increasing Your Cash Flow* activity, learners will name at least three options for dealing with cash-flow fluctuations during the transition.
- During the *What is Included?* activity, learners will list at least three benefits or perks that are included as part of their total military compensation.
- In the *Putting it All Together* activity, learners will determine whether the job offer is adequate for different pay and compensation scenarios.

REFERENCES

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Department of the Navy. (2010). *OPNAV Instruction 1740.5B Change Transmittal 2, United States Navy Personal Financial Management (PFM) Education, Training, and Counseling Program.* Chief of Naval Operations, Washington, D.C.

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Yip, Pamela. "Exiting Service Members Need to Have a Plan Before Returning to Civilian Life." *The Dallas Morning News.* Feb. 13, 2015. The Dallas Morning News Inc., Web. August 23, 2015 www.dallasnews.com/business/personal-finance/headlines/20150213-exiting-service-members-need-to-have-a-plan-before-returning-to-civilian-life.ece

Useful Websites

- Average national, state and area salaries: www.bls.gov
- Cost-of-living comparisons: www.bestplaces.net
- Free annual credit report: https://www.annualcreditreport.com/
- Military-to-civilian-pay calculator: www.gijobs.com/military-pay-calculator
- Military-take-home-pay-to-civilian-pay calculator: www.moaa.org/calculators/MilitaryPay.html
- Regular military compensation calculator: http://militarypay.defense.gov/Calculators
- Retirement plans: www.dol.gov/dol/topic/retirement/typesofplans.htm
- Salary calculator: www.salary.com/salary/index.asp
- Tax Information for employees: www.irs.gov/individuals/employees/index.html

COURSE PREPARATION

Handouts:

- *Credit Reports*
- *Financial Planning Worksheet*
- *Financial Planning Worksheet Checklist*
- *Planning for Your Transition*

Materials (vary depending on activities chosen):

- Chart paper or whiteboard
- Pens, pencils, paper
- *Smart Transition Planning* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

- *Planning for Your Transition:* A task-driven activity for learners to assess their current financial situation and determine what they will need to prepare financially for transition.
- *Increasing Your Cash Flow*: A group brainstorming activity to help learners identify ways to deal with cash-flow fluctuations during transition.
- *What is Included*: A group brainstorming activity to identify the benefits included as part of total military compensation.
- *Putting it All Together:* A scenario-based activity in which learners evaluate job offers based on pay and compensation information.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Benefits of Financial Planning
    b. Agenda
2. Where Are You Now? (25 minutes)
    a. Getting Ready
    b. Budget Basics
    c. Learner Activity: *Planning for Your Transition, Part 1*
    d. Learner Activity: *Increasing Your Cash Flow*
    e. Goal Setting
    f. Emergency Funds
    g. Learner Activity: *Planning for Your Transition, Part 2*
3. Managing Your Credit (5 minutes)
    a. Why Credit is Important
    b. Understanding Your Credit Report
    c. Addressing Credit Issues
4. Tax and Insurance Considerations (5 minutes)
    a. Tax Considerations
    b. Insurance Needs

5. Salary versus Compensation (15 minutes)
    a. Total Military Compensation
    b. Learner Activity: *What is Included?*
    c. What is it Worth?
    d. Anticipating Changes
    e. Learner Activity: *Putting it All Together*
6. Summary and Conclusion (5 minutes)
    a. Resources

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

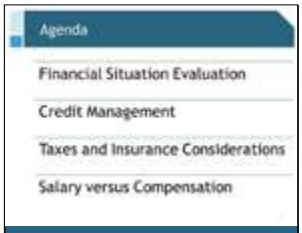
Transition from the military to the civilian sector creates many changes. Although most people anticipate that transition will involve a new career, they do not always consider that it can also include a move, a new home and a new lifestyle. To be able to successfully navigate these changes, it is important to understand the financial aspect of transition and prepare adequately for changes in the future.

Benefits of Financial Planning

SLIDE 2

Financial preparation for transition is crucial. It helps you determine your current financial status and needs, calculate the compensation necessary for you to maintain financial stability, prepare for change, evaluate job offers, increase career and locale options and reduce transition stress.

Agenda



SLIDE 3

Today's course will help you evaluate your current financial situation so that you can prepare to meet compensation changes and possible income gaps. It will also illustrate how credit, taxes and insurance considerations can affect your budget and will examine the difference between salary and compensation.

This course does not take the place of the financial portion of the Transition GPS (Goals, Plans, Success) curriculum offered at your local Fleet and Family Support Center (FFSC). Instead, this course will provide an overview of similar topics to get you started with your financial preparations before attending Transition GPS. For additional information on Transition GPS, contact your FFSC.

WHERE ARE YOU NOW?

SLIDE 4

Imagine that financial planning for transition is a road trip that you will be making. You want to successfully navigate how long your trip will take and the best route to get you to your destination. But first you need to know where you are. You cannot calculate mileage to your destination without first knowing your starting point.

As you prepare financially to transition from military service to the civilian workforce, you must also know your starting point. What is your current financial situation? How much do you need to live on? What is your credit score? These are all things you need to know to chart your course.

GETTING READY

Trainer's note: Distribute the *Financial Planning Worksheet* and *Financial Planning Worksheet Checklist* handouts. Explain to learners that you will be providing the information for them to complete their transition budget at home. The information provided in this course will explain what is needed and offer suggestions for creating an accurate budget based on each learner's current financial situation and needs.

SLIDE 5

Creating a realistic and useful transition budget requires having accurate information to complete it. If you already have a written budget, whether on paper or on a computer, you may only need to plan for the changes. If you are starting from scratch, it is important to gather the information that you will need to establish your transition budget. When you use detailed and accurate financial information in your budget, you will have a clearer overall picture of what you will need to maintain your financial stability and meet your financial goals during transition. The *Financial Planning Worksheet Checklist* will help to ensure that you have all of the materials needed to complete your transition budget.

Tracking Expenses

SLIDE 6

In addition to your paperwork and supplies, you also need to make sure that your data is accurate. One way to do that is to simply track your expenses. Most people who are building their budget plan cannot account for 10 percent of their income – they simply do not know where the money goes. There are many ways to track expenses. You can keep a small notebook in your wallet or purse to record every purchase or use a phone or online application to track expenses. Be sure to track everything you spend – the $12 for lunch, the $5 for coffee, the $15 you loaned to a co-worker, etc. You can also try keeping receipts from every purchase and totaling them up at the end of the week.

Ideally, you should track your expenses for an entire month. Tracking expenses will give you a more honest picture of your spending than trying to guess how much you spend in each category. If you cannot commit to tracking expenses for a whole month, try to do it for two weeks so that you can get the best possible picture of your monthly expenses.

Budget Basics

SLIDE 7

Once you have a list of current income and expenses, you will need to determine how many of the current expenses will stay the same and how many will change with your transition. Your expenses will fall into two categories – fixed and flexible. Your fixed expenses – for example, rent and loan payments – are items that do not change each month. Flexible expenses, such as groceries, change monthly.

As you develop your budget, keep in mind how much how money will be spent each month based on your available income, fixed expenses and your spending habits. You may find it is necessary to prioritize those expenses or set spending limits on certain expenses to create a balanced budget or to increase your cash flow during transition.

The Financial Planning Worksheet

SLIDE 8

Using the *Financial Planning Worksheet*, a comprehensive financial planning tool, you will learn how to account for all of your income, document living expenses and detail your indebtedness. You will also learn easy ways to improve your cash flow, reduce unnecessary living expenses and pay off debt. You can use the *Financial Planning Worksheet* to develop your spending plan. You can also make an appointment to see your Command Financial Specialist (CFS) or an FFSC financial counselor for assistance. You may also want to attend a *Developing Your Spending Plan* course at your local FFSC for additional budgeting information.

There are five major components to the *Financial Planning Worksheet*:

- A net worth statement on Page 1.
- A budget or cash flow plan on Pages 2-4.
- An action plan on Page 5.
- A paycheck-by-paycheck spending plan on Page 6.
- An expense tracking form on Pages 7-8.

The bottom part of the Page 1 is where you will develop your Statement of Net Worth. This is where you measure your wealth, and over time you should see the value of your net worth increase.

Page 2 is where you will list all of your monthly income. Page 3 is where you will list your monthly amounts that regularly go to saving and investing, and all of your living expenses. Page 4 is where you will list all of your monthly debt payments, including total amounts owed, and calculate your bottom line.

Pages 2, 3 and 4 make up the budget portion of the worksheet. Although this worksheet is detailed so that you can plan down to the penny if you choose, a budget is simply an accounting of the money that comes in and the money that goes out – your income and expenses.

The bottom of Page 4 provides a summary section with your budget's bottom line. The final part of the worksheet is your planning page. After you complete your budget, try to get in the habit of keeping it up-to-date regularly, and maybe even using a monthly expense tracker.

The key to financial planning for transition is the planning part. However, it can be difficult to make estimates when you may not know what your situation will bring. One place to start is to determine the total of your fixed and mandatory expenses.

LEARNER ACTIVITY: *Planning for Your Transition, Part 1*

Time: 10 minutes

Materials: *Planning for Your Transition* handout

Procedure: Distribute the *Planning for Your Transition* handout. Tell learners that they will be using this handout to capture key information and concepts that will help them to establish their transition budget. Explain that a good place to start is to determine the minimum income that will be necessary to maintain financial stability. Instruct learners to take a few minutes and list all of the fixed and mandatory expenses that must be paid after transition. This usually involves housing payments, debt payments and basic living expenses but may include other expenses necessary to that individual or family. The concept is to figure out what is absolutely necessary to live on, so stress the concept of needs versus wants. Explain that this list does not have to be exact for this activity – they can fill in exact amounts at home or after they have tracked their expenses. Assure learners that any level of planning will help with their decision-making and can also reduce the stress associated with a major life event like a career transition.

SLIDE 9

Cash Flow

As you complete your transition budget, you may find that you are in a deficit budget (e.g., more money going out than coming in) or in a break-even budget. Either situation limits your available cash flow to prepare for transition or to meet your financial goals.

There are three ways that you can change your bottom line, improve your financial situation and create a more positive cash flow. You can increase income, decrease living expenses and/or decrease indebtedness. Decreasing living expenses produces the most immediate results. A well-managed budget that decreases living expenses can see results within days.

LEARNER ACTIVITY: *Increasing Your Cash Flow*

Time: 5 minutes

Materials: Whiteboard or chart paper

Procedure: Ask learners what they would do if they had to take a reduction in pay, or if they had to pay for benefits currently included in their total military compensation? Explain to learners that you would like them to brainstorm on ways to use this information to handle income fluctuations during transition. On a whiteboard or chart paper, label three sections: Increase Income, Decrease Expenses and Decrease Debt. Ask learners to provide their ideas and suggestions for these actions.

Possible answers could include:

Increase Income:

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

Decrease Expenses:

- Change cellphone, cable and/or Internet plans to reduce monthly payments.
- Eliminate your telephone landline if you have a cellphone.
- Use public transportation or carpool rather than drive.

- Turn off the lights in unoccupied rooms.
- Install a programmable thermostat.
- Ask for military and other discounts.
- Trade child care or meal duties with another couple.
- Cook at home and pack your lunch.
- Eat fewer meals at restaurants.
- Shop at thrift stores and wholesale clubs.
- Use the commissary and exchange.
- Shop around for the best deals.

Decrease Debt:

- Pay off debts.
- Stop using credit cards for a period of time.
- Pay down debt using a power pay plan.
- Shop for the lowest interest rates.
- Consider consolidation loans.
- Seek help if you are in serious debt. (Some creditors may waive accrued interest and late fees if you enroll in a nonprofit debt management program. Speak with your CFS or FFSC financial counselor for additional information.)

Discuss the answers provided with the group and fill in any necessary information as needed. Encourage learners to list any ideas they want to try on the "Actions Items" section of their *Planning for Your Transition* handout.

Goal Setting

SLIDE 10

Goal setting is a fundamental part of both good financial management and planning and a critical aspect of being financially prepared for transition. Goal setting forces you to decide what you want to accomplish with your money and clearly defines the steps to take.

A well-written goal is a "SMART" goal. SMART means:

- Specific
- Measurable
- Action-oriented
- Relevant
- Time-bound (has start and stop dates)

Successful people have goals. They take control of their money and plan its use. A typical financial goal is something like this: "I want to be rich." Many people want to be rich, but this goal does not have a specific plan. How will you get rich? By what age? Starting when?

One goal to have for transition would be to increase your savings so that you can handle cash-flow fluctuations. This goal, written using the SMART technique, would state: "I plan to have an extra $3,600 in savings by the time I retire in three years. To achieve my goal, I will put an additional $300 in my savings account monthly." This is an excellent goal. It is specific as to how much to save, has a beginning and an end point and identifies what will be done to make it happen.

Emergency Funds

SLIDE 11

An emergency fund is a cash reserve set up in a safe, easy-to-access account to provide money for unexpected financial situations, such as covering new expenses previously covered by the military, budgeting for a new career wardrobe or sustaining a period of unemployment. There are three things to consider when establishing or increasing your emergency savings: the amount needed, the timing and your account options.

Amount: Under normal circumstances, service members are encouraged to have an emergency fund equal to one to three months of their monthly expenses and debt payments. However, during a time of flux – such as during transition – you should strive to have six months of payments and expenses in your emergency fund. It may take some transitioning service members months to find other employment; a healthy emergency fund is critical to keep the household supported during the job search and through to the first new paycheck.

Timing: You may have limited time until transition. A healthy emergency fund cannot be built overnight; it takes time to establish and it may be time you do not have. If you are working with limited time and do not have an established

emergency fund, you may need to be more aggressive in examining your budget for extra funds that can help increase your emergency fund.

Account options: Emergency funds should be easily accessible. Good tools for emergency funds are checking, savings, short-term certificates of deposit and/or money market accounts.

LEARNER ACTIVITY: *Planning for Your Transition, Part 2*

Time: 5 minutes

Materials: *Planning for Your Transition* handout

Procedure: Tell learners that, based on the information discussed, they should have additional action items to help them prepare financially for transition. Instruct them to take a couple of minutes to write down goals they need to accomplish before transition or actions they need to do to meet their goals. Ask for volunteers to share one or more of their action items. Encourage learners to continue to list action items as you go through the remaining sections of the course.

MANAGING YOUR CREDIT

SLIDE 12

Credit is a normal part of everyday personal financial management for most Americans. When used appropriately, it can be an excellent tool; when mismanaged, it can be costly and damaging to your financial future.

Why Credit is Important

What does your credit say about you? Why is it especially important during transition? Most employers now check an applicant's credit report as part of the hiring process. If you give someone your Social Security number, as you will do on an employment application, you are essentially granting that potential employer permission to review your report. Sometimes an employer will ask you to sign a form giving permission for a credit check, and sometimes they will not, but you can and should always ask whether your credit report will be accessed.

There are several things that an employer might be looking for when they pull your credit report. Employers want to know whether you are a responsible person, and your credit history is one method they believe will help determine this. Additionally, some jobs require security clearance or handling of sensitive information. In these instances, it is critical that an employer be able to trust you.

A credit report may also be an indicator of financial stress. Large amounts of debt, high credit use and/or late fees can show that someone is likely to be under a high level of financial stress. This can affect an employee's ability to be successful in their job.

Understanding Your Credit Report

SLIDE 13

A credit report is a written document compiled by one, two or all of the three major credit-reporting agencies: TransUnion, Experian and Equifax. A credit report is a detailed account of the credit history of an individual. The report also lists any judgments, tax liens, bankruptcies or similar matters of public record entered against the individual. Companies report on payment timeliness, balances, types of credit, etc. Lenders, employers and other entities pay the credit-reporting agency a fee to access data compiled on an individual. Important decisions are made based on the contents of a credit report.

If you have not seen your credit report in a while, or have never accessed it, now is the time to get your credit report and verify the information. You can get one free credit report each year from each of the three agencies at www.annualcreditreport.com. You can also accomplish this by setting up an appointment with an FFSC financial counselor, where you can receive your free report and your free credit score.

Addressing Credit Issues

SLIDE 14

The time to address any credit-report red flags that would concern a potential employer is when you review your report. If the issues are correct but unflattering, be prepared to answer questions about them or to provide additional information to your potential employer to explain the issues.

People can have poor credit for many reasons, some of which have nothing to do with their ability to do their jobs. If your credit rating is poor because of a divorce, identity theft, illness in the family or other reason, be prepared to explain these reasons to a potential employer (in the most professional way possible). Check with your CFS or FFSC financial counselor for additional information and resources. You may also wish to attend a *Credit Management* course at your FFSC.

TAX AND INSURANCE CONSIDERATIONS

Of all of the benefits included in your total military compensation, the two that can affect your post-transition finances the most are taxes and insurance.

Tax Considerations

SLIDE 15

One of the benefits of the military is receiving pays that are untaxed. Think about how much of your monthly income is not taxed. This includes Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS), and you may have additional tax-free pays depending on your current situation. Unlike in the military, most of your civilian salary will be taxable. There are, however, some exceptions. This includes money transferred directly to a retirement account or to a medical or dependent-care spending account, but in general, most (if not all) of your salary will be taxable income. This is something that you must take into consideration when calculating your budget and salary requirements, because it can significantly affect the amount of your take-home pay and available monthly income.

Other things to consider are the tax breaks or exemptions you currently have due to your military status. Some states do not require service members to pay state income taxes and provide exemptions or tax breaks for service members for items such as real estate property taxes or personal property taxes. As you start developing your transition budget, it is important to know exactly what you are, or are not, paying in taxes and what will change once you retire or separate from the military.

Insurance Needs

> ***Trainer's note:*** If learners have additional questions about insurance, encourage them to attend a *Your Insurance Needs* course at their local FFSC.

While on active duty, many of your insurance needs were either a regular, no-cost part of your benefits or were available at a low cost. As you transition to civilian life, you will need to replace your insurance coverage based on your current and projected needs.

Life Insurance

SLIDE 16

Life insurance is an expense you may need to plan for during transition and afterward. Most companies pay for a small amount of life insurance for their employees, and occasionally they allow you to purchase life insurance for your family members under their policies, but the amount is often far below what you may need.

Experts generally recommend that life insurance coverage be equal to approximately seven times your gross annual income, but there are many factors to consider that may alter this amount. The Internet has numerous life insurance calculators that can help you determine a coverage amount that is appropriate for you.

Health Insurance

SLIDE 17

You may not have realized it, especially if you have been in the military your entire working life, but health care insurance is one of the most significant of your military benefits. Not only do you receive outstanding medical care, you get it free (or for a very low cost depending on your TRICARE coverage option). If you retire, you will retain medical coverage but at a slightly higher cost. If you separate, health insurance costs may take a large chunk out of your budget that you are not currently used to paying.

Health care costs vary based on how many people you insure, the insuring company, the deductibles and what is covered. It is not uncommon for health care to cost hundreds to thousands of dollars annually. You will need to do your research to determine how much you will need to set aside for health care.

SALARY VS. COMPENSATION

SLIDE 18

Salary and compensation do not refer to the same thing. One of the biggest mistakes that transitioning service members make is misunderstanding the difference between their military pay and their total military compensation. Trying to compare your current salary to civilian salary is like trying to compare apples to oranges.

TOTAL MILITARY COMPENSATION

LEARNER ACTIVITY: *What is Included?*

Time: 2 minutes

Materials: Whiteboard or chart paper, markers

Procedure: Explain that, besides base pay, other things make up their total military compensation. Ask learners whether they know what makes up their military compensation package. Write responses on a whiteboard or chart paper. Discuss as appropriate.

Responses should include:

- Retirement benefits (retiree pay)
- Thrift Savings Plan (TSP)
- Life insurance (SGLI/ VGLI)
- Medical and dental care
- Health insurance (TRICARE)
- Housing allowance (BAH)
- Meals/meal allowance (BAS)
- Survivor Benefit Plan (SBP)
- Commissary and Exchange privileges
- Legal assistance
- Savings Deposit Program
- Combat Zone Tax Exemption
- Reenlistment and specialty bonuses
- Tax preparation assistance
- Relocation assistance

Explain: Your military compensation package includes a wide array of additional benefits, many of which you may not have access to upon your transition. Some employers may offer one or more of these types of benefits, so be sure to ask when you are negotiating your salary.

What is it Worth?

Trainer's note: Figures used in this section were calculated at www.moaa.org/calculators/MilitaryPay.html. The figures are based on an E-7 with 20 years of service, head of household with three additional dependents, drawing BAH and BAS. Recommend updating figures annually.

SLIDE 19

Let us look at an example. Consider a retiring service member, an E-7 with 20 years of active-duty service, married with two children, and look at their gross pay. This includes base pay, BAH and BAS. In order to calculate total military compensation, you must add in the value of benefits (e.g. medical, leave, commissary, tax savings).

When you factor in all the benefits, the total compensation is much higher. This is the amount that should be considered when comparing civilian job offers. If you only compare your current military salary to civilian salary without factoring in the cost of the benefits you receive at low or no cost, you would be leaving out a big piece of the picture. Ultimately, you would not be adequately prepared to make the best decision for your future. Can you afford to be in an annual deficit because you did not compare the correct figures?

Anticipating Changes

SLIDE 20

Part of financial planning for a career transition involves taking a look at your existing compensation so you will know what you will retain and what you will lose upon transition, and also so you can make an educated evaluation of the benefits package that will come with a future job offer. Exploring your benefits in detail will also clarify which benefits are necessities for you and your family, and which are nice to have but not critical to accepting the job offer.

Another consideration is the amount of take-home pay needed to cover your current responsibilities or maintain your current standard of living. Once you have determined your necessary compensation and pay, you can make financial preparations for changes based on where you are going and what you will be doing once you transition.

Where Are You Going?

SLIDE 21

Some transitioning service members will leave the service and remain in their current location. Others want to move to a specific location. Still others will go wherever a new job takes them.

If we go back to the analogy we discussed at the beginning of this course, if you are ready to take a family trip and you are calculating the time and cost of the trip, you have to know the destination. Likewise, you need to think about where you might want to live in order to calculate what pay and compensation you will need to be able to fund living there.

Cost-of-Living Considerations

For those of you who are not planning to move, putting a post-transition plan in place will be an easier process, because you already know the cost of living where you live and will have more concrete data to calculate your transition budget. If you are moving, or may be considering a move, you have to consider the cost of living in your desired location before you can evaluate a potential job offer. If you

choose to live in a high-cost-of-living location – for instance, Washington, D.C. – you will need a greater compensation package than someone who plans to live in Knoxville, Tennessee.

Another cost-of-living consideration that you will need to research is what additional expenses you might incur in this new location. For example, will you be commuting farther and thus spending more on your monthly fuel expenses? Will your housing costs be higher (or possibly lower) than the costs you currently pay? Will you be paying higher taxes?

The *Planning for Your Transition* handout lists website resources where you can get cost of living and other data for your potential locations.

Trainer's note: If time allows, and you have access to the Internet, you may wish to pull up some of the websites referenced at the bottom of the *Planning for Your Transition* handout and walk learners through the various information each provides. Note that the location comparison figures in the following activity were calculated using this website: www.bestplaces.net/cost-of-living.

LEARNER ACTIVITY: *Putting it All Together*

Time: 10 minutes

Materials: *Smart Transition Planning* PowerPoint slides

Procedure: Explain that learners will now have an opportunity to put all of the pieces together by participating in a group discussion and activity to compare job offers. Read the scenario to learners. Note that the pertinent data for each scenario is listed on the corresponding PowerPoint slide. After you read the scenario, solicit responses from learners on the validity of the offer and ask for additional considerations that would need to be included in the evaluation of the offer.

Note that even though these scenarios are based on a retiring service member, retirement pay was not factored into the income projections. Ideally, service members would not need their retirement funds to supplement and/or replace lost military income and benefits.

SLIDE 22

Tell learners: Earlier we projected the total military compensation for an E-7 with 20 years of military service. In this scenario, the retiring service member is doing well with his family on his military pay. They are happy with their current standard of living. He has received a job offer for a company in Washington, D.C. Although it is a full-time federal job with full benefits, it is a temporary position not to exceed two years. The pay is less than the comparable salary of his total military compensation based on the location. Based only on maintaining or improving current compensation and standard of living, what do you think of this offer?

Review the following information with learners:

- Total military compensation
- Current location: Norfolk, Virginia
- Job offer salary, temporary GS position – not to exceed two years, full benefits
- Job location: Washington, D.C.
- Comparable salary for this location

Ask learners: What would you need to know to properly evaluate this position? Solicit feedback and discuss responses. Responses should include:

Job stability: This is a temporary position not to exceed two years. After that, what is the plan? Is this a stepping-stone job that provides the necessary skills to achieve his dream job? What is the job market for this particular job skill in the next two years?

Cost of living: Although on paper it looks like the offer is well above what is needed for the transitioning service member to maintain his current standard of living, you have to factor in the cost of living in Washington, D.C. Once you look at what is required to meet the same salary used in the scenario – approximately $150,000, then he is going to be in a shortfall of $40,000 per year.

Is it worth it? He would need to determine whether there are other areas of income (i.e., spouse's income, retiree pay) that could make up the shortfall and whether the job and or the location are worth tightening the budget and dipping into reserves to make ends meet. If this is a stepping-stone to his dream job and he has other income to support the shortfall, it might be an acceptable offer.

SLIDE 23

Let us look at another example:

Job Offer 2:

Tell learners: In this scenario, the separating service member is doing well with his family on his current military pay. They are happy with their current standard of living. He has received a job offer for a small company in Knoxville, Tennessee. Although it is a full-time position at a pay higher than his current total military compensation, the compensation package offers limited benefits. Based only on maintaining or improving current compensation and standard of living, what do you think of this offer?

Review the following information with learners:

- Total military compensation
- Current location: Norfolk, Virginia
- Job offer, full time with a small company, limited benefits
- Job location: Knoxville, Tennessee
- Comparable salary for this location

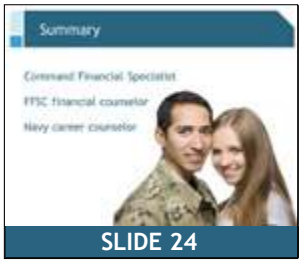
Ask learners: What would you need to know to properly evaluate this position? Solicit feedback and discuss responses. Responses should include:

Company performance: How long has this small company been around? Is this an industry on the rise or is it in decline? What is the likelihood of this company continuing to grow and be successful?

Job stability: Based on the company and industry performance, how stable is this job?

Benefits coverage and cost: "Limited benefits" does not tell you a lot about how this will affect the transitioning service member. Does the company offer few benefits or does it not pay much toward the benefits package, or both? Does the increase in pay make up for the loss of benefits? Will the spouse be working and have access to benefits that this offer does not provide?

Is it worth it? The transitioning service member will have to determine whether the company and job are stable and whether the position and/or the location make up for the possibility of limited stability of a small company. Also, does the service member have access to benefits through the spouse's job, which negate the effect of limited benefits?



SUMMARY AND CONCLUSION

Transitioning from the military usually brings tremendous change; however, you can plan and prepare to successfully navigate the financial aspects of transition. The information provided today should give you a starting point for your financial preparations. For information on budgeting, consider taking a *Developing Your Spending Plan* class at your local FFSC. Your CFS or an FFSC financial counselor can also assist you in establishing a budget. Be sure to talk with staff at your FFSC for additional information on transition programming and resources.

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 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	TransUnion	Equifax
(888) 397-3742	(800) 916-8800	(800) 685-1111
www.experian.com	www.transunion.com	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.

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. 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. You may also want to sign up for a *Consumer Awareness* course at your local Fleet and Family Support Center.

Financial Planning Worksheet

Date _____ Rate _____

Name _____ Age _____

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

Marital Status _____ Spouse's Name _____ Age _____

Spouse's Place of Employment _____

Number of Children and Ages _____

Home Address _____

Work Telephone _____ Home Telephone _____

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

Amount of SGLI Elected _____ Amount of FSGLI Elected _____

TSP Monthly Contribution _____ MGIB Monthly Contribution _____

STATEMENT OF NET WORTH

ASSETS

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

LIABILITIES

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

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

Counseling Provided By: _____

Counselor Phone #: _____

Appointment Date: _____ Time: _____

Place: _____

MONTHLY INCOME

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

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

MONTHLY SAVINGS AND LIVING EXPENSES

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

SAVINGS		ACTUAL		PROJECTED		REMARKS
SAVINGS	Emergency Fund (1-3 months)					Monthly Contribution Amount
Goal: 10% of Net Income	Reserve Fund					
Actual Projected	Goal-Getter Fund					
$ $	Investments/IRAs/TSP/etc.					
TOTAL SAVINGS AND INVESTMENTS (10%)		$		$		
LIVING EXPENSES		**ACTUAL**		**PROJECTED**		**REMARKS**
HOUSING	Furnishings					
	Maintenance/Repairs					
	Mortgage/Rent					
	Taxes/Fees					
FOOD	Dining Out					
	Groceries					
	Lunches					Include school and work lunches
	Vending Machines					
	Meal Deductions					
UTILITIES	Cable/Satellite/Internet TV/Gaming subscriptions					
	Cellular/Phone Cards					
	Electricity					
	Internet Service					
	Natural Gas/Propane					
	Telephone					Local=$____Long Distance=$____
	Water/Garbage/Sewage					
CHILD CARE	Allowances					
	Daycare					
	Support					Include other dependent care
AUTOMOBILE	Gasoline					
	Maintenance/Repairs					
	Other					
CLOTHING	Laundry/Dry Cleaning					
	Purchases ($50 monthly per person)					
INSURANCE	Automobile					
	Health/Life					
	Homeowners/Renters					
	SGLI/FSGLI					Both service member/Family SGLI
	TRICARE Dental					
HEALTHCARE	Dental					
	Eye Care					
	Hospital/Physician					
	Prescriptions					
EDUCATION	Books					
	Fees (Other/Room & Board)					
	Tuition					
	MGIB					Montgomery GI Bill (MGIB)
CONTRIBUTIONS	Charities (CFC/NMCRS)					
	Club Dues/Association Fees					
	Religious					
LEISURE	Athletic Events/Sporting Goods					Include spectator sports
	Books/Magazines					
	Computer Products (software/hardware)					
	Movie/Music/Game Rentals or Downloads					
	DVDs & CDs					
	Entertainment					
	Lessons					Dance, music, self-defense, tutor
	Toys & Games					
	Travel/Lodging					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					ABC, package store, etc.
	Other (toiletries, supplements, etc.)					
GIFTS	Holidays					
	Birthdays/Anniversaries					
PET CARE	Food/Supplies					
	Veterinarian/Service (boarding/grooming)					
MISCELLANEOUS	ATM Fees/Stamps/etc.					
	Other					Recommend $50-$150 buffer
TOTAL MONTHLY LIVING EXPENSES (70%)		$		$		

INDEBTEDNESS 20%

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

SUMMARY

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

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

ACTION PLAN

INCREASE INCOME

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE LIVING EXPENSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

DECREASE INDEBTEDNESS

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

REFERRALS/RECOMMENDED TRAINING

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

SETTING YOUR GOALS (Short and Long Term)

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

MONTHLY SPENDING PLAN

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

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

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

DAILY EXPENSES

Keep track of your daily expenses for two weeks

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

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

TAKE-HOME PAY FOR TWO WEEKS Dates

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

Financial Planning Worksheet Checklist

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

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

Other items needed:

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

Resources:

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

Planning for Your Transition

WHAT WILL YOU NEED?

List the fixed and mandatory expenses that you will be required to pay after transition. This usually involves housing payments, debt payments and basic living expenses but may include other expenses necessary to that individual or family.

OBLIGATIONS AND EXPENSES	MONTHLY COST
Total:	

ACTION ITEMS:

List the tasks, actions and goals that you need to set in place before you transition.

Useful Websites

- Average national, state and area salaries: www.bls.gov
- Cost-of-living comparisons: www.bestplaces.net
- Free annual credit report: https://www.annualcreditreport.com/
- Military-to-civilian pay calculator: http://www.gijobs.com/military-pay-calculator/
- Military-take-home-pay-to-civilian-pay calculator: www.moaa.org/calculators/MilitaryPay.html
- Regular military compensation calculator: http://militarypay.defense.gov/Calculators
- Retirement plans: www.dol.gov/dol/topic/retirement/typesofplans.htm
- Salary calculator: www.salary.com/salary/index.asp
- Tax information for employees: http://www.irs.gov/individuals/employees/index.html

Survivor Benefit Plan

Print Course

Print Handouts

COURSE DESCRIPTION

The Survivor Benefit Plan is a 60-minute course that provides basic information on the key provisions of the Survivor Benefit Plan (SBP). This information will assist service members and their spouses in making informed decisions about SBP's role in their retirement plan.

Due to the complexity of this topic, the facilitator should be comfortable with basic financial planning subjects such as the time value of money, inflation, life insurance, annuities and investments. This course provides more information than is necessary for presentation.

Although the SBP allows numerous classes of beneficiaries, the majority of military retirees are male and the majority of SBP beneficiaries are female spouses. This course is designed from that perspective.

LEARNING OBJECTIVES

Terminal: Upon conclusion of the course, learners will understand the function and benefits of SBP so that they can make the best decision for themselves and their beneficiaries.

Enabling:

- Learners will develop and correctly answer 10 questions to review content material about the SBP coverage, costs, options and considerations during *The Missing Link* activity.
- In the *SBP Debate*, learners will use a debate format to articulate at least five pros and cons to the SBP and discuss how these points influence their decision to participate in this program.

REFERENCES

Department of the Navy. (2005). SECNAV Instruction 1754.1B: *Family Support Programs*. Office of the Secretary of the Navy, Washington, D.C.

Department of the Navy. (2010). *OPNAV Instruction 1740.5B Change Transmittal 2, United States Navy Personal Financial Management (PFM) Education, Training, and Counseling Program*. Chief of Naval Operations, Washington, D.C.

Department of the Navy. (2009). *Command Financial Specialist Training Manual*. Commander, Navy Installations Command, Washington, D.C.

"Annuities Based on Retired or Retainer Pay." Title 10, *U.S. Code*, Chapter 73.

"Survivor Benefit Plan." *Army Retirement Services Office*. U.S. Army, n.d. Web. July 11, 2015. http://soldierforlife.army.mil/retirement/sbp

"Survivor Benefit Plan." *Defense Finance and Accounting Service*. Department of Defense, March 20, 2015. Web. July 11, 2015. www.dfas.mil/retiredmilitary/provide/sbp.html

"Survivor Benefit Plan." *U.S. Air Force Retiree Services*. U.S. Air Force Retiree Services, n.d. Web. July 11, 2015. www.retirees.af.mil/sbp

"Survivor Benefit Plan Details." *Navy Mutual Aid Association*. Navy Mutual Aid Association, n.d. Web. July 11, 2015. https://www.navymutual.org/Education/Military-Benefits/Survivor-Benefits.aspx

"The Survivor Benefit Plan Explained." *Military.com*. Military Advantage, n.d. Web. July 11, 2015. www.military.com/benefits/survivor-benefits/the-survivor-benefit-plan-explained.html

"Survivor Benefits Plan." *Office of the Secretary of Defense*. Office of the Under Secretary of Defense for Personnel and Readiness, n.d. Web. July 11, 2015. http://militarypay.defense.gov/Benefits/SurvivorBenefitProgram.aspx

"Understanding the Survivor Benefit Plan." *Military OneSource*. Department of Defense, June 30, 2015. Web. July 11, 2015. www.militaryonesource.mil/casualty?content_id=270439

COURSE PREPARATION

Handouts:

- *The Survivor Benefit Plan: Information and Resources*

Materials (vary depending on activities chosen):

- Index or notecards

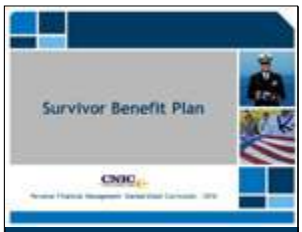
- Pencils and markers
- Blank paper
- *Survivor Benefit Plan* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

- *The Missing Link:* A group activity in which learners develop review questions for the class to answer.
- *The SBP Debate:* Learners review plan functions and benefits using a debate format.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Agenda
2. The Plan (10 minutes)
    a. What is SBP?
    b. Learner Activity: *The Missing Link, Part 1*
    c. SBP and Financial Planning
    d. Coverage and Cost
3. Options and Considerations (20 minutes)
    a. Election Options
    b. Important Considerations
    c. Learner Activity: *The Missing Link, Part 2*
4. The Decision (20 minutes)
    a. Personal Assets
    b. Life Insurance
    c. Advantages and Disadvantages
    d. Learner Activity: *The SBP Debate*
5. Summary (5 minutes)
    a. Sources of Help



SLIDE 1

SLIDE 2

SLIDE 3

CONTENT MATERIAL

WELCOME AND INTRODUCTION

Agenda

One of the most important aspects of financial planning is the ability to provide for a survivor or survivors in the event of a wage earner's death. People rely on several different types of tools to help ensure continuing income for their survivors; these tools range from personal assets to life insurance to Social Security. Some service members also believe their retirement pay will continue to be paid to their survivors, unaware that this is true only if they have elected at retirement to participate in the Survivor Benefit Plan (SBP). This course will explain how SBP works, the costs and coverage amounts, election options (who you can designate to receive the SBP benefit) and additional considerations to help you make this important decision.

THE PLAN

What is SBP?

The SBP is a government-subsidized program that guarantees that a portion of a service member's monthly retirement pay will continue to be paid to a spouse or other designated beneficiary after the service member's death. Unlike any other resource available, the SBP monthly payment is guaranteed by the government and protected from inflation.

All active-duty service members are automatically enrolled in SBP at no cost. The government bears the total cost of that coverage while you are on active duty. Should you die in the line of duty, your retired pay entitlement is calculated as of that date, and the SBP annuity flows to your surviving spouse from that amount.

Your decision at retirement, then, is whether you wish to afford your family the same survivor benefits that were in place for you on your last active-duty day. If so, you begin to share SBP's cost with the government by electing to receive reduced retired pay during your lifetime. When a service member maintains SBP coverage, their portion of the cost will be deducted from their retired pay on a pretax basis. The government cost-sharing and pretax treatment of the service member's cost makes the SBP an attractive way to provide long-term financial security for a beneficiary.

The SBP decision, however, is complicated by the fact that military retirement often occurs at a young age. Retiring service members in their late 30s or early

40s will likely have many forces competing for their income. They are raising young children, buying houses and preparing for new careers. Any reduction in retirement pay at an uncertain time in their life cycle can understandably be viewed as a sacrifice. And due to the transient nature of military life, many service members' spouses have put their careers on hold. If the spouses have held jobs, they may not have worked long enough in one place to accrue long-term retirement benefits. Because military retirement pay stops when the retiree dies, it is critical to consider the long-term income needs of the surviving spouse and that is an advantage of SBP.

LEARNER ACTIVITY: *The Missing Link,* Part 1

Time: 5 minutes

Materials: Index cards or notecards, pens, pencils

Procedure: Distribute four index cards to each learner. Tell them to write "Coverage" at the top of one card, "Cost" at the top on one card, "Options" at the top of one card and "Considerations" on the final card. Instruct learners to develop one fill-in-the-blank question from the content material on each card/topic. Instruct them to write the questions on one side and the answers on the back. Explain that you will be using these questions as a review of the material later in the class.

Depending on time and the size of the class, you may want to have learners develop additional questions (for small groups) or have groups or pairs develop their questions (for large groups).

SLIDE 4

SBP and Financial Planning

Financial planners look at six key areas of a person's financial life:

Basic financial statements, such as a cash flow or a budget, which track regular income and expenses, and a net worth statement, which measures the amount of assets you own and the amount of liabilities you owe.

Insurance planning, which includes all aspects of risk management, especially life insurance needs.

Investment planning, which typically includes personal assets such as stocks, bonds and mutual funds. It may also include assets, such as real estate and businesses owned.

Retirement planning, which includes planning retirement dates, estimating longevity, exploring employer-provided pensions and personal investment plans to ensure cash flow continues when you decide to stop earning income.

Tax planning, which involves looking at all areas of a person's financial life and ensuring payment of the minimum amount of tax possible.

Estate planning, which is concerned with preserving and passing on any assets you have accrued over your lifetime and includes planning for survivors through the use of wills, medical powers of attorney, etc.

The SBP is a unique financial planning tool that affects every area of your financial plan:

- The decision involves consideration of a retiree's cash flow and a determination of the affordability of the SBP premium.
- Often insurance is sold as a "replacement" for SBP (which it is not), so your insurance planning can be affected by SBP.
- Your personal investments will affect the decision to take SBP, because if you have sufficient personal investments, your survivors may not need to have a portion of your retired pay continue.
- SBP is a key component of your retirement planning and a unique benefit when it comes to compensation plans. When exploring the options for employment outside the military, you will want to be familiar with the characteristics of SBP so you can compare it to the benefits offered by a potential employer. SBP also broadens the worth of your retirement benefit, so it should be taken into consideration when evaluating all retirement plans you may have in effect.
- Taxes come into play in several ways when considering SBP, with the biggest factor being the pretax nature of the premium payment.
- Finally, the SBP can be a big piece of estate planning, especially if you have a child with special needs who will require continued income in the event of your death. This invaluable option allows for mentally or physically incapacitated children to continue receiving the benefit as long as they continue to be incapacitated.

So, whether you are about to retire and need to make the SBP decision or are simply interested in what the program is about, you can see that it is worth your time to learn about this important (and virtually unmatched) benefit.

Coverage and Cost

Trainer's note: Refer learners to the *Survivor Benefit Plan: Information and Resources* handout. Explain that the information you will cover in this training is also included in the handout for them to take home.

Retired Service Members

SLIDE 5

Someone who participates in SBP makes a fairly straightforward decision: they choose to receive reduced retired pay during their lifetime to be able to continue a portion of their retired pay after their death. Conversely, one can say that retirees who do not participate have elected to receive full retired pay during their lifetime, knowing that their full retired pay will die with them.

Benefit Amount

SLIDE 6

The SBP benefit, called an "annuity," is the regular, continuing payment of a portion of retired pay to a designated beneficiary (sometimes referred to as the "annuitant") after the service member dies. The portion is 55 percent of a base amount chosen by the service member. The base amount is the dollar amount of retired pay selected by the service member, upon which both the cost and benefit are based. It can be any dollar amount between $300/month (the minimum) and the service member's full retired pay.

Cost

SLIDE 7

SBP was designed with the military spouse in mind (former spouse costs and benefits follow the same rules). Spouse coverage costs 6.5 percent of the base amount selected. No similar private survivor program matches SBP's 6.5 percent tax-free cost and other features.

Trainer's note: The following is a basic calculation of a premium and a benefit (under the "spouse only" election). Spouse and child and child-only options are age dependent and require a cost factor to calculate. If learners want to estimate these options, suggest that they contact their Personnel Support Detachment or Navy career counselor for the cost factors and then go to the following website for the calculation formulas: http://militarypay.defense.gov/Benefits/SurvivorBenefitProgram/SBPWorksheet.aspx.

SLIDE 8

Example: If a service member's retired pay will be $3,000 per month, the service member can choose any amount from $300 to $3,000 as the base amount. If the service member chooses the full base amount and desires spouse-only coverage, the cost will be:

Cost: $3,000 x 0.065 = $195/month

This payment, or premium, will be deducted from retirement pay each month before taxes are calculated, resulting in an additional benefit.

Having chosen $3,000 as a base amount, the benefit would be 55 percent of the monthly base amount; in this case, $1,650 will be paid monthly to the surviving spouse as taxable income.

Annuity: $3,000 × 0.55 = $1,650/month

For each year in which retired pay receives a cost-of-living adjustment (COLA), the base amount increases accordingly. For example, if the $3,000 base amount receives a 3 percent COLA, the base amount is now $3,090 and the spouse's potential survivor annuity has increased to $1,699.50.

Active-duty Service Members

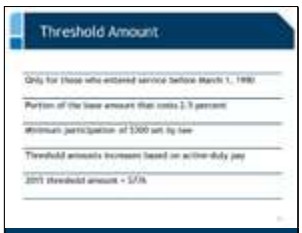
SLIDE 9

Death in the line of duty: If the service member is on active duty at the time of death and the death is in the line of duty, then the service member's family qualifies for SBP benefits. The SBP base amount is equal to the retired pay as if the service member retired with total (100 percent) disability or 75 percent of the appropriate retired pay base. (Those electing CSB/REDUX get the reduced cost-of-living-adjustment.)

Death is not in the line of duty: If the service member is retirement-eligible at the time of death while on active duty, then the SBP base amount is equal to the retired pay that the service member would qualify for under applicable law of the respective service of the deceased service member. However, in the case of a death of a service member who is not on active duty, or was on active duty but the death is determined to be not in the line of duty and the service member is not eligible for retired pay, then the service member's death does not qualify for SBP benefits. The SBP base amount will be computed as if the service member retired for length of service based on the final basic pay or High-36 average applicable. (Those electing CSB/REDUX get the reduced cost-of-living adjustment.)

Beneficiaries: For deaths while on active duty, the beneficiaries, in order of priority, are:

- Former spouse based on a court order
- Current spouse
- Children



SLIDE 10

Threshold Amount: For service members who entered before March 1, 1990, and determine that their family does not need the benefit provided by covering full-retired pay, the term "threshold amount" may be of interest. The "threshold" is the portion of the base amount that costs 2.5 percent. This does not apply for those who entered service on or after March 1, 1990.

The minimum participation of $300 is set by law and never changes. However, the threshold amount increases periodically (annually or semi-annually) based on the active-duty pay raise percentage. As of Jan. 1, 2015, the threshold amount is $776. The rationale for this is that as one's active-duty pay rises over the course of a career, a relative increase of the lowest amount which costs 2.5 percent is considered appropriate, to keep pace. While it remains advantageous for most service members to cover full-retired pay as the base amount, covering a reduced base amount (at least the threshold amount) should be considered.

OPTIONS AND CONSIDERATIONS

The Election Options

SLIDE 11

There are six SBP election options. An election enrolls eligible beneficiaries within a category. The most important feature of electing by category is that the decision you make for each category available to you is binding. In other words, if you have an eligible spouse or child whom you do not enroll, then later gain a spouse or child or simply wish you had enrolled, you have closed these categories forever! Your only ability to change this decision might be through a future "open enrollment," of which there have been only five since 1972, with the last one in 2005. Conversely, if you do enroll your eligible beneficiaries at election time, all future eligible persons in those categories will be automatically covered.

Federal law requires that SBP elections be made before midnight of the last active-duty day. If the election is not made before retirement, federal law directs the Defense Finance and Accounting Service (DFAS) to default the election to full spouse coverage. If that happens, the election can be changed only if the service member proves that the government erred in the election process. This is a safe-guard that protects a spouse's expected benefit. In fact, Congress strengthened

the process in 1986, when they began to require that married service members provide their spouse's written concurrence to make certain elections.

Generally speaking, the SBP process is:

- The service member and spouse receive SBP counseling.
- The service member makes an SBP election.
- If the election requires spousal concurrence, the spouse is notified of the decision and given the opportunity to concur.
- If concurrence is provided before retirement, the election is valid.
- If it is not, the election is invalid and full spouse coverage is established, in accordance with federal law.
- Certified mail is used to obtain concurrence when the spouse cannot be present for counseling.

Spouse-only Option

SLIDE 12

The spouse-only option requires written spousal approval if a service member elects a reduced base amount or declines SBP entirely. If $300 is chosen, the survivor's benefit would be 55 percent of $300, or $165. The cost would be 6.5 percent of $300, or $19.50 per month. A reduced benefit amount may be appropriate if there are other substantial sources of funds available to replace the retiree's lost income. If no election is made, the retiree's full retirement pay will automatically be used as the base amount.

The annuity is paid for the surviving spouse's lifetime – it cannot be outlived. Your spouse may remarry after age 55 and continue to receive the survivor's benefit. If remarriage is before age 55, the benefit stops. If the marriage ends due to death or divorce, payments can resume. Former spouses are covered under a separate category but under the same cost and benefit rules as current spouses. This category will be covered in the next section.

It is important to note that with spouse-only coverage, only the spouse is covered. If the spouse dies and there are surviving children, they will not receive a benefit under the spouse-only election. If a service member would like the benefit to continue for children, the spouse-and-child election may be a better choice.

SLIDE 13

Spouse and Child Option

With the spouse and child option, the spouse is the primary beneficiary and children are secondary beneficiaries. The annuity is not paid to the children unless

the spouse first loses eligibility through remarriage before age 55 or through death. Even then, the children must be under age 18 (or 22 for full-time students) to be eligible.

The cost for this election is based on the cost for spouse coverage and an additional cost based on the age of the child and both spouses. One important reason to elect child coverage is because SBP is paid forever to an incapacitated child, as long as the incapacitation occurred when the child was in the eligibility age range. Note that if an election is made for a former spouse and children, only the children who resulted from that marriage are eligible beneficiaries. This means that if you gain children in the future, they could not be added to a "former spouse and child" election. However, if you elect "spouse and child," all of your children, of any unions, are eligible.

Children

SLIDE 14

Children are eligible for coverage if they are unmarried and under the age of 18. If they are full-time students, they can be covered until age 22. Marriage at any age renders a child ineligible for coverage. Children may be covered with or without spouse or former spouse coverage. Coverage also applies to children who are unable to support themselves due to a physical or mental disability that existed before they turned 18 or 22 if the child was a full-time student when they became incapacitated or disabled.

If covered without a spouse or former spouse, the children will divide 55 percent of the retiree's base amount. Using the earlier example, if the base amount is $3,000, the monthly payout would be $1,650. If there are three children, each would receive $550. As the children become ineligible for coverage due to age or marriage, the remaining children will divide the annuity payment. The cost for coverage is based on the ages of the service member and the youngest child. All eligible children are covered at one cost, and the cost stops when children are no longer eligible. The cost for the child-only benefit is cheaper than the spouse benefit because the benefit ends when the children are 18 or 22. However, this election is costlier than the spouse and child election because the child is the primary beneficiary.

SLIDE 15

Insurable Interest

If a service member is unmarried, they may cover another family member or even a business associate. Covered family members must be more closely related than a cousin. Parents, stepparents, siblings, aunts, uncles and grandparents all

qualify. An individual child or stepchild can be covered regardless of dependency status. Business associates can also be protected if they would suffer financially due to the death of the retiree.

Costs for this option are 10 percent of the retiree's full base amount plus 5 percent for every full five years the beneficiary is younger than the retiree. If the beneficiary is 12 years younger than the retiree, an additional 10 percent would be charged. The maximum premium is 40 percent. The cost of insurable interest coverage continues to be subtracted from the beneficiary's monthly annuity.

The benefit for the insurable interest option is also 55 percent of the base amount. Under this option, the service member is required to elect the maximum base amount. Unlike the other options, premiums continue to be paid after the death of the retiree.

Other Options

Former spouse: Benefits for a former spouse are identical to spousal benefits. If a former spouse is covered by SBP, a current spouse and/or children of the current spouse cannot be covered. When electing former spouse coverage, the member must file a written statement with the finance center indicating the reason for the election. The current spouse must also be informed of the election. The rules regarding a spouse's remarriage apply to the former spouse.

No beneficiary at retirement: Service members without a spouse or children on their date of retirement have future options. Because they have no eligible beneficiaries now, they have not closed the door on future enrollment.

If a service member gains an eligible family member after retirement, contact Defense Finance and Accounting Service (DFAS). Service members have a one-year time limit on making all SBP changes. If you gain a child, the coverage takes effect upon your request. If you gain a spouse, while you must take the action before your one-year anniversary (i.e., make a written request and provide a marriage certificate) – a spouse gained after retirement is not eligible until completing one year of marriage, or earlier, if a child is borne of the marriage.

SLIDE 16

Important Considerations

Social Security offset: In the past, a surviving spouse would experience a Social Security offset at age 62. This no longer applies. The annuity is 55 percent of the base amount regardless of the annuitant's age.

Paid-up status: Since Oct. 1, 2008, when a service member has paid SBP premiums for 30 years and has reached age 70, he or she is considered fully paid up and coverage continues without any further premium payments.

One-year termination option: Between the 24th and 36th month of SBP participation, you may terminate SBP coverage. Spouses and former spouses must give their consent for this termination. There is no refund for past protection, and future enrollment is barred.

It will be helpful if, two years into retirement, you ask these two questions:

- Is my retired pay still a major part of our household income?
- Have I adjusted my lifestyle to incorporate the cost of SBP?

If you answer yes, then stay enrolled in the SBP. If you answer no, discuss termination with your spouse (whose concurrence you need) and take action to cancel your enrollment.

Premiums stop if you lose your spouse: If your marriage ends due to the death of your spouse or divorce, premiums for SBP protection stop once you provide appropriate documentation to DFAS. If you remarry, you can cover your new spouse.

Open enrollment: Some people think they can join SBP years after they retire, during "open enrollment." In the 25-plus-year history of SBP, only five times have retirees had a second chance at SBP. Each time was after major plan improvements. The second time, premiums were raised for new joiners to help make up for the missed premiums. The third time, new joiners were required to pay all missed premiums with interest, plus an additional amount to protect the solvency of the plan. Open enrollment elections have typically required a period of time (two years) before the election takes effect. This prevents too much adverse election (people joining with short life expectancy).

Do not count on an open enrollment. Although open enrollment may be offered at some point, this is not part of the regular plan. No more open enrollments are expected, and it will not give your survivors peace of mind.

SLIDE 17

Pretax benefit: One of the major advantages and cost savings of the SBP is that premiums are taken out of retired pay before taxes are computed, resulting in a significant tax savings and further reducing the true cost of the SBP benefit for the service member.

For example, if a service member with a $3,000 monthly retirement check declines SBP, the entire $3,000 gross retired pay will be taxed. If the service member is in the 28 percent tax bracket, the taxes due are $840. However, if a service member covers a spouse at the full base amount, which costs $195 per month, the resulting taxable income is $2,805 (because the premium comes out before taxes are assessed) and federal taxes due are $785, or $55 less each month.

You could say that, in reality, including the tax savings, the premium is $195 less the $55 in tax savings, or $140. Understanding this concept allows you to make sound cost comparisons of SBP with other insurance products.

Real comparisons require the use of real figures. When a private product is being touted as one that "will provide the same benefit as SBP, for the same cost," be sure to use only the real, after-tax SBP cost as your basis for comparison.

Trainer's note: You may need to explain the basics of the CSB/REDUX plan to learners who are not familiar with it. Alternatively, you can sum up this discussion by simply noting that choosing CSB/REDUX will also result in a reduced SBP benefit.

SLIDE 18

SBP and CSB/REDUX: SBP operates slightly differently in regard to costs and benefits when a service member elects the CSB/REDUX retirement option. CSB/REDUX includes a readjustment to its retired pay amount. At age 62, retired pay is recomputed to what it would have been under High-36. Also, at age 62, a one-time cost of living adjustment (COLA) is made that applies the cumulative effects of High-36 COLA (CPI) to the new retirement base. Afterward, all future COLAs are again set to the consumer price index (CPI) minus 1 percent.

- **Base level:** Under CSB/REDUX, full coverage means the full retired pay you would be entitled to under High-36 is your base amount. (This is the amount that would be used as a basis for your age 62 retired pay adjustment.)
- **SBP costs (premiums):** If you elect full coverage, your base amount is higher than what you are actually paid until the age 62 readjustment. Also, remember that the base amount is adjusted annually by CPI minus 1 percent.

COLA under CSB/REDUX: Service members who choose the CSB/REDUX plan have a COLA of CPI minus 1 percent. This reduced COLA affects the retirement benefit under SBP. If in a given year the CPI was 3 percent, the increase in survivor pay would be 2 percent. In the year the service member would have been age 62, survivor's benefits are adjusted to what they would have been if full CPI increases

had been applied from the beginning. After this one-time restoration, survivor annuities are once again subject to annual increases of CPI minus 1 percent.

Results: As a result of this modification to the standard premium and benefit calculations, you will pay a higher proportion of your retired pay to obtain coverage. This amount, however, is the same as what an individual who opted for High-36 would pay for the same amount of coverage. Your beneficiary will be better protected against inflation than they would be if SBP benefits received the same COLA as under CSB/REDUX. In effect, you are paying the same price as a High-36 individual for the same coverage.

Annuities versus premiums: The annuity your spouse receives will quickly exceed the amount you paid in SBP premiums.

- If the retiree paid premiums for five years, the spouse beneficiary will receive the equivalent of the total SBP premiums paid in just eight months of collecting the annuity.
- If the retiree paid premiums for 15 years, the SBP beneficiary will receive the equivalent of the total SBP premiums paid in one year, six months.
- If the retiree paid premiums for 30 years, the spouse will receive the equivalent of the total SBP premiums paid in two years, five months.

LEARNER ACTIVITY: *The Missing Link, Part 2*

Time: 10 minutes

Materials: Index cards or note cards containing review questions

Procedure: Collect the learners' fill-in-the-blank review questions. Read at least 10 questions to the class and ask the learners to answer the questions. Fill in any missing information for clarity before proceeding to the next section.

THE DECISION

When making your SBP decision, you must consider how much income the surviving spouse can afford to lose. Some expenses, such as housing, children's education and activities, will likely remain the same. Food, insurance and car expenses may decrease. Costs for child care, home maintenance and professional

services may increase. It will likely be determined that some measure of income replacement will be necessary to preserve the family's economic security. For service members with a desire to provide ongoing retirement income for their spouse, it is logical to consider the cost of SBP relative to other personal or commercial alternatives.

Personal Assets

SLIDE 19

If a couple has other assets that could be used to generate income, it is necessary to determine whether those assets are sufficient on a long-term basis. Using a 6 percent rate of return on investments with an annual inflation rate of 3 percent, $476,273 would have to be available at retirement to provide a monthly annuity of $1,650 to the surviving spouse based on average life expectancy.

Although many service members are successful financially, few have $476,273 available at their military retirement to set aside for this purpose. In addition, investment and economic environments change. There is no guarantee that 6 percent can be earned consistently or that inflation will remain at 3 percent.

Life Insurance

SLIDE 20

Life insurance is another possibility. Because SBP is guaranteed, permanent (whole life) insurance is the only legitimate alternative, because it is also designed to provide lifelong protection. A policy providing a face amount of $476,273 would cost a non-smoking 40-year-old male approximately $709 monthly. Rates vary by company and by other factors relating to the applicant, such as gender, health history, avocations and smoking status. These factors will affect the premium cost. If SBP premiums increase annually by 3 percent, they will never get as high as the whole-life premium. So, the actual lifetime cash outlay will be higher using the insurance approach. However, insurance will pay benefits to the beneficiary even if they have remarried.

Any program earmarked as security for your survivors deserves serious consideration. Do your homework and talk to reputable insurance providers. Personalized SBP valuation printouts, prepared by the DoD Actuary, are available online or through your Reemployed Annuitant Office. To access this program, go to the DoD Actuary home page, http://www.dod.mil/actuary/, hover on "Survivor Benefit Plan" at the upper right, and select "Insurance."

SLIDE 21

SBP versus life insurance: If you are considering forgoing SBP and replacing it with a commercial insurance product, remember these five main points:

- Use the valuation program to see exactly how much insurance you need in place to provide the same benefit as SBP.
- Because you do not know how long your spouse will outlive you, determining what is adequate regarding insurance is impossible. However SBP benefits cannot be outlived.
- SBP's inflation-fighter is its guaranteed COLAs. Increasing life insurance is needed as one ages, due to inflation's eroding effect on the dollar's purchasing power.
- Try to adjust your thinking from short-term to long-term. When you limit your view, life insurance may appear more attractive (i.e., cheaper) than SBP. But, if you compare SBP costs and benefits with life insurance costs and benefits for each year in the future, you will see that insurance costs must increase dramatically based on the insurer's increased risk of paying a policy. Since SBP protects your ever-increasing retired pay, its value rises at the same rate – even after it begins to be paid as an annuity.
- The SBP premium is government subsidized and deducted pretax. No commercial product has these features.

In a well-designed retirement plan, it is probable that some combination of personal investments, life insurance, government benefits and retirement benefit plans from post-military employers will all be at work. When one factors in the government's subsidization of SBP costs, the COLAs and the pretax treatment of premiums, the SBP can be a cost-effective way to deliver an ongoing measure of financial security to spouses and families.

Advantages and Disadvantages

SLIDE 22

To summarize the advantages of the SBP:

- The impact of a government subsidy speaks volumes. Only a nonprofit concern like the U.S. government can offer this feature.
- SBP offers pretax benefits. If you choose, you can even use the tax savings to make other investments.
- Unlike insurance values, which are eroded by inflation, SBP's value increases at the same rate as retired pay.
- If you balk at the finality of "SBP elections are forever," the termination feature permits you to rethink your participation after you have settled into retirement for two years. And do not forget SBP's "paid-up" provision.

- The annuity is paid for however long it is needed – from one year to 50 years or more.
- SBP costs do not consider any factor except covered retired pay.
- SBP offers a level benefit of 55 percent without regard to the age of the spouse or former spouse.
- There are no extra fees, agent commissions or risks to the retiree.
- Only Congress can change SBP's features. They make changes on matters affecting survivors very cautiously.
- While less quantifiable, peace of mind rises in value with age.
- Every active-duty service member is enrolled at no cost. At retirement, you must decide to continue participation and share cost.

Trainer's note: For each of the "disadvantages" below, there is a benefit. Read through the content module to be familiar with the arguments in favor and against taking SBP.

SLIDE 23

The disadvantages of SBP actually all have a positive side:

- All income is typically taxed at the front end or back end.
- Obviously, it is smartest to take a tax break when it is of most value to you – when you are in a higher tax bracket as a couple. That is when tax-free SBP premiums are paid. It is not a viable "counter" to pose that insurance proceeds are tax-free – when they are used, they are taxed, and when they are gone, they are gone.
- SBP's goal is to protect military retired pay ... period. If it is protection of a spouse's life you seek, you might want to buy a life insurance policy. In fact, you can use the monthly tax savings SBP provides to fund that policy.
- Choosing to receive reduced retired pay during your lifetime is the only way to continue a portion of it after you die. The finance center simply deducts the premium before paying you. Such automatic deductions result in coverage that cannot lapse because of a missed payment.
- Here's something worth thinking about: if you find living on 93.5 percent of your retired pay (retired pay minus 6.5 percent spouse costs) to be painful – how will your family survive on zero after your death?
- The 6.5 percent spouse cost does not increase. However, with each retired pay COLA received, your cost becomes 6.5 percent of a new, higher amount, which produces a higher annuity.

- SBP is not intended to be an "inheritance" vehicle. But consider the notion that the best inheritance you can give your kids is a financially independent parent. If they are not burdened with supporting your spouse, that is a substantial "inheritance." Also, when SBP is used to pay monthly living expenses, perhaps other funds can be invested to meet your inheritance goals. But without SBP as the workhorse, the intended "inheritance" could easily be depleted.
- SBP does not have insurance-like features, but that is a plus as it keeps the plan affordable.

LEARNER ACTIVITY: *The SBP Debate*

Time: 15 minutes

Materials: Blank paper, pens and pencils

Procedure: Divide the class into two groups. Explain that the key to making informed decisions is to have all of the facts about a topic. Tell learners that you are going to facilitate a debate on the pros and cons of SBP. Assign one group as the "pro" group and one group as the "con" group. Provide learners with paper and pens and instruct them to come up with all the points (pro or con) that would enable them to make a valid argument for their position. Learners should be prepared to state at least five points for their debate and can use their handout or any notes to formulate their argument.

Give learners five minutes to develop their points and choose a speaker(s). Tell learners they may present their points in any way they choose but that they only have two minutes to defend their position. (Note: You may wish to have a timer available or assign a learner as the timekeeper for the debate portion.) Fill in any missing points before completing the activity. Once both groups have presented their arguments, ask learners to share their thoughts on SBP now that they have all the facts. You might ask questions such as:

- What do you feel is the greatest argument for enrolling in the SBP?
- What are the possible downsides of enrolling in the SBP?
- Has this class influenced your decision on SBP? (Ask them to elaborate on how it was influenced.)

Note: if time allows, you may also choose to have rebuttal arguments on the pros and cons of SBP. However, you should save enough time to ask for learner feedback on how this class has influenced their understanding and/or decision to participate in the SBP.

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SUMMARY

Sources of Help

You can obtain help evaluating your personal financial needs from both military and civilian sources. Your Command Financial Specialist (CFS) and FFSC financial counselors and Navy career counselors can help you estimate your retirement needs and further explain how SBP plays into your retirement planning. Financial planners or accountants also can be helpful; however, make sure they possess knowledge on military retirement plans and ask them how they expect to be compensated. Look for designations such as CFP (Certified Financial Planner), AFC (Accredited Financial Counselor) and/or CPA (Certified Public Accountant).

You can also find additional, in-depth information on SBP at the following websites.

- Defense Finance and Accounting Service: www.dfas.mil/retiredmilitary/provide/sbp.html
- Military OneSource: www.militaryonesource.mil/casualty?content_id=270439
- Navy Mutual Aid Association: https://www.navymutual.org/Education/Military-Benefits/Survivor-Benefits.aspx
- Office of the Secretary of Defense: http://militarypay.defense.gov/Benefits/SurvivorBenefitProgram.aspx
- U.S. Army Retirement Services Office: http://soldierforlife.army.mil/retirement/sbp
- U.S. Air Force Retiree Services: http://www.retirees.af.mil/sbp/

Survivor Benefit Plan Information and Resources

The SBP is a government-subsidized program that guarantees that a portion of a service member's monthly retirement pay will continue to be paid to a spouse or other designated beneficiary after the service member's death. Unlike any other resource available, the SBP monthly payment is guaranteed by the government and protected from inflation.

Enrollment:

All active-duty service members are automatically enrolled in SBP. The government bears the total cost of that coverage while you are on active duty. Should you die in the line of duty, your retired pay entitlement is calculated as of that date, and the SBP annuity flows to your surviving spouse from that amount.

Your decision at retirement, then, is whether you wish to afford your family the same survivor benefits that were in place for you on your last active-duty day. If so, you begin to share SBP's cost with the government by electing to receive reduced retired pay during your lifetime. When a service member maintains SBP coverage, their portion of the cost will be deducted from their retired pay on a pretax basis. The government cost-sharing and pretax treatment of the service member's cost makes the SBP an attractive way to provide long-term financial security for a beneficiary.

Election Options:

There are six SBP election options. An election enrolls eligible beneficiaries within a category. The most important feature of electing by category is that the decision you make for each category available to you at decision time is binding.

Spouse only: SBP was designed with the military spouse in mind (former spouse costs and benefits follow the same rules). The annuity is paid throughout the surviving spouse's lifetime; it cannot be outlived.

Spouse and children: With the spouse and child option, the spouse is the primary beneficiary and children are secondary beneficiaries. The annuity is not paid to the children unless the spouse first loses eligibility through remarriage before age 55 or by death. Even then, the children must be under age 18 (or 22 for full-time students) to be eligible.

Children only: Children are eligible for coverage if they are unmarried and under the age of 18. If they are still full-time students, they can be covered until age 22. Coverage also applies to children who are unable to support themselves due to a physical or mental disability that existed before they were 18 or 22, if the child was a full-time student when they became incapacitated or disabled.

Former spouse: Benefits for a former spouse are identical to spousal benefits. If a former spouse is covered by SBP, a current spouse and/or children of the current spouse cannot be covered. When electing former spouse coverage, the member must file a written statement with the Defense Finance and Accounting Service (DFAS) indicating the reason for the election. The current spouse must also be informed of the election.

Former spouse and children: For the former spouse and children option, the spouse benefits are the same as the former spouse option. This option, however, only applies to the former spouse's children with the service member.

Insurable interest: If a service member is unmarried, they may cover another family member or a business associate. Covered family members must be more closely related than a cousin. Parents, stepparents, siblings, aunts, uncles and grandparents all qualify. An individual child or stepchild can be covered regardless of dependency status. Business associates can also be protected if they would suffer financially due to the death of the retiree.

Costs:

Spouse or former spouse: The cost is 6.5 percent of the base amount. The service member can choose any amount from $300 to their full retired base pay. For example, with a base amount of $1,000 per month, the cost for spouse coverage is $65. The annuity is 55 percent of $1,000 (or $550) regardless of age.

Spouse (or former spouse) and child: The spouse portion of this election costs 6.5 percent of the base amount. The child cost portion is based on the ages of the retiree, the spouse and the youngest child. This cost is reasonable, given typical ages.

Child only: The cost is based on the ages of the retiree and youngest child. Children are primary beneficiaries in this option. Eligible children equally divide the 55 percent benefit. Premiums continue until the youngest child is no longer eligible for benefits.

Insurable interest: The base amount must be full retired pay in this option. Costs are 10 percent of retired pay, plus 5 percent for each full five years younger the beneficiary is than the retiree, not to exceed 40 percent of retired pay. This option may be canceled at any time. Should you gain a spouse or child in the future, the insurable interest coverage may be changed to spouse or child or both within one year of the change.

Useful Websites:

- Defense Finance and Accounting Service: www.dfas.mil/retiredmilitary/provide/sbp.html
- Military OneSource: www.militaryonesource.mil/casualty?content_id=270439
- Navy Mutual Aid Association: https://www.navymutual.org/Education/Military-Benefits/Survivor-Benefits.aspx
- Office of the Secretary of Defense: http://militarypay.defense.gov/Benefits/SurvivorBenefitProgram.aspx
- U.S. Army Retirement Services Office: http://soldierforlife.army.mil/retirement/sbp
- U.S. Air Force Retiree Services: www.retirees.af.mil/sbp

The Thrift Savings Plan

Print Course

Print Handouts

COURSE DESCRIPTION

The Thrift Savings Plan is a 45- to 60-minute course designed to provide detailed information on the Thrift Savings Plan (TSP) and to help learners understand how TSP can contribute to financial security during retirement. The instructor's guide contains trainer's notes, which provide supplemental information that can be used based on the knowledge and experience level of the group or to answer participants' questions. Because the military retirement system is expected to undergo future changes that affect TSP utilization, it is recommended that facilitators use the provided resource as well as direction from CNIC HQ to keep the course information up-to-date each time it is facilitated. Facilitator information for an optional, shortened version of this course is provided at the end of the course content. The shortened course can be used when instructors have less than 45 to 60 minutes to facilitate the session or to customize a course to meet command needs.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to explain the benefits of the TSP as part of a comprehensive retirement plan.

Enabling:

- In the *TSP and You: Why, How and How Much?* activity, learners will identify at least two examples for each of the following: benefits of the participating in the TSP, investment considerations before participating in the TSP and differences between the traditional and Roth TSP options.
- In the *TSP and You: Funds, Options and Choices* activity, learners will correctly answer 10 fill-in-the-blank questions about TSP funds and investment options.
- In the *TSP and You: Withdrawals and Loans* activity, learners will identify at least four important aspects of both TSP withdrawal options and TSP loan programs.

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COURSE PREPARATION

Handouts:

- *The Thrift Savings Plan: Wealth-Building Made Easy*
- *TSP and You Workbook*

Materials (vary depending on activities chosen):

- Pens, pencils, markers
- Paper
- Index cards or notecards
- Chart paper or whiteboard
- Internet connection (where available)
- *The Thrift Savings Plan* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

- *TSP and You: Why, How and How Much?:* A review exercise in which learners create a list of points intended to persuade someone to participate in TSP by explaining benefits, investment considerations and tax treatment options.

- *TSP and You: Funds, Options and Choices*: A fill-in-the-blank quiz to test for comprehension on TSP fund information and investment options.
- *TSP and You: Withdrawals and Loans*: A review activity in which learners present briefs summarizing the content information on TSP withdrawals and loans.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Agenda
2. Thrift Savings Plan Overview (15 minutes)
    a. What is the Thrift Savings Plan
    b. Managing Your Account
    c. TSP Benefits
    d. Investment Considerations
    e. Tax Treatment Options
    f. TSP Contributions
    g. Compound Interest and Opportunity Cost
    h. Learner Activity: *TSP and You: Why, How and How Much*
3. TSP Investment Funds and Options (25 minutes)
    a. Index-based Funds
    b. Lifecycle Funds
    c. Investment Approaches
    d. Learner Activity: *TSP and You: Funds, Options and Choices*
4. Retrieving TSP Funds (10 minutes)
    a. Post-separation Withdrawals
    b. Withdrawal Options
    c. Withdrawals and Taxes
    d. TSP Loan Program
    e. Learner Activity: *TSP and You: Withdrawals and Loans*
5. Summary (5 minutes)
    a. Resources

CONTENT MATERIAL

WELCOME AND INTRODUCTION

Trainer's note: Distribute the *Thrift Savings Plan: Wealth-Building Made Easy* handout to learners.

SLIDE 1

The purpose of this class is to provide you with detailed information about the Thrift Savings Plan (TSP) and to help you to understand how the TSP can assist in providing financial security during your retirement.

AGENDA

SLIDE 2

To achieve these goals, we will be covering the following topics:

- TSP Overview
- Account Management
- Contributions
- Investment Funds and Options
- Withdrawals and Loans
- Resources

THRIFT SAVINGS PLAN OVERVIEW

Trainer's note: Distribute the *TSP and You Workbook* handout and explain to learners that they are to use this handout to fill in information that will help them participate in and manage their TSP funds. This information will be used throughout the training and with each class activity.

WHAT IS THE THRIFT SAVINGS PLAN?

SLIDE 3

The TSP is a retirement savings and investment plan sponsored by the federal government. It is a "qualified" defined-contribution plan, meaning the retirement income you receive will be determined by how much is contributed during your working years plus earnings accumulated over time. This is distinguished from a defined-benefit plan, which is a specific amount payable to you usually in return for years of service, such as military retirement pay or a pension.

The TSP is provided to federal employees and all members of the uniformed services, including active duty and the Ready Reserve. It offers the same types of savings and tax benefits that many private companies offer their employees,

often referred to as 401(k) plans. These types of plans allow you some options in the amount you want to contribute as well as which investment options you choose within certain guidelines.

Trainer's note: As of 2016, it is expected that service members will be automatically enrolled in TSP with specific rates of mandatory service member contributions, government matching contributions and vesting based on years of service (YOS). Refer to the TSP website for the most recent updates at www.tsp.gov.

TSP Benefits

SLIDE 4

There are multiple benefits to participating in the TSP.

Automatic investing: TSP contributions are deducted from your paycheck automatically, which ensures regular, disciplined investing. It is easy to start and it is easy to adjust. Most transactions can take place over the phone, on the TSP website or via myPay.

Minimal costs: The TSP has very low administrative costs and investment expenses, which maximizes your rate of return.

Traditional or Roth contributions: You have a choice of selecting pretax contributions with tax-deferred earnings (traditional), or after-tax contributions with tax-free earnings at retirement (Roth).

Multiple investment options: You have a choice of diversified investment funds or you can select from professionally designed lifecycle funds containing a mix of stocks, bonds and government securities.

Withdrawal options: Unlike a traditional military pension that requires you to remain in the service for 20 years, the TSP funds belong to you even if you separate from the military before reaching retirement age. You may also be able to take a loan against your contributions and earnings under certain circumstances.

Designated beneficiaries: You choose who you would like to receive the funds in the TSP in the event of your death, to include your spouse, children, parent(s) or other beneficiary.

SLIDE 5

Managing Your Account

You have multiple sources of help when it comes to maintaining your TSP account. Once established, you can use the myPay website, the TSP website and the telephone customer service line (the "ThriftLine") to manage your account.

Trainer's note: TSP enrollment is currently voluntary and can be done through the myPay website at any time at https://mypay.dfas.mil/. Check for the latest participation rules and guidelines at www.tsp.gov and adjust the information about managing an account accordingly.

Beneficiary Participant Account Number: Upon enrollment, the TSP will send you a welcome letter containing your 13-digit TSP Beneficiary Participant Account Number. This account number (or customized ID you choose) is the TSP's primary means of identifying your account, and it can be found on your quarterly and annual statements. You will use this number when accessing your account on the TSP website or ThriftLine. If you forget your account number, you can use the TSP website or the ThriftLine to request to have one mailed to you.

TSP website password: The TSP will also mail you a password to use with your Beneficiary Participant Account Number (or customized ID) on the TSP website. The website provides timely information about your account and the TSP investment options. You can view your participant statement online to check on the status of your account and to make changes to your account. However, to change your contribution amounts, you must go through your myPay account.

ThriftLine PIN: You will also receive a personal identification number (PIN) in the mail that can be used with your account number to access your account information and perform certain transactions on the ThriftLine. Your PIN is encrypted in the TSP system and is not accessible to TSP representatives. For security reasons, the TSP will only mail your PIN to your address of record, if requested. The TSP will not send it through email.

Retirement calculators: The TSP website also provides calculators to help you determine the future value of your investment, estimate loan payments and determine what monthly payments your account could provide in the future.

Designation of beneficiary: Upon enrollment, you will be asked to designate a recipient, or "beneficiary," for your TSP account in event of your death. You should ensure your Designation of Beneficiary (TSP-3) form is current at all times, because it takes precedence over a will, prenuptial agreement, separation agreement, property settlement or any other directive governed by the laws of any state. Life events such as marriage, the birth or adoption of a child, a divorce or even the death of a beneficiary might necessitate a change so that, in the event of your death, the money in your TSP account will be distributed according to your wishes.

Trainer's note: The Designation of Beneficiary (TSP-3) form can be downloaded from the TSP website and mailed to the address on the form. If no form is submitted, funds of a deceased beneficiary will be distributed according to the "statutory order of precedence" (i.e., spouse, children, parents, estate administrator, other surviving relatives). For more information, refer participants to the TSP website.

Investment Considerations

SLIDE 6

How much you should invest in the TSP, and which fund you choose, depend on several factors, such as:

Your retirement needs: Only you can determine your retirement needs based on your desired standard of living, your expenses (including any medical costs) and your target retirement age. Using a TSP calculator, you can start to estimate your retirement goals based on your current income.

Your knowledge about investing: The TSP is an especially attractive option for people new to investing or who do not want to take a lot of time to do their own research. It offers multiple funds to support diversification (spreading your money among different investments and different risk tolerances).

Your time horizon: The TSP is designed to help achieve long-term retirement-planning goals. It has different investment advantages to be used depending on time horizon (how many years you will have before you need to start withdrawing money from your account). The younger you are, the more the TSP can work for you.

Your current investments: If you are new to investing, the TSP may offer an excellent way to get started on an automatic investment plan. If you are already investing, you should consider how the TSP can fit into your overall strategy. It may not be wise to commit all of your available investment dollars to the TSP, because you need to consider this money "tied up" until age 59½ and it will also affect how much is deducted from your paycheck.

Automatic and matching contributions: Some TSP plans include an automatic contribution to your TSP account, such as 1 percent of your basic pay each pay period. These funds may be subject to "vesting" rules, requiring you to work a specified amount of time before having access to them, as well as any earnings they accrue. As an added bonus, some TSP plans will "match" the funds an individual contributes up to a certain amount (such as 5 percent).

SLIDE 7

Tax Treatment Options

You have several options to determine how you would like your contributions managed for tax purposes, referred to as "tax treatments." Each option provides generous tax breaks, but it is a matter of timing when you get to claim them.

Traditional (pretax) contributions: Traditional, or pretax contributions, are not taxed when you deposit them in your TSP account. This lowers your current taxable income and gives you a tax break today. Generally, the longer you are able to keep your money in the TSP, the more earnings you accrue. The money grows in the account tax-deferred, but you will have to pay federal income taxes on these contributions and their earnings when you withdraw them (although you will not owe taxes on any tax-exempt contributions in your account).

Roth (after-tax) contributions: Roth, or after-tax contributions, are taxed when you deposit them into your Roth TSP account. Because they are taxed up front, more money comes out of your paycheck now. You will not have to pay federal income taxes on Roth contributions and earnings when you withdraw them, however, which will increase the amount of money you can spend in retirement.

Upon TSP enrollment, your contributions will automatically default to a traditional account unless you submit a contribution election for any funds you want designated as Roth.

Traditional and Roth contributions: You can make contributions to both traditional and Roth accounts in any percentages or amounts you want. The introduction of the Roth contributions in the TSP gives you the opportunity to diversify the tax treatment of the money in your account. Your account will then be made up of two separate "pots" of money with separate balances.

SLIDE 8

TSP Contributions

Each pay period, contributions in the amount or percentage you choose will be made through payroll deductions and shown on your Leave and Earnings Statement (LES).

> ***Trainer's note:*** Verify the current elective and catch-up contribution limits on the TSP website or by contacting the ThriftLine. Elective deferrals do not include automatic or matching contributions because those contributions are not considered part of your pay. They also do not include traditional contributions from tax-exempt pay earned in a combat zone.

Contribution limits: The Internal Revenue Code (IRC) places limits on the dollar amount of contributions you can make to the TSP in any given year. The Internal Revenue Service (IRS) calculates the limits annually, and they can change. The TSP announces the limits on its website, the ThriftLine and other publications when the limits become available.

Elective deferrals: Elective deferrals are amounts that you ask your employer to deduct from your pay and contribute to your TSP account on your behalf (including the combined total of all tax-deferred traditional contributions and all Roth after-tax contributions). You can contribute up to 100 percent of your basic pay each month up to (but not exceeding) the total elective deferral limit set by the IRS.

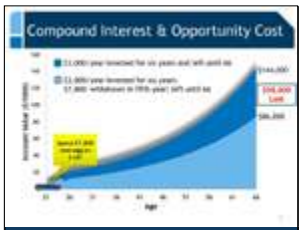
Special pay contributions: You can also contribute up to 100 percent of any incentive, bonus or special pays up to the annual limit, as long as you elect to contribute at least 1 percent from basic pay. Your total contributions from all types of pay must not exceed the applicable IRS elective deferral limit.

Transfer funds: In addition to contributions from your pay, you can also transfer funds from a traditional IRA or eligible employer plan into your TSP account. Transfers into the TSP can be done anytime, even after you separate from military service.

Trainer's note: Transfers require that participants complete form TSP-60 (or TSP-60R for a Roth IRA), Request for a Transfer into the TSP, and forward the form to the IRA administrator. The IRA administrator will verify that TSP is an eligible retirement plan and then forward the TSP form, along with a check for the proceeds in the account, to the TSP Service Office.

Catch-up contributions: Catch-up contributions are supplemental tax-deferred contributions available to TSP account holders age 50 or older who are already contributing the maximum amount of regular TSP contributions. These contributions have their own annual limit separate from the annual limit for regular deferral contributions.

Compound Interest and Opportunity Cost



SLIDE 9

Trainer's note: This PowerPoint slide contains animations.

The benefit of a long-term disciplined investment plan is allowing the power of compound interest and time to work for you. Here is one more example of how money can grow over time. If you invest $3,000/year in a TSP account for six years starting at age 21, and never add to it, you come out with $144,000 when

you retire at age 66 (assuming a 5 percent rate of return). If, however, you pull out $7,800 for the down payment on your car five years in and do not replace it or make additional contributions, your earnings will drop to $86,000. In other words, you could say that the car did not cost you $7,800 but $50,000 when your account for the lost growth. The message: save regularly, and leave your savings alone to grow.

LEARNER ACTIVITY: *TSP and You: Why, How and How Much?*

Time: 10 minutes

Materials: The *TSP and You Workbook* handout, chart paper or whiteboard and markers.

Procedure: Write the activity topics (listed below) on separate sheets of chart paper or different sections of a whiteboard. Divide the class into three groups. Assign one of the three following topics to each group:

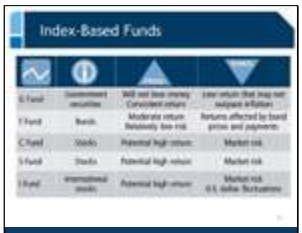
- Why should I participate in TSP?
- How do I choose how much to contribute to TSP?
- How do I choose between a traditional and Roth TSP account?

Tell learners that they are to imagine that after this class they are asked by a friend why he or she should invest money in the TSP. Explain that they are to provide as much information as possible and in a way such that they could really sell their friend on the TSP. Explain that they can use their notes, handouts or any other resource materials to complete their list. Using their chart paper, scrap paper or designated whiteboard space, instruct Group 1 to list all of the benefits of the TSP. Tell Group 2 that they should list factors that should be considered in determining a TSP contribution amount. Direct Group 3 to explain the pros and cons associated with a traditional and Roth TSP account. Give the learners about five minutes to complete their list and then ask each group to choose a spokesperson to present the information to the class. Urge learners to present the material as if they were telling it to their friend. Fill in information as necessary for clarity.

TSP INVESTMENT FUNDS AND OPTIONS

Index-based Funds

Trainer's note: Each index fund is invested in order to replicate the risk-and-return characteristics of its appropriate benchmark index. The Fixed Income Index Investment (F) Fund is designed to track the Barclays Capital U.S. Aggregate Bond Index (formerly Lehman Brothers U.S. Aggregate [LBA] Index). The Common Stock Index Investment Fund is designed to match the performance of the Standard & Poor's 500 (S&P 500) Index. The Small Capitalization Stock Index Investment is designed to track the Dow Jones U.S. Completion Total Stock Market (TSM) Index. The International Stock Index Investment Fund is designed to match the performance of the MSCI EAFE (Europe, Australasia, Far East) Index. The average rates of return for index and lifecycle funds since their inception can be found on the TSP website.



SLIDE 10

The TSP has five individual investment funds, referred to as index-based funds. This means these investments are a selection of many widely diversified stocks or bonds that represent a chosen market index to track, such as the Standard and Poor's 500 (S&P 500).

While many financial experts maintain that this is one of the best ways to invest for the long term, each of these investment funds, like any investment, involves risk. For some investments, risk may include the loss of principal. The tendency of investments to experience ups and downs is referred to as volatility. While risk can be minimized through diversification, you should be aware of the risks associated with the investments you choose.

G Fund: The Government Securities Investment Fund invests in short-term U.S. Treasury securities specially issued to the TSP. The objective of the G Fund is to maintain a return rate that is higher than inflation without exposing the fund to risk of default or changes in market prices. The U.S. government guarantees payment of principal and interest, so there is no risk of loss of principal and very little volatility of earnings.

F Fund: The Fixed Income Index Investment Fund invests in government and corporate bonds. This fund offers the opportunity to earn rates of return that exceed money market fund rates over the long term with relatively low risk. It carries some market risk (the risk that the value of the bonds will decline when interest rates rise) and prepayment risk (the risk that the bonds are repaid before it matures, reducing their returns).

C Fund: The Common Stock Index Investment Fund invests in a broadly diversified portfolio of stocks of large and medium-sized U.S. companies that offers the potential for high investment returns over the long term. However, they can be volatile depending on the performance of the stock market.

S Fund: The Small Capitalization Stock Index Investment Fund invests in small and medium-sized companies in the United States. While it also offers the potential for high investment returns over the long term, it experiences moderate to high volatility associated with market risk.

I Fund: The International Stock Index Investment Fund invests in the stocks of companies in developed countries outside the United States. There is a moderate to high volatility in response to changes in overall economic conditions (market risk) and fluctuations the value of the U.S. dollar (currency risk).

Lifecycle (L) Funds

SLIDE 11

Lifecycle, or L Funds, consist of five prepackaged portfolios that contain a mix of G, F, C, S and I Funds. They are professionally managed, making them an easy option if you do not have the time, experience or interest in managing your own account.

The L funds are based on different time horizons of when you will need the money. The assumption underlying the L Funds is that the longer your time horizon, the more risk you are able to tolerate while seeking higher returns. The funds automatically adjust to become more conservative over time to minimize risk. However, they are not guaranteed against loss because they are subject to the risks inherent in the underlying funds, which have periods of gain and loss.

The L fund is also the default option when enrolling in the TSP. If you do not select a specific TSP fund, your money will be automatically allocated to the L fund for your time horizon.

Investment Approaches

SLIDE 12

There are two investment approaches to using the TSP: choosing an L fund or choosing your own investment mix.

Choosing an L fund: You can keep it simple by letting the L funds manage the mix for you. Simply choose the fund that fits your time horizon by determining when you will need to use the money. Since L funds are a professionally designed mix and are reallocated quarterly, you do not have to worry about allocations of funds either now or in the future.

Managing your own mix: You can also choose to invest in any individual fund or combination of funds. If you choose to manage your own mix, you need to determine the correct asset balance based on your age, time horizon and risk tolerance. You can allocate your contributions to any of the five TSP investment funds in any whole percentage amount. The longer your time horizon, the more aggressive you can usually be with your investments.

Diversifying your investments by contributing to more than one fund will allow you to reduce the level of risk. However, you will need to rebalance your mix on an annual basis and reduce your risk as you get closer to retirement age. For example, you may want to move bond money from the F Fund to the G Fund or move stock money from the I and S Funds to the C Fund.

Interfund transfers: You can transfer money among your TSP investments (interfund transfer) by choosing a new percentage you want invested in each fund. You cannot move specific dollar amounts among the funds. If you have traditional and Roth balances in your account, your interfund transfer will move a proportional amount from each type of money into the funds that make up your new investment allocation. Each calendar month, your first two interfund transfers may redistribute money in your account among any or all of the TSP funds. After the first two, your interfund transfers can only move money into the G Fund (in which case, you will increase the percentage of your account held in the G Fund by reducing the percentage held in one or more of the other TSP funds). If you have more than one TSP account, these rules apply to each account separately.

LEARNER ACTIVITY: *TSP and You: Funds, Options and Choices*

Time: 10 minutes

Materials: *The TSP and You Workbook* handout

Procedure: Instruct learners to turn to Page 5 in their *TSP and You Workbook* handout. Tell learners that they are to write in the answers to the statements in their workbook. When learners have completed the statements, review the answers with the class. Correct answers are listed here in bold.

1. The **G Fund** earns interest without any risk of loss of account principal.
2. The amount of time until you will begin using your retirement income is your **time horizon**.

3. The objective of the **C Fund** is to match the performance of the Standard & Poor's 500 (S&P 500) index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.
4. The **Lifecycle funds (or L funds)** are professionally designed mixes of securities, bonds and stocks based on a chosen time horizon.
5. The objective of the **F Fund** is to match the performance of the Barclays Capital U.S. Aggregate Bond Index, a broad index representing the U.S. bond market.
6. The objective of the **I Fund** is to match the performance of the MSCI EAFE (Europe, Australasia, and Far East) Index.
7. Many financial experts maintain that investing in **index-based funds** (**TSP also acceptable**) is one of the best ways to invest for the long term.
8. The objective of the **S Fund** is to match the performance of the Dow Jones U.S. Completion Total Stock Market (TSM) Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500.
9. There is risk involved in every type of investment tool, and the tendency of investments to experience ups and downs is referred to as **volatility**.
10. The longer your time horizon, the more **aggressive** (risky also acceptable) you can usually be with your investments.

RETRIEVING TSP FUNDS

SLIDE 13

Remember that the purpose of the TSP is to save money for retirement. It is not meant to be a savings account from which to make withdrawals. Therefore, there are rules that restrict when and how you can take money out of your account. There are three options for retrieving your TSP funds:

In-service withdrawal: Funds taken out of your TSP while you are in the military service are referred to as in-service withdrawals. There are two types: financial hardship in-service withdrawals and age-based in-service withdrawals (after age 59½). With in-service withdrawals, there are federal, and in some cases, state income taxes on the taxable portion of the withdrawal, and you may also be subject to a 10 percent early withdrawal penalty. Spousal consent is also required.

Post-separation withdrawal: Money taken out of your TSP after your military service is referred to as a post-separation withdrawal. You have the option of making a one-time, partial withdrawal of $1,000 or more, or you can make a full withdrawal.

Loans: Loans are available to participants who are actively employed, who are in pay status and who have contributed their own money to TSP.

> ***Trainer's note:*** Some withdrawal options and loans are subject to spousal consent. Spousal consent may be required even if the couple is separated.

Post-separation Withdrawals

SLIDE 14

Once you separate from military service, there are several withdrawal options within the TSP. If you separate or retire before age 59½, you can:

- Leave your money in the TSP and let it keep accruing earnings.
- Transfer the account to a rollover IRA or a new employer's plan.
- Continue to contribute through eligible transfers into your TSP.
- Withdraw the funds.

You can also opt for a mixed withdrawal, which is a combination of any of the options listed. If you choose to withdraw the funds before age 59½, you will be subject to a 10 percent penalty, in addition to forfeiting future income from these investments. Although you are not required to begin making withdrawals at age 59½, you are required to begin a minimum annual withdrawal by age 70½. If you have less than $200 in your account when you leave military service, it will be automatically cashed out as a withdrawal with no penalty.

Withdrawal Options

SLIDE 15

In addition to a partial-withdrawal option, there are three options for making a full withdrawal of the funds in your TSP account. You may choose one or any combination of these options. Spousal consent may apply.

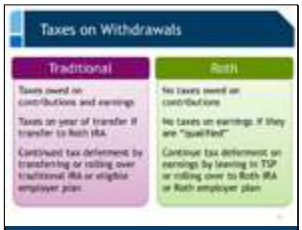
Single payment: A single payment allows you withdraw your entire TSP account at one time, in one payment. It is also referred to as a "lump sum."

Monthly payments: TSP monthly payments allow you to withdraw your entire account in a series of payments that will be made to you each month. You can ask for a specific dollar amount ($25 or more) or have the TSP calculate a monthly payment based on your life expectancy.

An annuity: You can also opt to have the TSP purchase an annuity on your behalf with a private insurance company. An annuity pays a benefit to you (or your survivor) every month for life. Once an annuity is purchased, it cannot be changed.

Trainer's note: If a life annuity is chosen with only one type of balance (traditional or Roth), there must be $3,500 in the account, and if only a portion of the account is used, the percentage chosen must equal $3,500 or more of the vested account balance. If choosing an annuity with both a traditional and Roth balance, the $3,500 threshold applies to each balance separately. The TSP will purchase two annuities (one with the traditional balance and one with the Roth balance).

Withdrawals and Taxes



SLIDE 16

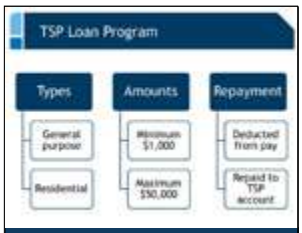
Traditional contributions: When you withdraw money from a traditional TSP account, you will owe taxes on any (tax-deferred) contributions and the earnings they have made (except contributions made from tax-exempt pay). You can continue to defer taxes by transferring or rolling over your TSP withdrawal payment to a traditional IRA or eligible employer plan. You can also transfer payment to a Roth IRA, but you would have to pay taxes on it in the year of the transfer.

Roth contributions: Your Roth contributions have already been taxed, so you will not owe any further taxes on your contributions. Whether the Roth earnings portion of any annuity payment is taxed depends on whether it meets the IRS rules for "qualified" earnings. If earnings are not qualified, you can defer paying taxes on them by leaving your money in the TSP or rolling them over to a Roth IRA or Roth account maintained by an eligible employer plan.

Trainer's note: Earnings are qualified if five years have passed since Jan. 1 of the calendar year in which the TSP participant first made a TSP Roth contribution (the entire account will be paid out tax-free).

Once money is transferred out of the participant's account, a distribution will only be considered qualified and paid out tax-free if five years have passed since the first Roth contribution was made and the participants are at least 59½, permanently disabled or deceased.

TSP Loan Program



SLIDE 17

You can access your TSP contributions and earnings in the form of a loan while you are a member of the uniformed services. You must be in pay status to obtain a loan, because your regular monthly loan payments, including interest, are made through payroll deductions.

Types of loans: There are two types: a general-purpose loan and a loan for the purchase of a primary residence. No documentation is needed for a general-purpose loan, which has a repayment period of one to five years. A residential loan

can be used only for the purchase or construction of a primary residence, which does require documentation (such as a contract). Residential loans have a repayment period of one to 15 years.

Loan amounts: The total amount you can borrow is limited to your own contributions and their earnings. The minimum loan amount is $1,000 and the maximum loan amount is $50,000. You can find out the amount you may be eligible to borrow by visiting the TSP website or calling the ThriftLine. You can estimate your loan payment amount before requesting a loan using the Estimate Loan Payments calculator on the TSP website.

Repayment: Loan repayments are made through payroll deductions. The interest rate you pay for the life of the loan is the latest available interest rate for the G Fund at the time your application is processed. The interest you pay on the loan will go into your TSP account, along with repayments of the loan principal, and a processing fee.

Ultimately, what you should remember is that TSP is meant to be a retirement saving and investment program. Although funds are restored to your account when your loan payments are posted, borrowing from your account will affect the final account balance available for your retirement. If you need a loan, you should first look to other resources rather than tapping into your retirement funds. Failing to repay your loan or missing payments have significant financial consequences.

Trainer's note: Because the TSP investment funds have different rates of return, the interest paid on the loan (at the G Fund rate) is likely to be different from the rates of return on the other TSP funds. The earnings in the account when the loan is repaid in full are likely to be different from what the earnings would have been if the participant had not borrowed from the account. Reservists who drill only monthly (or less) should think seriously before taking a loan, because they may be unable to make the required monthly payments. Missed payments could result in negative tax consequences.

LEARNER ACTIVITY: *TSP and You: Withdrawals and Loans*

Time: 10 minutes

Materials: Index cards

Procedure: Before the course begins, prepare index cards by writing a review topic on TSP withdrawals or loans onto each card. Suggested review topics include: Types of loans, withdrawal options, loan limits and fees, and early withdrawal of TSP funds.

Divide the class into pairs or groups (depending on the size of the class) and give each team a review topic. Instruct learners to use the information from their handouts and notes to develop a quick review of their topic for the rest of the class. Explain that they can use any method they choose to present the information to the class. Give learners a couple of minutes to develop their information and explain that they will have one minute to give their "brief." Allow each pair or group to present their information and then follow up to fill in information gaps or to answer questions.

SUMMARY AND CONCLUSION

SLIDE 18

To conclude today's course, here are a few things to stress about the TSP:

- The TSP is a defined-contribution plan similar to a 401(k).
- The TSP offers tax-deferred earnings.
- The TSP offers a choice of investment options.
- The TSP offers a loan program and flexible withdrawal options.
- The TSP offers you a great opportunity to build wealth!

RESOURCES

SLIDE 19

If you need additional information about the Thrift Savings Plan or investing for your future, check out these resources:

- TSP website: www.tsp.gov
- TSP ThriftLine: 1-TSP-YouFirst (1-877-968-3778)
- TSP4gov YouTube Channel
- Twitter: @tsp4gov
- Command Financial Specialist
- Financial educator at FFSC

OPTIONAL SHORT COURSE

The following instructions and topics allow you to facilitate this course in 15 to 30 minutes. This shortened course content can be used as a marketing brief or when presentation time is limited. The instructions note what parts of the content to use for this shortened course and how to modify existing content. If you are using the PowerPoint slides as part of your brief or presentation, you may wish to hide unused slides.

Time: 15 to 30 minutes

Handout: *The Thrift Savings Plan*

Topics:

Welcome and Introduction

Slide 1 and 2: Start with a brief introduction of yourself and the topic. Pass out the course handouts and tell learners that the handouts provide a review of content covered in this course (or brief) as well as additional content not covered in detail. Briefly review the agenda. Provide the *TSP and You Workbook* (handout) and encourage learners to take notes as needed.

TSP Overview

Slides 3 and 4: Review the fundamental concepts and benefits of TSP. Time permitting, allow any knowledgeable attendees to share their experiences with the program. Briefly cover the steps to managing an account and investment considerations on Slides 5 and 6. Slide 7: Review the tax treatment options, explaining the difference between traditional and Roth TSP accounts in as much detail as necessary. Slide 8: Briefly explain the various types of contributions and their limits. Slide 9: Discuss the opportunity cost of lost interest through the example provided. Omit the TSP and You: Why, How and How Much activity.

TSP Investment Funds and Options

Use Slide 12 to briefly define and discuss the differences between index-based funds and lifecycle funds, skipping Slides 10 and 11. Assign the Funds, Options and Choices Quiz as a postsession activity, checking their answers against The Thrift Savings Plan handout.

Withdrawals and Loans

Omit the TSP and You: Withdrawals and Loans activity. If time permits and Internet connection is available, consider doing a virtual field trip to the TSP website and demonstrate how to use the Estimate Loan Payments calculator.

CONCLUSION

Slides 18 and 19: Review the summary points and sources of help, highlighting the availability of in-person, online and social media outlets. End the course/brief by inviting learners to attend the full Thrift Savings Plan course and to visit their CFS or FFSC financial counselor for additional information and assistance.

NOTES:

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 ($18,000 in 2015; $53,000 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.		

INVESTMENT OPTIONS:

- Individual Funds
  - G Fund: Government Securities Investment Fund
  - F Fund: Fixed Income Investment Fund
  - C Fund: Common Stock Index Investment Fund
  - S Fund: Small Cap Stock Index Investment Fund
  - I Fund: International Stock Investment Fund
- Lifecycle Funds (a professionally designed mix of stocks, bonds and government securities)
- Loans: Under certain circumstances, you can borrow from your TSP account. Check the TSP website for details.

TSP RESOURCES:

- TSP website: 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/civilianemployees/employeebenefits/TSP.html
- Military OneSource: www.militaryonesource.mil/pfm/saving-and-investing-basics?content_id=267395

GLOSSARY OF TERMS

After-tax Contributions – Contributions that are made after taxes have been taken from pay (i.e. Roth).

Automatic Contributions – Contributions deducted from pay and added to a TSP account by an employer.

Annuity – Guaranteed monthly income for the life of the TSP participant or survivor after separating from federal service.

Asset Allocation – The process of choosing among different kinds of assets such as stocks and bonds that will be included in an investment portfolio.

Beneficiary – The individual or entity that receives your TSP account balance (or a portion of it) at your death.

Bond – A debt security issued by a government entity or a corporation to an investor from whom it borrows money.

Catch-Up Contributions – Contributions which are made via payroll deductions by a participant age 50 or older and are permitted to exceed the Internal Revenue Code (IRC) elective deferral limit.

Contribution – A deposit made to the TSP by a participant through payroll deduction or on behalf of the participant by his or her employer.

Currency Risk – The risk that the value of a currency will rise or fall relative to the value of other currencies.

Elective Deferral Limit – An annual dollar limit, established under the Internal Revenue Code (IRC), that limits the contributions a participant can elect to make to plans like the TSP.

Eligible Employer Plan – A plan regulated under Internal Revenue Code (IRC), including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan.

Eligible Rollover Distribution – A distribution from the TSP that is eligible to be transferred or rolled over to an IRA or eligible employer plan.

Fixed Income Investments – Generally refers to bonds and similar investments (considered debt instruments) that pay a fixed amount of interest.

Index – A broad collection of stocks or bonds which is designed to match the performance of a particular market.

Inflation Risk – The risk that investments will not grow enough to offset the effects of inflation.

In-service Withdrawal – A disbursement made from a participant's account which is available only to a participant who is still employed by the federal government, including the uniformed services.

Interfund Transfer (IFT) – A redistribution of different TSP funds within an account.

Market Risk – The risk of a decline in the market value of stocks or bonds.

Matching Contributions – Contributions up to a certain limit made by an employer to TSP accounts for participants who have also contributed their own money.

Post-separation Withdrawal – A distribution from a participant's account which is available only to participants who have left federal service or the uniformed services.

Prepayment Risk – The probability that if interest rates fall, bonds that are represented in the index will be paid back early, thus forcing lenders to reinvest at lower rates.

Pre-tax Contributions – Contributions of pay that have not yet been taxed. All employee contributions to a TSP traditional balance are made pre-tax.

Qualified (earnings) – Roth earnings are qualified (i.e., paid tax-free) when two conditions have been met: 1) 5 years have passed since January 1 of the calendar year in which you made your first Roth contribution, and 2) you have reached age 59½, become permanently disabled, or have died.

Required Minimum Distribution (RMD) – The amount of money that the IRS requires be distributed to a participant each year after the participant has reached age 70½.

Risk (Volatility) – The amount of change (both up and down) in an investment's value over time.

Roth Contributions – Contributions from pay that has already been taxed (or from tax-exempt pay) and that has been deposited into a Roth balance.

Roth IRA – An individual retirement account that provides tax-free earnings.

Securities – A general term describing a variety of financial instruments, including stocks and bonds.

Stocks – Equity securities issued as ownership in a publicly held corporation.

Tax-exempt Contributions – Contributions of money to a TSP traditional balance that will never be taxed.

Time Horizon – The future point when withdrawals from an account are expected to begin.

Traditional IRA – A traditional individual retirement account or an individual retirement annuity with contributions from pay that have not yet been taxed. Also referred to as "tax-deferred," "pre-tax," or "non-Roth" contributions.

Vesting – The time in service a TSP participant must have in order to keep automatic contributions and earnings.

Source: Glossary of Terms available at www.tsp.gov.

TSP and You Workbook

Use this handout to fill in information that will help you participate in and manage your TSP funds. Information you complete in this workbook can be used in each class activity.

Thrift Savings Plan

What is the TSP?

TSP Benefits

Managing Your Account

Investment Considerations

Tax Treatment Options (Traditional and Roth)

TSP Contributions and Limits

TSP Investment Funds and Options

Index-based funds:

G Fund:

F Fund:

C Fund:

S Fund:

I Fund:

Life-cycle funds:

Investment Approaches

Notes

Activity: TSP and You: Funds, Options and Choices

Fill in the blank with the correct answer to the questions below.

1. The _____ earns interest without any risk of loss of account principal.

2. The amount of time until you will begin using your retirement income is your _____.

3. The objective of the _____ is to match the performance of the Standard & Poor's 500 (S&P 500) index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.

4. The _____ are professionally designed mixes of securities, bonds and stocks based on a chosen time horizon.

5. The objective of the _____ is to match the performance of the Barclays Capital U.S. Aggregate Bond Index, a broad index representing the U.S. bond market.

6. The objective of the _____ is to match the performance of the MSCI EAFE (Europe, Australasia, Far East) Index.

7. Many financial experts maintain that investing in _____ is one of the best ways to invest for the long term.

8. The objective of the _____ is to match the performance of the Dow Jones U.S. Completion Total Stock Market (TSM) Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500.

9. There is risk involved in every type of investment tool, and the tendency of investments to experience these ups and downs is referred to as _____.

10. The longer your time horizon, the more _____ you can usually be with your investments.

Withdrawals

In-service Withdrawals

Post-service Withdrawals

Loans

Resources

Notes

Print Course

Print Handouts

Your Insurance Needs

COURSE DESCRIPTION

Your Insurance Needs is a 60-minute course designed to develop the knowledge and skills that will enable learners to make informed consumer decisions on typical types of insurance and their personal insurance needs. The instructor's guide contains many trainer notes providing supplemental information that can be used based on the knowledge and experience level of the group or to answer additional participant questions. It is recommended that facilitators use the provided resources to keep the course information up-to-date each time it is facilitated.

LEARNING OBJECTIVES

Terminal: Upon completion of this course, learners should be able to make informed choices when selecting insurance products to manage risk, safeguard wealth and protect assets.

Enabling:

- During the *Life-Cycle Approach to Insurance Needs* activity, learners will indicate at least two suitable insurance options for different stages of the average life span.
- As part of the *Insurance IQ Test* review activity, learners will identify and apply specific components of five major types of insurance.

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USEFUL WEBSITES

- Department of Veterans Affairs: www.va.gov
- TRICARE (health insurance): www.tricare.mil
- Consumer awareness: www.consumerworld.org
- General insurance information: www.iii.org
- Insurance fraud: www.insurancefraud.org
- Insurance quote comparison: www.insweb.com
- Insurance news and analysis: www.ambest.com

- Federal long-term care insurance: www.ltcfeds.com
- Long-term health insurance: www.aaltci.org
- Navy Gold Star: www.navygoldstar.com
- Consumer Financial Protection Bureau: www.consumerfinance.gov
- Social Security Administration: www.ssa.gov

COURSE PREPARATION

Handouts:

- *Insurance IQ Test*
- *Life-Cycle Approach to Insurance Needs*
- *Organizing Your Records*
- *Shopping Tips for Insurance*

Materials (vary depending on activities chosen):

- Pens, pencils, markers
- Paper
- Chart paper or whiteboard
- Internet connection (where available)
- *Your Insurance Needs* PowerPoint slides

SUMMARY OF LEARNER ACTIVITIES

- *The Life-Cycle Approach to Insurance Needs:* An interactive approach to course content highlighting the fact that it is the life-cycle event that determines the need to make an insurance purchase.
- *Insurance IQ Test:* A review activity in which participants are asked key facts that relate to five main areas of insurance.

CONTENT OUTLINE

1. Welcome and Introduction (5 minutes)
    a. Agenda
    b. The Purpose of Insurance

2. The Life-Cycle Approach To Insurance Needs (45 minutes)
    a. Learner Activity: *The Life-Cycle Approach to Insurance Needs*
    b. Single in Quarters
    c. Moving Off Base
    d. Buying a Car
    e. Getting Married
    f. Having Children
    g. Buying a Home
    h. Increasing Assets
    i. Divorce
    j. Retirement/Separation
    k. Death
3. Summary (10 minutes)
    a. Protecting Wealth Wisely
    b. Sources of Help
    c. Learner Activity: *Insurance IQ Test*

CONTENT MATERIAL

WELCOME AND INTRODUCTION

SLIDE 1

Picture yourself sitting on your couch. Now think about all of the items around you: your TV, furniture, electronics. If there were a fire in your home and you lost everything, would you be able to replace it? Do you have the money in the bank or sufficient insurance to cover this loss?

Now think about your car and the potential hazards you face each time you drive. Would your current automobile insurance cover all of your expenses if you were in a car accident? Does your insurance provide protection for medical costs resulting from an accident? What about the cost of repairs?

What protections do you have in place for the things that matter to you most?

SLIDE 2

AGENDA

This course will explain the importance of insurance for the events you hope will never happen. Part of building wealth is having a meaningful way to protect it, and you can give yourself tremendous peace of mind by preparing for unanticipated events and hazards.

This course will cover the types of insurance protection available to help you manage the risk of potential losses. It will take a common-sense approach to how, when and which product to purchase. This is referred to as the life-cycle approach to insurance. We will also discuss strategies for getting the most out of your insurance purchases, while avoiding common mistakes and unnecessary costs.

The Purpose of Insurance

SLIDE 3

The purpose of insurance is to help us manage risk and protect us from financial loss. We all face risks every day, and while many amount to nothing, some could result in damage, injury, loss or liability. There are several ways to manage the various risks that we are all exposed to:

Avoid: One way to do this is to *avoid* the risk all together. For example, if you are concerned about the risk of drowning, you could avoid purchasing a home with a pool.

Reduce: A second way is to *reduce* the risk. For example, if you are concerned your cellphone may distract you while driving, you might silence the volume or put it in the back seat where you cannot reach it.

Retain: You can also *retain* a risk. This means that you are willing to pay for whatever financial loss occurs, such as declining an extended warranty on a small appliance and assuming the responsibility to repair it if necessary.

Transfer: For everything else, you can *transfer* the risk by purchasing insurance to protect you from losses you cannot afford to cover yourself. You pay a small, known cost (the premium) for the promise that the insurance company will pay for a larger cost of loss that may occur (within certain limits).

THE LIFE-CYCLE APPROACH TO INSURANCE NEEDS

SLIDE 4

We all experience major life events that affect our insurance needs, such as buying or renting a home, marrying, having children, accumulating assets, transitioning to civilian life and retiring. Smart insurance planning begins with a detailed assessment of your immediate insurance needs, along with *reassessment* when significant life events occur. Some types of insurance, such as health and disability, are provided to you while you remain on active duty. Other types of insurance are your responsibility in part or in full. We will take a look at some major life-cycle events and explore how you can make the best insurance purchasing decisions for each one.

LEARNER ACTIVITY: *The Life-Cycle Approach to Insurance Needs*

Time: 30 minutes

Materials: *The Life-Cycle Approach to Insurance Needs* handout, chart paper and markers

Procedure: Divide the class into 10 pairs or small groups. Assign them one stage of the life cycle, but do not distribute the handout. Have each group brainstorm insurance needs for their stage in the life cycle, taking into consideration the previous stage. Instruct groups to determine at least two types of insurance they think are needed for their stage. Ask for a member of each group to record the responses on the board or on chart paper. Have all group leaders report their findings before presenting the content, or have each individual group report their findings just before the debrief on the stage they were assigned. Distribute handout as a reference guide for the next section.

Life Cycle Stages:

1. Single in Quarters
2. Moving Off Base
3. Buying a Car
4. Getting Married
5. Having Children
6. Buying a Home/Condo/Mobile Home
7. Increasing Assets
8. Divorce
9. Retirement/Separation
10. Death

Single in Quarters

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

Insurance Needs

Life insurance: If you are single and have no dependents, chances are there is no one who suffers any severe financial consequences should you die. Therefore, your life insurance needs generally amount to covering certain one-time expenses, such as burial costs and any outstanding debts.

- **Servicemembers' Group Life Insurance (SGLI):** Most Sailors are covered by SGLI, a low-cost group life insurance plan for active and Reserve personnel associated with the armed services. SGLI coverage is available in $50,000 increments up to a maximum of $400,000. Its premiums are currently only 7 cents per $1,000 of insurance, totaling at most $28 per month, regardless of the service member's age.
- **SGLI Traumatic Injury Protection Program (TSGLI):** Servicemembers' Group Life Insurance Traumatic Injury Protection Program (TSGLI) provides automatic traumatic injury coverage to all service members covered under SGLI. It provides short-term financial assistance to severely injured service members and veterans in order to assist them in their recovery from traumatic injuries incurred on or off duty.

Trainer's note: Individuals eligible for(SGLI include: service members on active duty, Ready Reservists, members of the National Guard, 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. TSGLI coverage applies to active-duty members, Reservists, National Guard members, funeral honors duty and one-day muster duty.

Renters insurance: Renters insurance is also important. It protects against the loss of your personal property if it is lost or stolen. Even if you are living in barracks or on a ship, replacing the cost of personal items such as your clothes, cellphone or computer can be expensive. While the government insures the building or the ship, it may not always cover losses to your personal belongings. Renters insurance is relatively inexpensive, usually less than $25 a month depending on coverage.

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."

Insurance Needs

Renters insurance: Remember that renters insurance is necessary to replace your possessions, and those who fail to purchase it can face a double problem. In the event of a disaster, such as fire or flooding, not only would you have to replace your furniture, you could also end up continuing to make payments on the furniture bought on credit until it is paid off. When moving off base or acquiring additional assets, re-evaluate whether you have the coverage you need.

Renters Insurance Tips

Determine your coverage. Check with the base housing office to find out what is covered. Talk with your insurance company to make sure your possessions are covered while residing in base housing, the barracks or aboard a ship.

Opt for replacement cost coverage. Always opt for replacement cost coverage, which pays fully to replace lost items. Actual cash value coverage only pays the depreciated value of the items.

Consider a rider. Some personal property – particularly high-cost items like jewelry, guns, collectibles, sporting gear or computer equipment – is not fully covered under a standard policy. You may need a rider (a mini-policy added to a bigger policy to cover specific items) or even a separate policy to make sure they are adequately protected.

Consider personal liability. Consider insurance that includes personal liability and medical payments to others. Personal liability insurance covers you when you are held responsible for the losses of others arising from your own negligence. This is included in renters insurance policies and can be increased if needed. Medical payments insurance pays for medical expenses for those injured while visiting your home.

Keep an inventory. Once you have your property insured, take an inventory and keep a copy of the list somewhere safe (not at home). Photographs or video of your property may help in getting a full-value settlement.

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."

Trainer's note: Research the state requirements for auto insurance per person, per accident, property damage and medical payments, and provide that information here. Refer learners to a *Car Buying Strategies* course at the FFSC if they are considering purchasing a car.

Insurance Needs

Auto insurance: For many service members, the biggest initial purchase they will make is a car, and auto insurance is an important way to protect that investment. With this insurance, you agree to pay the premium and the insurance company agrees to pay your losses as defined in your policy. There are several different types of car insurance, and each is priced separately.

- **Liability:** Liability coverage pays for your legal responsibility to others for **body injury** or **property damage**. It is written as three numbers. For example: 100/300/50 means $100,000 in bodily injury coverage per person, $300,000 in bodily injury coverage per accident and $50,000 in property damage coverage per accident.
- **Property (or Vehicle):** Coverage pays for damage to or the theft of your car. If you cause an accident, **collision coverage** will pay to repair your vehicle (the actual cash value, not the replacement cost). **Comprehensive coverage** pays for damages to your car not caused by an accident, such as a tree fall, fire or theft. Your insurer will only pay as much as the car was worth when the event occurred, not the cost of a new car. Collision coverage is generally sold with a deductible of $250 to $1,000. Comprehensive coverage is usually sold with a deductible of $100 to $300.
- **Medical:** Also referred to as **medical payments** or **personal injury protection (PIP)**, medical coverage pays for the cost of treating injuries, rehabilitation and sometimes wages lost by someone injured in an accident. It may also cover funeral costs. This coverage protects you and your passengers for injuries, no matter who is at fault.
- **Other: Uninsured and underinsured motorist coverage.** Uninsured coverage will reimburse you or another designated driver if one of you is hit by an uninsured or hit-and-run driver. Underinsured motorist coverage comes into play when an at-fault driver has insufficient insurance to pay for your total loss. This coverage will also protect you if you are hit as a pedestrian.
- **Optional:** Other optional insurance features may include towing and labor, rental car reimbursement and gap coverage (pays the difference between the car's estimated fair market value/cash value and the amount left on your loan if your vehicle is totaled or stolen).

Most states require drivers to purchase a minimum amount of auto insurance, and it is tempting, especially for young drivers, to stop there. However, if you want to protect yourself from big repairs or a possible lawsuit, it is wise to buy more than what is required for the additional coverage to protect your assets. Most auto policies are for six months to a year, and your insurance company should notify you by mail when it is time to renew the policy and pay your premium.

Auto Insurance Tips

- **Maintain a good credit history.** Most insurers use credit information to price auto insurance policies, so a good credit history can reduce your costs. Research shows that people who effectively manage their credit have fewer claims. To protect your credit standing, pay your bills on time, do not obtain more credit than you need and keep your credit balances as low as possible. Check your credit record regularly and have any errors corrected promptly.
- **Shop before you buy.** To find the best insurance at the best price, investigate insurance coverage from several companies before going to purchase a vehicle. Get at least three price quotes by calling companies directly or accessing information on the Internet. Purchasing auto insurance from a dealer is generally not recommended.
- **Ask about discounts.** Many insurers will give discounts for added safety features, like antilock brakes, side air bags and anti-theft devices. Many companies also give discounts to customers who buy two or more types of insurance (i.e., homeowners and auto) or insure multiple vehicles.
- **Choose higher deductibles.** As with most insurance, the higher your deductible, the lower your premium. When going this route, make sure to have sufficient emergency funds to cover potential repair costs.
- **Reduce coverage on older cars.** Consider dropping collision and/or comprehensive coverage on older cars. Compare your vehicle's actual cash value to the premium cost of collision and comprehensive to help you decide. If your car is worth less than 10 times the premium, purchasing the coverage may not be cost effective.
- **Maintain coverage while on deployment.** Some companies will allow continued coverage at a reduced rate while you are deployed. Contact your insurer and let them know your car will be "off the road." If you drop coverage, your rates will likely go up when you reinstate it. If you still owe money on the vehicle, the creditor will require you to maintain coverage.

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."

Insurance Needs

Renters insurance: Review your insurance and adjust as necessary, adding your spouse's possessions to policy.

Auto insurance: Also review your auto insurance and adjust as necessary, adding your spouse and their vehicle.

Health/dental insurance: While on active duty, all of your health care and most of your family member's care is covered at no cost to you by TRICARE. In order to be covered, your dependent family members must be enrolled in the Defense Eligibility Enrollment Reporting System (DEERS) by you and then be enrolled in the TRICARE Health and TRICARE Dental. TRICARE has three options: Prime, Extra and Standard.

Life insurance: You may want to consider additional life insurance to protect those who depend upon you financially, should you die. The single most important reason to have life insurance is to replace one's income. It can also provide funds to pay off a mortgage, eliminate debts, pay educational costs or any other financial need.

- **Married, one income, no children:** If one spouse is financially dependent on the other, insurance would be needed to provide for the non-working spouse during an adjustment period and possibly longer, depending on education, employment potential and health.
- **Married, dual income, no children:** In this situation, because both spouses are working, the major consideration will be providing money to pay off the debts they share and final expenses such as medical and funeral costs. Dual-income couples often have more debts as well as more money.

Having Children

SLIDE 11

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

Insurance Needs

Renters insurance: Review and adjust as needed.

Auto insurance: Review and adjust as needed.

Health/dental insurance: As with your spouse, you will want to add your child to DEERS and your Page 2 to ensure TRICARE coverage. You may want to wait until your child has teeth or needs to begin care (usually age 2-3), then change your enrollment to the full family dental plan.

Family Servicemembers' Group Life Insurance (FSGLI). If you are married or single with children, this is the time of greatest need for life insurance. FSGLI

provides term life insurance coverage to the spouses and dependent children of service members insured under SGLI. The service member pays the premium for spousal coverage up to $100,000. Dependent children under the age of 18 are automatically insured for $10,000 at no cost. In addition, children between the ages of 18 and 23 who are full-time students are also covered.

You will need to personally assess whether SGLI and FSGLI covers all of your family's future needs. Regardless of employment status, the surviving spouse is generally going to have a significant need for additional funds to offset the loss of the other spouse's income while the children are living at home or are in college. If the surviving spouse is the service member, there may be additional child care costs to consider. Single parents must consider the future financial needs of the child as well their designated guardian. Adequate insurance should also be in place to compensate a guardian for the additional expenses of raising children should one or both parents die. Additional insurance may be needed.

Trainer's note: Spouse coverage is a maximum of $100,000 and can be in lesser amounts in increments of $10,000. However, spouse coverage cannot exceed the service member's level of SGLI coverage. Service members married to other service members can be covered under both their own SGLI for $400,000 and their spouse's FSGLI for $100,000 for a maximum combined coverage of $500,000. The service member can apply by completing SGLV Form 8286A and submitting it to their branch of service.

Life Insurance Considerations

SLIDE 12

Life insurance needs. When purchasing life insurance, it is important to consider that your needs will fluctuate during your lifetime. Some needs are short-term, meaning they have a distinct beginning and end, such as providing income until children leave the home or graduate from college. Other needs are long-term, such as covering funeral expenses and providing a steady stream of income for a surviving spouse. In young adulthood, the need for life insurance is minimal if you have no dependents. When you marry and/or have young children, your insurance needs are greater. After your children have grown up and are independent and you have acquired other assets, the need for life insurance declines and possibly disappears.

Life insurance products. There are many different life insurance products, most commonly separated into two categories: temporary insurance (also referred to as "term") and permanent insurance (also referred to as "whole life"). All insurance purchases are a personal choice, but considering your position in the life-cycle can help you zero in on the specific needs you want covered and guide the most

appropriate product to use. There are many insurance calculators, such as the one provided by the Department of Veterans Affairs (VA), that can help you determine how much life insurance to purchase (if any) based on your needs.

Term Life Insurance

SLIDE 13

Factors. Temporary, or term, insurance provides protection for a limited period of time (the term of the policy). The face amount will be paid only if the insured dies during the specified period. Term insurance is purchased for periods of generally one to 20 and sometimes even 30 years, with premiums remaining level throughout the term. Some term insurance allows you to renew the term or convert the policy to a permanent plan. SGLI and FSGLI are examples of term insurance that pay the face amount of the policy to your beneficiary should you die.

Advantages. Term insurance is less costly, particularly when the purchaser is young and the need for insurance is generally at its greatest. It is useful for limited-duration needs, such as a time frame when the surviving spouse may be financing educational expenses or paying off a mortgage.

Disadvantages. The disadvantage of term insurance is that the premiums gradually increase with age, making it more cost-prohibitive the older you get. Term insurance has no cash value, meaning nothing is paid if the insured survives past the insured period.

Permanent Insurance

SLIDE 14

Factors. Permanent insurance is an umbrella term for life insurance plans that do not expire (unlike term insurance), but rather pay a death benefit to your designated beneficiary when you die. Permanent insurance policies include a savings element that will grow on a tax-deferred basis and may accumulate a substantial cash value over time. Depending on the policy, owners may be able to borrow funds or withdraw the cash value for certain financial goals. Whole life, universal life and variable life are all examples/variations of permanent insurance.

Advantages. A permanent life policy provides lifelong insurance protection. The policy pays a death benefit to a beneficiary you designate if you die tomorrow or if you live to be 100. Permanent insurance premiums also remain the same, while term insurance premiums can go up substantially every time you renew the policy.

Disadvantages. Because of the savings element, premiums are generally higher for permanent than for term insurance, particularly in the early years of the policy. Compared to other investment options, there is a lower rate of return contributing to the cash value.

Trainer's note: Depending on the size, interest and experience level of the group, the discussion of permanent insurance can be limited to the description above, under "Factors," or it can delve into further details below concerning traditional whole life, universal life and variable life insurance. Additional information can be found on the Insurance Information Institute website at www.iii.org.

Traditional whole life: A whole life policy remains in place for as long as you pay the premiums, which is normally for the whole life of the insured. Premiums are designed to stay the same (level) throughout the life of the policy to offset variable costs associate with age. Any reserve money (cash value) is invested conservatively and belongs to the insurance company until the insured surrenders the policy, borrows against it or dies. This return of unused premium is called a dividend. Insurance policy dividends are not taxed and can be received in cash, used to buy paid-up additional insurance, used to pay future premiums or held by the Insurance company and receive interest.

Universal life: Universal life offers more flexibility to the policy owner in setting premium amounts and death benefit options, pending results of a medical examination. The premium is deposited into a savings vehicle (called a cash value account or accumulation fund) that generally earns a money market rate of interest.

Variable universal life: Variable life insurance has a death benefit and savings account similar to universal life, with the exception of allowing the policy owner the option to invest in stocks, bonds, money markets and mutual funds to achieve a potentially higher return.

Life Insurance Premium Factors

SLIDE 15

The cost of your insurance is based on a number of factors, some of which you can control. Common factors insurance companies take into account include:

Age: The number one factor behind the cost of life insurance is the age of the policyholder. The possibility of death increases each year as you grow older; therefore, the "risk" being assumed by the insurance company is greater. The cost of the "insurance" portion of any policy will increase with age, which is why experts recommend buying a policy while you are young.

Gender: Next to age, gender is the biggest determinant of pricing. Women generally live longer than men, which means they typically pay premiums for a longer period than men, affording them slightly lower rates.

Health: Your state of health determines whether you are insurable and at what cost. The underwriting process for most carriers includes a medical exam in which the company records height, weight, blood pressure, cholesterol and other key metrics. People with chronic health problems will face higher insurance premiums, so it is important to get any serious conditions such as high cholesterol and diabetes managed before searching for coverage to ensure a competitive rate. Your family health history may also come into play.

Occupation: The cost of life insurance can increase dramatically for those in high-risk jobs (e.g., demolition specialists, race drivers, scuba divers). People with dangerous hobbies can also be affected in the same way.

Lifestyle: Certain lifestyle choices can affect insurance premiums. For example, a smoker will pay almost twice as much for life insurance as a non-smoker of the same age. Most insurance companies consider you to be a smoker if you have used tobacco in any form at any time in the previous 12 months. Once a smoker quits, the rate for insurance will normally be reduced to the non-smoker rates after 12 or more months.

Driving record: Many life insurance companies look at your driving record during the underwriting process by asking you direct questions or accessing your records through the department of motor vehicles. The previous three to five years carry the most weight, so if you have improved your driving habits, you may benefit with a more favorable price.

Buying a Home

SLIDE 16

"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."

Insurance Needs

Life insurance: Your needs will increase again based on the mortgage you are carrying. To pay off the mortgage in the event of your death, you will need to carry more insurance.

Homeowners insurance: Homeowners insurance will be required by your lender to cover both your property and personal possessions. Most homeowners purchase a standard HO5 "all risks" policy. This covers property damage to the home, damage to contents, liability against damages to others while on your property, and expenses if you are displaced for some time. Standard policies provide the same coverage regardless of which company issues them; the only real difference is the cost.

Homeowners insurance does not cover certain types of damage (including earth movement, water damage, power failure, neglect or intentional damage). Most of these perils can be covered by a separate policy specific to that issue, such as flood insurance, which is the most common.

Tips on Homeowners Insurance

SLIDE 17

Choose the right level of protection. When shopping for home insurance, there is much more to consider than how much your coverage will cost. You need to buy the right type of policy, including the proper level of protection, and add any special provisions for valuables such as jewelry, computer equipment and other possessions.

Consider additional coverage. You might also need additional coverage for such events as earthquakes or flooding. Flood insurance is a wise purchase that is required (and expensive) in high-risk areas but often inexpensive elsewhere. Flood insurance is offered under the National Flood Protection Program, and even though it is sold through commercial companies, the cost will be the same regardless of which company you buy from. It is the one type of insurance for which comparison shopping does no good.

Opt for replacement coverage. Like renters, homeowners should buy replacement cost coverage, not actual cash value, for comprehensive coverage of their belongings.

Take an inventory. Take an inventory and determine whether you have enough insurance coverage. Keep a copy of your important assets somewhere secure, such as in a fireproof safe or at a location outside the home. Photos or videos of each room and its contents will help you to settle a claim in the event of a loss.

Increasing Assets

SLIDE 18

"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."

Insurance Needs

Auto insurance: Review and adjust as needed.

Life insurance: Review and adjust as needed.

Homeowners insurance: Review and adjust as needed, remembering that as your assets grow, you need to ensure appropriate coverage.

Umbrella policy: An umbrella policy protects against loss in the event of a large damage award in a lawsuit over and above the limits of an auto or homeowners liability policy. Those with substantial assets to protect should consider an umbrella policy, as should anyone who may face particular risks, such as owning an in-ground swimming pool, having a potentially dangerous dog for a pet or regularly transporting other neighborhood children in your van.

Trainer's note: Homeowners are usually required to have $300,000 to $500,000 of insurance coverage on their regular policies before qualifying for an umbrella policy. In addition, insurers require that they have both their homeowners and auto policies with them. A $1 million umbrella policy can often be purchased at a relatively low cost (less than $150 per year).

Long-term care (LTC) insurance: LTC insurance is a smart way to protect your income and assets and remain financially independent should you need assistance with performing everyday activities due to a chronic illness, injury, disability or the aging process. While long-term care is generally thought of as something needed for the elderly, it can be used by anyone at any time for conditions such as automobile or sporting accidents; disabling events such as strokes, brain tumors and spinal cord injuries; or chronic illnesses such as multiple sclerosis, Parkinson's or Alzheimer's disease. For most people with these conditions, medical insurance, disability insurance and Medicare will not pay for the ongoing, long-term care provided at home, in nursing homes or at adult day care and assisted living facilities. Industry experts recommend considering this coverage between ages 50 and 55, but keep in mind that premiums are based on your age and your health when you apply.

Long-term care insurance is available to service members, retirees, spouses and other qualified family members under the Federal Long Term Care Insurance Program (FLTCIP). The cost varies based on the benefits and options chosen. Online calculators can help you determine the premiums for the plan you choose. It is important to thoroughly research the options of this plan as well as any others you may be eligible for before making a purchase decision.

Trainer's note: Additional details can be obtained at www.ltcfeds.com or by calling 1-800-582-3337.

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?"

Insurance Needs

Renters/homeowners: Review and re-evaluate, putting the policy in your own name.

Auto insurance: Review and re-evaluate, putting the policy in your own name.

Health insurance: When there is a divorce, sponsors must update DEERS with a copy of the divorce decree. All eligibility determinations revolve around the date of the divorce (not the date it was filed). Because it is an entitlement, eligibility for health care for the sponsor and any biological and/or adopted children under age 21 (or age 23 if in college) will not change. Healthcare coverage for a spouse will end when they cease to become a dependent (marked by the date of the divorce decree), unless they meet special circumstances for limited-time or longevity coverage.

Trainer's note: Spouses may be eligible to continue to receive TRICARE benefits if they meet certain longevity requirements detailed at www.tricare.mil/Plans/Eligibility/FormerSpouses.aspx. They may also be eligible for Continued Health Care Benefit Program (a limited-time program similar to COBRA), detailed at www.tricare.mil/chcbp.

Life insurance: People sometimes forget about the existence of their life insurance policies, yet often the amount of money involved is higher than their other assets. Divorcing couples should check the beneficiaries on their life insurance, whether they have term or permanent policies. If they fail to change the beneficiary of their policy, their ex-spouse could get the money instead of their children or current spouse upon death.

Long-term care insurance: Long-term care insurance policies are individual insurance policies, so there would not be much impact from a divorce, aside from any discount for multiple policies. Single or divorcing spouses in their 50s who do not have long-term care coverage should strongly consider purchasing some because they may not have anyone to take care of them or have to pay for care from their own assets.

Insurance Tips During Divorce

Put policies in your own name. Be sure to notify your insurance company when any asset such as a car or a home changes ownership, and be aware that you may lose discounts previously received for bundling insurance plans. Whenever possible, have your own policies in your own name for all areas of insurance.

SLIDE 20

Review all policies. In the event of a divorce, all policies need to be reviewed for accuracy. Whether the policies are in place for protection or as an investment, you will need to review them in the context of your new financial circumstances.

Re-evaluate how much insurance you need. Re-evaluate how much insurance you need to cover anyone still dependent on you. Consider what expenses you need to cover and future plans for any children, such as completing college.

Maintain coverage on joint policies. If you choose to keep joint coverage on some policies, make sure to maintain necessary coverage. For example, liability insurance policies for your home and car are particularly important to maintain during and after a divorce. You will still be liable for damages if the vehicle is in an accident or if anything happens to someone on your property (even if you are not living there).

Include estimated expenses in your divorce settlement. Increases in costs or loss of coverage should be incorporated into your divorce settlement. It is also advisable to have provisions written into a divorce settlement that address certain contingencies that could occur, such as what will happen with alimony payments in case of a disability.

Retirement/Separation

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

SLIDE 21

Insurance Needs

Many of the benefits you have had at little or no cost through the military must now be covered on your own. Your new employer may provide some benefits if you continue to work. However, in most cases you will have a cost share.

Homeowners insurance: Review and adjust as needed.

Auto insurance: Review and adjust as needed.

Health/dental insurance: Replacing health care coverage will most likely be the largest insurance expense you will have when separating from the military, but health insurance is something you never want to be without. Medical bills are one of the leading causes of bankruptcy, and health insurance can often help you avoid major out-of-pocket expenses. Group insurance plans, such as a Health Maintenance Organization (HMO) or a Preferred Provider Organization (PPO), are often the most common among private employers. You and your family may also qualify for temporary health care coverage through the military, known as Transitional Health Care Programs (TAMP).

As a retiree, you must enroll in TRICARE. You and your family will have a change in status, and more fees will be involved. While the costs are still far more competitive than commercial companies, you may want to consider a supplemental policy even if you are eligible for Medicare or Medicaid.

Trainer's note: Separating service members and their families may be eligible for temporary coverage under the Transitional Assistance Management Program (TAMP) or the Continued Health Care Benefit Program (CHCBP). Retired service members and their families are eligible for several options. Consult the TRICARE website at www.tricare.mil.

Disability insurance: Disability insurance replaces a portion of your income should you be injured or become ill and unable to work for an extended period of time. While on active duty, you have disability coverage, but when you retire or separate, you need to revisit this insurance again for you and your spouse. Industry experts recommend minimum disability coverage of 60 percent of your annual income, but consider 70 percent to 80 percent based upon your expenses. Disability income insurance can be obtained through an employer's group insurance policy or an individual plan.

Life insurance: Your first of three options is to convert your SGLI to Veterans Group Life Insurance (VGLI). Because of the progressively rising costs, VGLI is not generally recommended unless you are uninsurable or only insurable at a cost-prohibitive rate. Under certain conditions, you may be able to convert your SGLI (as well as your spouse's FSGI) to a commercial policy through the VA. Finally, you may opt to apply for insurance with a new company, such as one provided by another employer.

Trainer's note: For information on converting SGLI, VGLI or FSGLI to a commercial policy, consult the VA website at www.benefits.va.gov/INSURANCE/converting.asp.

Active-Duty Survivor Benefits

SLIDE 22

When determining future insurance needs, it is important to take into account the benefits provided by the government, many of which need to be established while on active duty.

Trainer's note: All rates are current as of November 2015. Most rates can be verified through the Department of Veterans Affairs at www.va.gov and the Social Security Administration at www.ssa.gov.

Death gratuity: This is a one-time, $100,000 lump-sum payment provided to certain survivors of military service members who die while on active duty. It is a tax-free benefit, typically paid within 72 hours. This benefit is intended to help meet the needs of a deceased service member's family during the time period before veteran survivor benefits become available.

SGLI: The standard coverage for SGLI is $400,000 unless the benefit was decreased or declined by the service member. The beneficiary is set by the service member and is separate from any beneficiary that is named in their will.

Dependency and Indemnity Compensation (DIC): Dependency and Indemnity Compensation (DIC) is a tax-free, monthly benefit generally payable to a surviving spouse, child or parent of service members who die while on active duty. Current DIC for spouses is $1,254 and $310 for each dependent child under 18. A benefit of $266 is also provided for some veterans with service-connected disabilities.

Social Security: Depending on how long you have worked, you may be entitled to a one-time, lump sum payment of $255 to your spouse or minor children if they meet certain requirements. Each survivor will also receive a percentage of your basic Social Security benefit, usually from 75 to 100 percent. If the surviving spouse has children 18 or younger, the family also will be eligible for additional benefits. Individuals receive an estimate of Social Security benefits yearly.

Supplemental VA educational benefits: Educational benefits are available to a surviving spouse for up to 20 years after the service member dies. Children are also eligible to use these benefits between ages 18 and 26.

Survivor Benefit Plan: The Survivor Benefit Plan provides eligible beneficiaries with a monthly payment for their lifetime, referred to as an "annuity." This government-subsidized program is free while the service member is on active duty. Should a service member die in the line of duty, their entitlement is calculated as of that date and the SBP annuity will be paid monthly for the rest of the survivor's life or until they become ineligible.

At retirement, you must elect to have a monthly deduction taken from your pay to continue SBP coverage. The deduction cannot exceed 6.5 percent of your gross retired pay. The cost depends on the level of coverage you choose. At maximum coverage, eligible beneficiaries will receive 55 percent of the retiree's elected amount of coverage.

Trainer's note: For more information on SBP, encourage participants to attend the *Survivor Benefit Plan* course.

Other benefits: The military will pay the cost of a basic funeral and provide transportation for family members. The family will be provided a no-cost final move and receive Basic Allowance for Housing (BAH) or permission to live in housing for 12 months, and be paid for any accumulated leave or arrears in pay. All of the above taken together provide the foundation for a sizable estate for the average service member.

Trainer's note: Additional information and support for survivors can be found through Navy Gold Star, the Navy's official program for providing assistance to survivors of service members who die on active duty: www.navygoldstar.com.

SUMMARY

PROTECTING WEALTH WISELY

SLIDE 23

Review insurance with life events. With every life-cycle event, you should review your needs to determine whether you have the proper type and proper amount of insurance. If other people depend on you for their financial well-being, having no insurance plan in place or being underinsured can be a costly mistake.

Use an insurance calculator. Use an insurance calculator, such as the one provided by the VA, to determine how much insurance you actually need.

Comparison shop for the best deal. There are many insurance providers that offer similar products at very different rates. Comparison shop among reputable companies to find the best deal. Ask about discounts for military families, multiple or multi-line insurance plans and safety precautions.

Choose high deductibles to save on premiums. With high liability limits, these are usually the best buys in the world of insurance. Use your emergency fund to self-insure yourself by covering the cost of your deductible.

Organize your records. Make sure to keep all of your insurance policies in order. Keep one set of records in your home in a place where loved ones who need this information can find it. Secure another set of these records in a location outside the home, such as with a financial professional or trusted family member or in a safe deposit box.

Trainer's note: Refer learners to the *Organizing Your Records* handout.

Buy insurance; do not let it be "sold" to you. There are many gimmicks in the world of insurance, and service members (particularly young ones) are often

targeted because of their steady stream of income. With a basic understanding of what each product is designed to protect as well as a firm understanding of your own needs, you are far less likely to get talked into buying more insurance than you need or investing in something you do not fully understand. Make sure you understand your insurance policies, including the fine print.

Sources of Help

SLIDE 24

When making choices about insurance, make sure they are informed decisions. Check with your Command Financial Specialist (CFS) or a Fleet and Family Support Center (FFSC) financial counselor for additional information and resources. Visit websites such as the VA, Social Security Administration, Consumer Financial Protection Bureau, TRICARE or Navy Gold Star.

By using the basic information, handouts and calculator information in this course, not only will you be sure to purchase the best insurance for your needs, you will also have purchased tremendous peace of mind.

OPTIONAL LEARNER ACTIVITY: Insurance IQ Test

Time: 10 minutes

Materials and Preparation: Index cards, pens and pencils.

Procedure: Review the 10-question quiz using the Insurance IQ PowerPoint deck or *Insurance IQ* handout. The PowerPoint deck is animated to remove incorrect answers to each question with one mouse click.

1. How does insurance protect us against the risk of bad things happening? (Answer: Transferring risk)
    a. Avoiding risk
    b. Reducing risk
    c. **Transferring risk**
    d. Preventing risk
2. When choosing renters insurance, it is best to opt for this type of coverage to get the most value for lost items: (Answer: Replacement value)
    a. Cash value
    b. **Replacement value**
    c. Estimated value
    d. Projected value

3. What is the maximum life insurance provided by the government to service members on active duty through SGLI? (Answer: $400,000).
    a. $100,000
    b. $200,000
    c. $300,000
    d. **$400,000**
4. This automotive insurance pays for your legal responsibility to others for bodily injury or property damage. (Answer: Liability insurance).
    a. **Liability insurance**
    b. Property insurance
    c. Medical insurance
    d. Uninsured motorist insurance
5. This type of insurance pays a death benefit and includes a savings vehicle. (Answer: Whole life insurance).
    a. Term insurance
    b. **Whole life insurance**
    c. Health insurance
    d. Long-term care insurance
6. This type of life insurance covers beneficiaries for a period with a specific starting and ending date. (Answer: Term insurance).
    a. **Term insurance**
    b. Whole life insurance
    c. Variable life insurance
    d. Universal life insurance
7. This is often added to a homeowners or automotive policy to cover assets above average limits. (Answer: Umbrella policy).
    a. **Umbrella policy**
    b. Liability policy
    c. Long-term care policy
    d. Whole life policy

8. In the event of a divorce, which is most critical for insurance policy holders? (Answer: Put all insurance policies in your own name).
    a. Review life insurance policies for current market value
    b. **Put all insurance policies in your own name**
    c. Reduce all insurance policies
    d. Add an umbrella policy to standard insurance
9. When separating from the military, what is typically the most expensive insurance to replace? (Answer: Health insurance).
    a. Auto insurance
    b. Renters insurance
    c. Life insurance
    d. **Health insurance**
10. This resource will help you best determine your insurance needs. (Answer: Insurance calculator).
    a. Insurance salesperson
    b. **Insurance calculator**
    c. Insurance quote
    d. Insurance

Insurance IQ Test

Check your knowledge of insurance with this short quiz.

1. How does insurance protect us against the risk of bad things happening?
   a. Avoiding risk
   b. Reducing risk
   c. Transferring risk
   d. Preventing risk

2. When choosing renters insurance, it is best to opt for this type of coverage to get the most value for lost items?
   a. Cash value
   b. Replacement value
   c. Estimated value
   d. Projected value

3. What is the maximum life insurance provided by the government to service members on active duty through SGLI?
   a. $100,000
   b. $200,000
   c. $300,000
   d. $400,000

4. This automotive insurance pays for your legal responsibility to others for bodily injury or property damage.
   a. Liability insurance
   b. Property insurance
   c. Medical insurance
   d. Uninsured motorist insurance

5. This type of insurance pays a death benefit and includes a savings vehicle.
   a. Term insurance
   b. Whole life insurance
   c. Health insurance
   d. Long-term care insurance

6. This type of life insurance covers beneficiaries for a period with a specific starting and ending date.
   a. Term insurance
   b. Whole life insurance
   c. Variable life insurance
   d. Universal life insurance

7. This is often added to a homeowners or automotive policy to cover assets above average limits.
   a. Umbrella policy
   b. Liability policy
   c. Long-term care policy
   d. Whole life policy

8. In the event of a divorce, which is most critical for insurance policy holders?
   a. Review life insurance policies for current market value
   b. Put all insurance policies in your own name
   c. Reduce all insurance policies
   d. Add an umbrella policy to standard insurance

9. When separating from the military, what is typically the most expensive insurance to replace?
   a. Auto insurance
   b. Renters insurance
   c. Life insurance
   d. Health insurance

10. This resource will help you best determine your insurance needs.
    a. Insurance salesperson
    b. Insurance calculator
    c. Insurance quote
    d. Insurance policy

Life-Cyle 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 renewable 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).

Websites

- Department of Veterans Affairs: www.va.gov
- TRICARE (health insurance): www.tricare.mil
- Consumer awareness: www.consumerworld.org
- General insurance information: www.iii.org
- Insurance fraud: www.insurancefraud.org
- Insurance quote comparison: www.insweb.com
- Insurance news and analysis: www.ambest.com
- Federal Long-term care insurance: www.ltcfeds.com
- Long-term health insurance: www.aaltci.org
  Navy Gold Star: www.navygoldstar.com
- Consumer Financial Protection Bureau: www.consumerfinance.gov
- Social Security Administration: www.ssa.gov
- Insurance consumer education: www.naic.org