ACCOMPLISHING YOUR FINANCIAL MISSION

A Guide and Workbook for military personnel to help you take control of your financial life.

FOUNDATION FOR FINANCIAL PLANNING[SM]

Powering Pro Bono Financial Planning

Contents

FINANCIAL TIPS
FOR FAMILIES OF MILITARY PERSONNEL

Active, Reservist and National Guard families whose loved ones have been activated for duty in distant lands face not only separation but often financial hardship as well. A survey by the Department of Defense for Reserve Affairs found that 31 percent of families saw a decrease in income when a husband or wife was called up.

But military families can prevent or minimize financial difficulties through careful money management and by learning the special financial rights available to them when their loved one is summoned for duty.

First, if deployment has not yet occurred, you can take several steps to minimize the financial impact of a future call-up.

- Save enough in an emergency fund to cover essential costs such as housing and food for at least several months. Other sources for emergency money include a home equity line of credit or a loan from life insurance cash values. There are a variety of military relief organizations that may be a resource in the case of dire need. Low interest loans may also be available.
- Prepare a realistic post-activation budget. It will allow you to better prepare for cuts and motivate you more to build up savings.
- Families of activated personnel are allowed to shop at any nearby military base stores, where goods and services are usually less expensive.
- Determine eligibility for the military health program, TRICARE. Mobilized personnel are covered by the military health system after 30 days of activation. Civilian plans should stay in place until then. DEERS enrollment make family members eligible for TRICARE.
- Move to on-base housing if it is available.
- Reduce debt. Credit-card and other consumer debt can be financially devastating if the family faces a serious decline in income.
- Avoid off-base payday lenders, which can increase family debt.
- Designate someone in advance to manage the household finances and be sure they are up to speed with the finances before leaving. Single-parent families, or families where both spouses are called up, will need to rely on a relative, friend or professional help such as a bill-paying service or financial planner.

Whether your family already has someone on active duty or soon may, be aware of the many special financial rights that may be available to you.

Activated reservists or National Guard, or deployed regular military, are generally covered under the recently enacted Service Member's Civil Relief Act, which strengthens the original 1940 Soldiers' and Sailors' Civil Relief Act. Key rights include:

- Prevention of eviction from rental property when rent is less than $2,400 a month (indexed for inflation)
- The ability to break a housing or auto lease
- Temporary stays of civil proceedings such as bankruptcy, foreclosure or divorce

- The ability to cap interest rates at six percent on pre-existing loans, such as credit cards and mortgages. **But you must notify the lenders in order to get the cap and include a copy of orders.**

Another key law to become familiar with is the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). USERRA provides certain rights to employees who must leave work because of a call-up. Among those rights:

- Employees must get back the position they held or would have held (such as through seniority) if they had not been called up, though the employer can have some legitimate reasons for not rehiring, such as an elimination of the position.
- This rehire right supersedes the right of any replacement hire.
- The employee's family can continue health coverage under the employer's group plan, though they must pay for the entire cost of the coverage (known as COBRA). They are guaranteed this coverage even if they join the military health program.
- Military time served counts toward vesting for retirement plans, and the employee can make up missed retirement contributions after returning to work.
- The employee is protected against arbitrary firing after returning to work.

Employers are not required to pay employees during their active duty, though some employers cover some or even the entire gap between the employee's military pay and their civilian pay.

Activated and deployed military personnel receive special federal tax breaks. Military income earned by soldiers in combat zones is tax-free and they do not have to file taxes until 180 days after their return. They also get an extension on the home sale rules that give one a tax break on the profits from the sale of a home. They are also entitled to tax breaks on childcare assistance and certain travel.

For additional information on tax breaks, rights, financial assistance and financial planning, families should contact military support offices, their financial planner or family support Web sites such as Military One Source, **militaryonesource.mil**.

WHAT IS FINANCIAL PLANNING ANYWAY?

Let's say your boss assigns you a task. How would you go about accomplishing it? Would you:

1. Determine what goals must be achieved in what time frame, study current conditions, review available resources, plan a sequence of actions to achieve the goals, and then execute the plan; or,
2. Move forward with no clear goals or time frame, no idea what conditions are or what resources are available to you, no plan what to do next, and just hope that things will be okay?

Now let's say your goal is to buy a house, or to send your kids to college, or to retire comfortably. How would you go about accomplishing these? Let's face it. Most of us tend to go with option 2.

This is where financial planning makes a difference. "Financial planning" may sound like something for rich people with a lot of money or for big-time stock and bond investors … but it's not. Financial planning is about life. It is about determining your goals and figuring out how to use the financial resources you have in order to reach your goals. It is about accomplishing your tasks.

Financial planning is about more than investing. It is about managing your life!

- Controlling Spending
- Protecting Family & Assets with Insurance
- Reducing Taxes
- Managing Credit
- Paying for College
- Retiring Comfortably
- Increasing Savings
- Buying a House
- Estate Planning

THE FINANCIAL PLANNING PROCESS

Just as there are systematic steps for planning a task, there are systematic steps for planning your finances. It is not something you are born with; it's something you can train to do, and do well. Here is one system. You will find tables at the back of this booklet to help you organize your information.

1. **DETERMINE YOUR GOALS** Now think about where you want your life to go short term, say one to five years, and long term, from six years to forever. Be specific in terms of what you want by when. "I want to buy a house" or "I want to be rich" are **not goals, they are daydreams**. "I want to save $20,000 as a down payment for a house in three years" is a goal. And write down your goals – that makes them more real. (Table B, page 9)

2. **GATHER INFORMATION** Pull out your Earnings Statements, your bank statements, credit card bills, mortgage papers, credit report, everything that has anything to do with your income, spending and debts. Study the current economic environment. Also, think about your personal situation – where you and your family are in life, what life events are coming your way, and what your money habits are. (Table A, page 8)

3. **ASSESS THE SITUATION** Now look at the information you gathered with a critical eye. How does your income compare to your spending? What are you spending your money on? Are you saving enough? Do you have too much debt, or the wrong kind of debt? Are you insured against the risks you

face? Here it can be useful to draw up a spending plan, which lists all your income and expenses. This can also serve as a calculation of your net worth. (Table C, page 10)

4. **CREATE AN ACTION PLAN** Take your analysis of where you are, compare it to your goals describing where you want to go, and figure out how to get from point A to point B. Create a new spending plan that embodies better spending and savings habits. Decide which credit cards or loans to keep and which to pay off. Choose savings and insurance products. You may have to revise your goals if they are unrealistic. (Table C, page 10)

5. **EXECUTE THE PLAN** A plan that isn't executed is useless. To keep yourself motivated and moving towards a call for action, draw up a realistic time table within the first week of working on the action plan. Commit yourself to following through and sticking to it. If there is someone that can help keep you accountable to this, be sure to bring them into the execution of the plan.

6. **MONITOR THE PLAN** As you follow your plan, keep an eye on changing circumstances and make adjustments as needed. A new job may let you boost your savings rate. An unexpected crisis may force you to push back some goals. Changing family circumstances may create new goals or make old goals irrelevant. And especially check to see if unnoticed or previously unrecorded bad habits are pulling you off course. This is a time to be completely honest with yourself and your financial habits.

A BASIC FINANCIAL PLANNING STARTER KIT

Everybody is different so every financial plan will be different, but most well-rounded plans will contain some common elements. What are some of the basic building blocks? Here is a suggested Financial Planning Starter Kit to get you going in the right direction.

GET ESSENTIAL INSURANCE COVERAGE

If you get sick, suffer an accident, suffer property damage or die, you (or your survivors) may take a bad financial hit. The right insurance can soften the blow – health, disability, auto, homeowners' or renters' and life insurance are some of the kinds of insurances that are available to you. That is a lot, so decide which kind of insurance policies are essential for you to protect yourself and your family. Remember if you're single and have no kids, you need to ask yourself, do you really need life insurance, and who needs the benefit of your life insurance?

SET GOALS

Now write down some goals and a specific and realistic action plan with a timeline within which to achieve them, and you will be well on the way to taking control of your financial future! (Table B, page 9) Goals should be Specific, Measurable, Attainable, Realistic, Time bound.

CALCULATE YOUR NET WORTH

Just like a corporation, you should have a balance sheet that calculates how much you're worth. Do it each year and you'll see where you're headed. List your ASSETS (money in the bank, investments, and real property like your house or your car, etc.), then list your LIABILITIES (money you owe like your credit card balance, mortgage balance, car payments, student loans, bills and taxes due). ASSETS minus LIABILITIES equal NET WORTH.

BUILD AN EMERGENCY FUND

Try to keep on hand enough easily-accessible funds to cover three to six months of essential payments (food, rent or mortgage, insurance premiums, etc.). No one knows what could happen tomorrow – a broken refrigerator, a job loss, a hurricane. An emergency fund could be the difference between whether the emergency is a just a financial headache, inconvenience, temporary set-back, or a major financial crisis.

CREATE A SPENDING AND SAVINGS PLAN

Take out your bank statements, check book and credit card bills. List all your income and expenses. Study your expenses – you may be surprised how little things can add up. Now that you know how the money comes and goes, choose where to spend and where not to spend. Tip 1: Think of savings as a bill you have to pay regularly. Tip 2: Involve your whole family because everyone has to live with the plan. When you see where your money is going it is easier to save. (Table D, page 11)

MANAGE YOUR CREDIT

Know what you owe. List all of your debts. Include on the list the name of the lender, the outstanding balance, the interest rate, and whether the interest is tax deductible (like a mortgage). How big a chunk of your income goes to debt payments – too much? Now work to reduce your debt – usually it is best to start with the highest-interest-rate loans. You should get a free copy of your credit report (annualcreditreport.com) and check it for errors.

GET KEY ESTATE PLANNING DOCUMENTS

- Will – make sure the right people get your possessions when you are gone
- Financial Power of Attorney – appoint someone to take care for your finances when you can't
- Living Will – declare what life-saving measures can be taken should you be incapacitated
- Health Care Power of Attorney – name someone to look after your medical care when you can't

Worksheets

All worksheets are also available at
FoundationForFinancialPlanning.org

FAMILY BALANCE SHEET (Table A)

ASSETS	
Checking account (1)	$
Checking account (2)	$
Savings account (1)	$
Savings account (2)	$
Emergency fund	$
Cash Value of Life Insurance	$
Thrift Savings Plan (TSP)	$
Retirement account (1)	$
Retirement account (2)	$
Investment account (1)	$
Investment account (2)	$
Value of Home	$
Value of Car(s)	$
Other Assets	$
Other Assets	$
Other Assets	$
Other Assets	$
TOTAL ASSETS	$

LIABILITIES	
Amount Owed on Mortgage	$
Amount Owed on Car(s)	$
Credit Card Balances	$
Other Bank Loans	$
Finance Company Loans	$
Insurance Loans	$
Taxes Owed	$
Student Loans	$
Family Loans	$
Other Debts	$
Other Debts	$
Other Debts	$
Other Debts	$
TOTAL LIABILITIES	$

NET WORTH CALCULATION	
Value of Assets	$
Minus Value of Liabilities	$
NET WORTH	**$**

FINANCIAL GOALS WORKSHEET (Table B)

GOALS FOR 1 YEAR FROM TODAY	Dollars needed	Savings target
1.	$	$ per month
2.	$	$ per month
3.	$	$ per month
4.	$	$ per month
GOALS FOR 2 YEARS FROM TODAY	**Dollars needed**	**Savings target**
1.	$	$ per month
2.	$	$ per month
3.	$	$ per month
4.	$	$ per month
GOALS FOR 5 YEARS FROM TODAY	**Dollars needed**	**Savings target**
1.	$	$ per month
2.	$	$ per month
3.	$	$ per month
4.	$	$ per month
GOALS FOR 10 YEARS FROM TODAY	**Dollars needed**	**Savings target**
1.	$	$ per month
2.	$	$ per month
3.	$	$ per month
4.	$	$ per month

SPENDING PLAN – CURRENT (Table C)

Get out your pay stubs, checkbooks, credit card and bank statements, and write down how much you make and how much you spend now each week, month and/or year – to the penny!

INCOME	**PER MONTH**	**WITHHOLDINGS**	**PER MONTH**
Salary 1	$	Federal Tax	$
Salary 2	$	State Tax	$
Commissions	$	Social Sec./Medicare	$
Social Security	$	Other	$
Other	$	Total Income	$
Other	$	Total Withholdings	$
Other	$	**SPENDABLE INCOME**	$

A "must" expense is something you must pay each month … or else

MUST EXPENSES		**PER MONTH**			**PER MONTH**
Home:	mortgage/rent	$	Insurance:	life	$
	property tax	$		disability	$
	insurance	$		liability	$
	electric/gas	$		other	$
	water/sewer	$	Debts:	credit card 1	$
	telephone	$		credit card 2	$
	maintenance	$		credit card 3	$
	Internet	$		other	$
	other	$	Savings:	emergency	$
Car:	loan payment	$		college Svg	$
	insurance	$		education	$
	gas/oil	$		retirement	$
	maintenance	$	Daily:	groceries	$
	other	$		child care	$
Medical:	insurance	$		coffee	$
	doctor/dentist	$		other	$
	prescriptions	$		other	$
	other	$	**TOTAL "MUSTS"**		$

A "want" expense is something that makes life better but isn't truly necessary. You can be flexible – some people would say charity or pets are "musts" – but don't put everything you like into the "must" list

WANT EXPENSES			**PER MONTH**
Cable TV	$	Gifts	$
Dining out	$	Allowances	$
Hobbies/Clubs	$	Lunches at work	$
Vacation	$	Other	$
Pet care	$	Other	$
Charity	$	**TOTAL "WANTS"**	$

If expenses are greater than income, you need to make changes – starting with a new spending plan.

SPENDABLE INCOME	$
LESS TOTAL MUST AND WANT EXPENSES	$
MONTHLY SURPLUS OR DEFICIT	$

SPENDING PLAN – FUTURE (Table D)

Write down where you want to direct your spending – cut back on what's not important so that you can spend more on what is important. Do this periodically, especially if your financial situation changes.

INCOME	PER MONTH	WITHHOLDINGS	PER MONTH
Salary 1	$	Federal Tax	$
Salary 2	$	State Tax	$
Commissions	$	Social Sec./Medicare	$
Social Security	$	Other	$
Other	$	Total Income	$
Other	$	Total Withholdings	$
Other	$	**SPENDABLE INCOME**	$

"Must" expenses are difficult to eliminate, but you may be able to reduce them. A different insurer or a smaller house may help, but these are big decisions that require care. The best way – get rid of that debt!

MUST EXPENSES		PER MONTH			PER MONTH
Home:	mortgage/rent	$	Insurance:	life	$
	property tax	$		disability	$
	insurance	$		liability	$
	electric/gas	$		other	$
	water/sewer	$	Debts:	credit card 1	$
	telephone	$		credit card 2	$
	maintenance	$		credit card 3	$
	Internet	$		other	$
	other	$	Savings:	emergency	$
Car:	loan payment	$		college Svg	$
	insurance	$		education	$
	gas/oil	$		retirement	$
	maintenance	$	Daily:	groceries	$
	other	$		child care	$
Medical:	insurance	$		coffee	$
	doctor/dentist	$		other	$
	prescriptions	$		other	$
	other	$	**TOTAL "MUSTS"**		$

You don't have to cut out all "wants" – but you should pick and choose what's truly important to you

WANT EXPENSES			PER MONTH
Cable TV	$	Gifts	$
Dining out	$	Allowances	$
Hobbies/Clubs	$	Lunches at work	$
Vacation	$	Other	$
Pet care	$	Other	$
Charity	$	**TOTAL "WANTS"**	$

SPENDABLE INCOME	$
LESS TOTAL MUST AND WANT EXPENSES	$
MONTHLY SURPLUS OR DEFICIT	$

Managing Your Debt & Credit

If you manage your debt and credit responsibly, you can make it work for you on your terms. Most people have some form of debt and credit because rare is the person that can make a large purchase like a car or home for cash.

Managing your debt and credit is all about knowing your income and payment schedules. In other words, how much money do I have coming in when and what expenses I have going out and when they due are.

We have put together some useful charts and tables to help you track and manage your debt and credit. Remember it is all about making it work within your personal comfort zone so you will put it into action.

Worksheet 1: will show you how you can take control of the billing cycles as well as organize the contact information for all of your bills. This is key for customer service issues as well as your ability to alert them to changes or mistakes on your account.

Worksheet 2: is all about prioritizing your debt. Once you see a clear picture of the amounts owed, the interest rates charges and the monthly minimum payments all in one place, you will have a better idea of the best tactics to use to decrease your debt.

Worksheet 3: will help you prioritize your spending by dividing your expenses into those needed for survival, for making life a better and for making your life comfortable. By understanding how you would prioritize these expenses before an emergency like a natural disaster, job loss or illness, you will be able to respond with a plan instead of fear. This is vital for you to have an idea of what you can let go of in a financial emergency.

Worksheet 1:
REALSIMPLE

Worksheet: how to get your bills under control

Become master of all that you pay for—and when you pay for it. *Real Simple*'s reporters called various credit-card companies and service providers and learned that about half the time, billing due dates can be changed for your convenience, which means you can spread out your check writing or do it in one fell swoop. For instance, American Express Green Card billing cycles are based on your application date, but you can change your due date to any day of the month you like. Use this chart as a handy guide to your bills, and update the monthly due dates as you arrange your new schedule.

	Customer-Service Number	Current Monthly Due Date	New Monthly Due Date
Bank credit cards	( ) -		
	( ) -		
	( ) -		
	( ) -		
	( ) -		
	( ) -		
Store credit cards	( ) -		
	( ) -		
	( ) -		
	( ) -		
Home telephone	( ) -		
Cellular phone	( ) -		
Internet service	( ) -		
Cable TV	( ) -		
Electricity	( ) -		
Gas/oil	( ) -		
Water	( ) -		
Loan payment	( ) -		
Mortgage payment / Rent	( ) -		
Car payment	( ) -		
Car insurance	( ) -		
Health insurance	( ) -		
Life insurance	( ) -		
Homeowner's Insurance	( ) -		
Other	( ) -		
	( ) -		
	( ) -		
	( ) -		
	( ) -		
	( ) -		
	( ) -		

Stop the Junk Mail

Just say no—it works. Take these easy steps and you'll see less of it.

- The Credit Reporting Industry Pre-Screening Opt-Out hotline (888-567-8688) removes your contact information from the lists for preapproved credit-card solicitations of four major credit bureaus. (The hotline is recommended on the Federal Trade Commission's website and has been cited by *Consumer Reports.*)
- Sign up with the Direct Marketing Association's Mail Preference Service and in about three months you'll see a decrease in direct-mail marketing. Register by mail (Mail Preference Service, DirectMarketing Association, P.O. Box 643, Carmel, NY 15012) or online (www.dma consumers.org).
- Whenever possible, withhold your contact information if it's asked for, and always request that your information not be sold to other companies. Contact your bank and credit-card companies and make sure that your name is removed from any shared mailing lists.

For reprints of this form, go to <u>www.realsimple.com/bills</u>

WORKSHEET 2: DEBT MANAGEMENT PLAN

List all of your creditors, the amount owed to each, the interest rates, and monthly minimum payments.

CREDITOR	TOTAL OWED	INTEREST RATE	MINIMUM PAYMENT
1.	$	%	$
2.	$	%	$
3.	$	%	$
4.	$	%	$
5.	$	%	$
6.	$	%	$
7.	$	%	$
8.	$	%	$
9.	$	%	$
10.	$	%	$
TOTAL	$		$

Re-order your debts by importance – one good way is from highest to lowest interest rate.

CREDITOR	TOTAL OWED	INTEREST RATE	MINIMUM PAYMENT
1.	$	%	$
2.	$	%	$
3.	$	%	$
4.	$	%	$
5.	$	%	$
6.	$	%	$
7.	$	%	$
8.	$	%	$
9.	$	%	$
10.	$	%	$
TOTAL	$		$

Now decide on a repayment plan. One tactic is to attack the debt with the highest interest rate, repaying as much as you can each month until it's gone while paying monthly minimums on the rest. Then attack the debt with the next highest rate. But other tactics may suit your individual circumstances better.

THE KEY TO SUCCESS – DON'T BUILD UP NEW DEBTS WHILE PAYING OFF OLD ONES!

CREDITOR	REPAY JUST THE MINIMUM, or	REPAY MORE THAN MINIMUM
1.	$	$
2.	$	$
3.	$	$
4.	$	$
5.	$	$
6.	$	$
7.	$	$
8.	$	$
9.	$	$
10.	$	$
TOTAL MONTHLY REPAYMENT (Put this into your spending plan!)		$

WORKSHEET 3: PRIORITIZE YOUR SPENDING PLAN

Here is a way to prioritize your spending.
The expenses that I **Must** pay compared to the other items I would **Like** to have.

SURVIVAL – Things you **MUST** pay even if on unemployment or subsidies.	
Mortgage / Rent	
Utilities (electric/gas/heat)	
Phone (basic – NON CELL)	
Food (basic)	
Transportation	
Medicine, co-pays	
Child Care	
Insurance (health, homeowners, auto)	
Personal Care Products (basic)	
Household Products (basic)	
Minimum Credit Card Payments	
Minimum Loan Payments	
Savings	
TOTAL	

LIVABLE – **Making life better**. If you can spend one this list, **INCREASE SAVINGS FIRST**	
Savings	
Additional Credit Card Payments	
Additional Loan Payments	
Education	
Insurance (Disability, Life, Renters)	
Clothes (basic) Don't forget thrift stores)	
Beauty (hair, nails)	
Dry Cleaning	
Cable TV (basic – no Movie Channels)	
Entertainment (limited)	
Eating Out (limited)	
Baby Sitting	

COMFORTABLE – After having fully funded retirement plan and have at least 6 month's expenses in the bank.	
Home Furnishings	
Vacations	
Clothes (extra, designer, fun)	
Hobbies	
More Savings	
Insurance (long term care)	

Credit Scores: Why Should I Care?

It is not just banks and lenders that rely on credit scores to help make important credit decisions. Landlords, employers, insurance companies, and even cell phone and other utility companies all reportedly utilize credit scores to help determine their business and credit relationships with consumers. This means that your credit is the most important component of your entire financial portfolio. Because of this, monitoring and managing your FICO score is vital, especially if you are looking to buy or refinance a home anytime in the near future.

The FICO scoring system was created in the 1960s by Fair Isaac Corporation and has been the standard for lenders since the 1980s. FICO credit scores typically range between a low score of 350 and a high score of 850. Under the FICO system, securing credit becomes less expensive for borrowers with higher scores (those who represent the least risk) and more expensive for borrowers with lower scores (those who represent the most risk). In fact, when it comes to a mortgage, a lower credit score could easily cost a consumer hundreds of thousands of dollars more in interest throughout the life of the loan, compared to the same loan with a higher score.

FICO Scores	APR	Monthly Payment
760-850	3.785%	$1,395
700-759	4.007%	$1,433
680-699	4.184%	$1,464
660-679	4.398%	$1,502
640-659	4.828%	$1,579
620-639	5.374%	$1,680

Source: Myfico.com (30 year fixed-rate mortgage on $300,000)

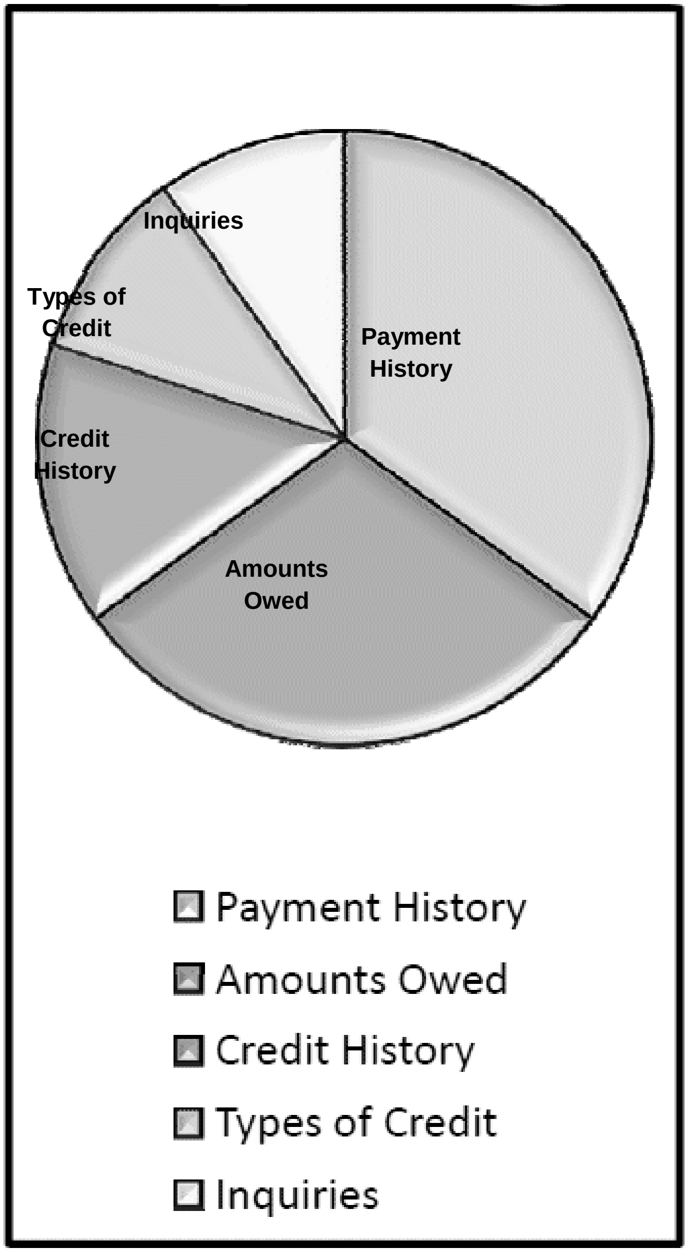
The above sample chart from MyFico.com clearly reveals the relationship between higher FICO scores and lower interest rates and monthly mortgage payments. According to Experian®, one of the three main credit bureaus in the US, FICO scores also accurately reflect "the likelihood of a borrower becoming delinquent on a loan or credit obligation in the future."

Not long ago, a FICO score of 680 was pretty good. In a tough credit market like todays, a score less that 720 could be devastating to the bottom line of consumers looking to buy or refinance a home.

Here is an example of a $25,000 car loan for 36 months.

FICO Scores	APR	Monthly Payment	Cost of Car
720-850	3.167%	$729	$26,244
690-719	4.493%	$744	$26,784
660-689	6.576%	$767	$27,612
620-659	10.606%	$814	$29,304
590-619	15.509%	$873	$31,428
500-589	17.016%	$892	$32,112

The Five Indentified Factors To Your Credit Score



- **35% - Payment History**
- **30% - Amounts Owed**
- **15% - Length of Credit History**
- **10% - Types of Credit in Use**
- **10% - Inquiries / New Credit**

7 Steps to
Credit Restoration

Step 1. GET RID OF YOUR COLLECTION ACCOUNTS.
Pay off all collection accounts willing to withdraw reporting from credit bureaus. Request a letter stating their agreement to delete the account upon receipt of your payment.

Step 2. GET RID OF YOUR PAST DUE ACCOUNTS.
Past Dues destroy a credit score. Pay the creditor the past due amount reported immediately.

Step 3. GET RID OF YOUR CHARGEOFFS AND LIENS.
Charge offs and liens within the past 24 months severely damage your credit score. Pay collection agencies that agree in writing to remove all references to credit bureaus first: then pay the past due balances.

Step 4. GET RID OF YOUR LATE PAYMENTS.
Request a good faith adjustment that removes the late payments. Persistence and politeness pays off in this scenario. If you are frustrated, rude, and unclear with your request, you are making it very difficult for them to help you.

Step 5. CHECK YOUR CREDIT LIMITS & EVENLY DISTRIBUTE THE BALANCES.
Make sure creditors report your credit limits accurately. Maximize your score without spending money by evenly distributing your credit card balances among all your credit cards, rather than carry a large balance on one credit card.

Step 6. DO NOT CLOSE YOUR CREDIT CARDS.
Current guidance suggests using less than 20% of credit limit helps credit score. The magic number of credit card accounts to have in order to enhance your score is between 3 and 5. If you have more than six department store cards, close the newest accounts. Otherwise, do not close any at all.

Step 7. KEEP YOUR OLD CREDIT CARDS ACTIVE.
Use cards once every 6 months. Closing those cards will decrease the average length of time you've had credit and decrease the percentage of your credit limit that you are using, this is called utilization. It is important that you try to keep your utilization of credit below 25% if possible. This means if you have a total credit line between all of your cards of $5,000, try to keep your monthly charges to $1,250.00. The one thing all credit scores over 800 have in common is a credit card that is twenty years old or older.

Shortcuts to Avoid Major Money Hassles

1. Ace Your Retirement

By the time you're 65, you'll need to have socked away about $25 for every dollar you expect to withdraw annually. That means that throughout your working life you must save. And save. And save. Oh, and don't forget picking investments and managing your portfolio year in, year out. Yet with one simple act, you can take care of all of that work.

The Easy Way: Buy a target-retirement fund in your Thrift Savings Plan (TSP) / 401(k) The TSP / 401(k) is nothing if not easy: Contributions come out of your paycheck before you can spend them. You do not owe taxes on the money you invest, and earnings grow tax deferred. Sign up and aim to save 10% to 15% of your salary (including the company match). Target-retirement funds, which are becoming one of the most popular 401(k) choices, are the ultimate in hands-off investing. You simply pick a fund with a date that matches the year you plan to retire - 2015, 2025, 2035 - and you get a completely diversified mix of stocks and bonds that's appropriate for you. This no-brainer fund automatically shifts stock assets into bonds each year, becoming more conservative as you age. See pages for Thrift Savings Plan information.

2. Invest (Almost) Like a Pro

Investors need to consider their financial situation and tolerance for risk before going into a fund, and that it is possible to lose money investing in the fund, including at and after the target date.

You can put your investing strategy on autopilot with a target-retirement fund. If you want to manage your own portfolio there are a few simple steps and all begin with having you investments in a diverse group of options.

Pick a mix First decide how you'll divvy up your money between stocks and bonds. You can use online tools to fine-tune a mix for your age and appetite for risk. But the easy way to decide how much you should devote to stocks is to subtract your age from 120. So if you're 40, put 80% of your long-term savings in stocks and 20% in bonds. If nothing else, this simple rule of thumb ensures that you'll own an ample amount of stock when you're young and can take more risk. Every year, subtract your age from 120 again and adjust the mix as needed.

3. Cruise into College

Want to reduce the difficulty of funding for college? Use a state 529 plan. No need to select stocks, bonds or funds on your own and then deftly manage the money until your child enters school. Just pick a single age-based fund in a 529, and your work is pretty much done. This fund of funds will shift gradually from stocks to bonds as your kid nears school. Relax about taxes too. In a 529, earnings are tax-free as long as the money is used for college costs such as tuition or room and board. You don't need to remember to save either. Most 529s let you set up an automatic investment plan. The only decision is which 529 to choose.

Fairly Easy Way: Research your state plan In 28 states, you're entitled to a tax deduction or credit for money you put into your local 529. For your state's tax breaks and plan options, visit Savingforcollege.com. Stay with your state plan if you earn a generous tax break, you don't have to pay a sales charge to invest, and the plan's annual expenses are no more than 1% a year. Remember too, your GI Bill benefits can transfer to a child or spouse.

4. Disaster Proof Your Family

Life throws you a curveball sometimes: cutbacks on the job, a roof that needs to be replaced. You can't completely insulate yourself from such shocks, but three straightforward steps will help protect you against 90% of problems.

Step 1: Build an emergency fund   Put aside at least three – six months' worth of living expenses in cash so you can get through a rough patch without having to borrow or dip into retirement savings (make that six months if your family relies on one wage earner).

Step 2: Buy life insurance   With insurance, the simplest choice may be the best. In almost every case, term insurance gives you the biggest death benefit for your premium. All you need to decide is how much and for how long. Buy life insurance equal to five to 10 times your annual salary. The more children you have, the more debt you carry and the longer your family will need help (until your kids are out of college, say), the closer you should be to the top end of that range. You can lock in your payment for 10 to 30 years, but for most new insurance buyers 20 years is about right. You may want to compare policy quotes from several insurers.

Step 3: Write a will   All military personnel are required to have a will before deploying and the JAG office s will prepare that. You should have a will that, at a minimum, appoints a guardian for your minor children, outlines how you want to divvy up your assets and names an executor. If you have an estate worth less than $5 million and you're leaving almost everything to your spouse and kids, you can write it yourself by using off-the-shelf software like Quicken's *WillMaker Plus*. If your situation is complicated, spend about $1,000 on a lawyer. You should also think carefully on who will witness the will.

5. Protect Your Identity

There is no shortage of products promising to fend off identity theft. The easiest solution: Follow these three steps to lock up your data and keep tabs on your credit.

Step 1: Dry up junk mail   Thieves use your preapproved credit-card offers to open accounts in your name, which is the hardest type of ID theft to detect. Opt out of receiving the junk mail by calling 888-567-8688, a service run by the credit bureaus. Select option the appropriate option to permanently remove your name from marketing lists (you can always opt in later).

Step 2: Go paperless   Shredding will eliminate your paper trail. Even easier is to receive and pay bills online, which ensures that info can't be lifted from stolen mail. Plus, with 24-hour account access, you'll see an unauthorized charge on your card right away.

Step 3: Watch over your credit   It's easy to request a free report from one of the big three bureaus every four months at AnnualCreditReport.com. The best way to protect your credit is a **credit freeze**. This completely restricts access to your credit which is needed for anyone to open up a new line of credit. Check to see if your state allows it. Some do only for victims in cases of ID theft.

6. *Shop Smart for a Car*

Buying a car can seem like a huge hassle, from figuring out what price you should pay to handling the hard sell on the dealer's lot. You can avoid the work in one of two ways.

The Easy Way: Hire a car buyer If you are willing to spend an extra $400 to $800 (USAA has a car buying service at no cost), you can reduce the entire car buying experience to a couple of phone calls and one visit to the dealer to pick up the keys.

Almost as Easy: Buy online If you want to save as much money as you can, do it yourself. Even that doesn't have to be hard if you tap the Net. First go to Edmunds.com and use the True Market Value (TMV) tool to find out what people in your area are paying to drive your desired model off the lot. Aim to pay this price or less. You may also want to get pre-approved for a bank loan and ignore dealer financing until you have settled on a price.

Next solicit dealer offers online. At Edmunds.com (or Autobytel.com), you enter the model you want, your contact info and your zip code (or nearby ones), and within a few hours you'll get quotes by e-mail or phone. You should have an easier time haggling because the dealership's Internet department makes commissions based on volume, not the price. They won't waste time wheeling and dealing you.

7. Simplify Your Credit Life

Credit-card issuers relentlessly tempt you with new offers, even as they keep changing the terms of the cards you carry. All that makes it easy to end up with a wallet full of cards. While it's always good to have a backup of one or two cards for an emergency, sticking to one card will minimize the number of bills you pay and maximize your card rewards.

If you carry a balance: Get a low rate that lasts You'll find it easier to chip away at a balance if your interest rate is well below today's 14.1% average. A 0%-balance transfer teaser is tempting, but you can owe fees as high as 4% of the balance. And if you can't pay it off within six or 12 months, you'll be left with the hassle of chasing the next offer. Skip the promo and opt for a low ongoing rate. The American Express Blue card (800-223-2670) charges 4.99% for the life of the balance you transfer.

If you pay in full: Get a rewards card you can really use If you don't carry a balance, make your No. 1 card a rewards card. You're squandering your spending power, though, if you earn miles when you rarely fly or you flit between two or three cards

THRIFT SAVINGS PLAN

Thrift Savings Plan

What is the Thrift Savings Plan?

The Thrift Savings Plan (TSP) is a Federal Government-sponsored retirement savings and investment plan. Congress established the TSP in the Federal Employees' Retirement System Act of 1986. The purpose of the TSP is to provide retirement income.

The TSP is a **defined contribution** plan. The retirement income that you receive from your TSP account will depend on how much you have contributed to your account during your working years and the earnings on those contributions.

The TSP offers the same type of savings and tax benefits that many private corporations offer their employees under "401(k)" plans.

How does the TSP differ from the uniformed services retirement system?

In contrast to the TSP, the uniformed services retirement system is a **defined benefit** program. This means that the benefit you receive from the uniformed services retirement system (i.e., your retired pay) is based on your years of service and the rank you hold at the time of your retirement, rather than on the amount of your contributions and earnings, as is the case with the TSP.

Why should you participate in the Thrift Savings Program?

The simplest answer is that the retirement system won't provide enough income for you to live comfortably. Let's say your "high three" bas pay average, which is the basis of retired pay calculation, was $80,000. At a 20-year service mark that means retired pay is around $40,000. Can you handle a 50% pay cut? How would you live on $40,000 a year? The money you save in the TSP is the supplement for you to draw on in your retirement years and, since you are young now, the savings will have years to grow.

In addition, unlike participation in the uniformed services retirement system, participation in the TSP is optional. To participate in the TSP, you must sign up with your service. You contribute to the TSP from your own pay; the amount you contribute and the earnings attributable to your contributions belong to you. They are yours to keep even if you do not serve the 20 or more years ordinarily necessary to receive uniformed services retired pay.

Contributions to your TSP are tax-deferred (before-tax) contributions. In other words, the money you contribute is taken out of your pay before Federal and, in almost all cases, state income taxes are withheld. Therefore, the amount used to calculate your taxes is smaller, so you pay less in taxes now. Deposits to a regular savings account do not provide such an advantage.

Your TSP contributions are excluded from the taxable income reported on IRS Form W-2, Wage and Tax Statement, that you receive from your service each year. By paying less current income tax, you have more take-home pay than if you had saved an equal amount that was not excluded from taxable income.

To give you an idea of the advantage of saving through before-tax contributions to the TSP, let us suppose that you earn $30,000 a year and that you are in the 15 percent tax bracket. If you contribute 5 percent each month (or $1,500 per year) to your TSP account, you will **save $225** (15% (your tax bracket) x $1,500 =

$225) in Federal taxes. If you had simply deposited the $1,500 in a regular savings account, you would have owed $225 in Federal taxes. Your tax savings will be even greater if the state in which you live (or of which you are considered a legal resident) allows you to exclude TSP contributions from taxable income, as most states do.

What are the major features of the TSP?

You may elect to contribute any percentage (1 to 100) of your basic pay. However, your annual dollar total cannot exceed the Internal Revenue Code limit. If you contribute to the TSP from your basic pay, you may also contribute from one to 100 percent of any incentive pay or special pay (including bonus pay) you receive, up to the limits established by the Internal Revenue Code.

What about a Roth TSP?

Roth retirement arrangements are different from the traditional IRA or 401 (k) in that the savings directed to the Roth are not deducted from your taxable income; they are made after taxes are paid. Why should you do that? Because a contribution to a Roth account can be withdrawn when eligible and there are no taxes to be paid on what is withdrawn. With the TSP or IRA plan the savings happens when you make the contribution to the plan, but when you withdraw from the plan the withdrawn amount is treated just as if it were a paycheck and it is fully taxed as earned income. A Roth TSP is particularly useful for the year a member is deployed to a hostile fire zone where military pay isn't going to be taxed. In this case there is no tax to be paid and the money can go into a Roth where there is no tax to be paid on the withdrawals! That is a Win-Win!

Choice of Investment Funds

Government Securities Investment Fund (G) Fund

- The G Fund offers the opportunity to earn rates of interest similar to those of long-term Government securities but without any risk of loss of principal and very little volatility of earnings.
- The objective of the G Fund is to **maintain a higher return than inflation without exposing the fund to risk of default or changes in market prices.**
- The G Fund is invested in short-term U.S. Treasury securities specially issued to the TSP. Payment of principal and interest is guaranteed by the U.S. Government. Thus, there is no "credit risk."
- The interest rate resets monthly and is based on the weighted average yield of all outstanding Treasury notes and bonds with 4 or more years to maturity.
- Earnings consist entirely of interest income on the securities.
- Interest on G Fund securities has, over time, outpaced inflation and 90-day T-bills.

Fixed Income Index Investment Fund (F) Fund

- The F Fund offers the opportunity to earn rates of return that **exceed those of money market funds over the long term** (particularly during periods of declining interest rates), **with relatively low risk**.
- The objective of the F Fund is to match the performance of the Lehman Brothers U.S. Aggregate (LBA) Index, a broad index representing the U.S. bond market.
- The risk of nonpayment of interest or principal (credit risk) is relatively low because the fund includes only investment-grade securities and is broadly diversified. However, the F Fund has

market risk (the risk that the value of the underlying securities will decline) and prepayment risk (the risk that the security will be repaid before it matures).

- Earnings consist of interest income on the securities and gains (or losses) in the value of securities.

Common Stock Index Investment Fund (C) Fund

- The C Fund offers the opportunity to earn a **potentially high investment return over the long term from a broadly diversified portfolio of stocks of large and medium-sized U.S. companies.**
- The objective of the C Fund is to match the performance of the Standard and Poor's 500 (S&P 500) Index, a broad market index made up of stocks of 500 large to medium-sized U.S. companies.
- **There is a risk of loss if the S&P 500 Index declines** in response to changes in overall economic conditions (market risk).
- Earnings consist of gains and losses in the prices of stocks, and dividend income.

Small Capitalization Stock Index Investment Fund (S) Fund

- The S Fund offers the opportunity to earn a **potentially high investment return over the long term by investing in the stocks of small and medium-sized U.S. companies.**
- The objective of the S Fund is to match the performance of the Dow Jones Wilshire 4500 Completion (DJW 4500) Index, a broad market index made up of stocks of U.S. companies not included in the S&P 500 Index.
- **There is a risk of loss** if the DJW 4500 Index declines in response to changes in overall economic conditions (market risk).
- Earnings consist of gains and losses in the prices of stocks, and dividend income.

International Stock Index Investment Fund (I) Fund

- The I Fund offers the opportunity to earn a **potentially high investment return over the long term by investing in the stocks of companies in developed countries outside the United States.**
- The objective of the I Fund is to match the performance of the Morgan Stanley Capital International EAFE (Europe, Australia, Far East) Index.
- **There is a risk of loss** if the EAFE Index declines in response to changes in overall economic conditions (market risk) or in response to increases in the value of the U.S. dollar (currency risk).
- Earnings consist of gains and losses in the prices of stocks, currency changes relative to the U.S. dollar, and dividend income.

Lifecycle Funds (L) Funds

- The L Funds **diversify participant accounts among the G, F, C, S, and I Funds**, using professionally determined investment mixes (allocations) that are tailored to different time horizons. The L Funds are rebalanced to their target allocations each business day. The investment mix of each fund adjusts quarterly to more conservative investments as the fund's time horizon shortens.
- The objective of the L Funds is to provide the highest possible rate of return for the amount of risk taken.
- Investing in the **L Funds is not a guarantee against loss and does not eliminate risk**. The L Funds are subject to the risks inherent in the underlying funds, and can have periods of gain and loss.
- The L Funds' expected returns will be approximately equal to the weighted average of the G, F, C, S, and I Funds' returns. Earnings are calculated daily, and there is a daily share price for each L Fund.

FUND	G Fund	F Fund	C Fund	S Fund	I Fund	Growth Objective	Preservation of Assets
L 2050	3.83%	7.67%	43.4%	18.7%	26.4%	High	**Very Low**
L 2040	12.15%	9.35%	39.4%	16.7%	22.4%	High	**Low**
L 2030	23.15%	8.35%	35.4%	13.4%	19.7%	Moderate/High	**Low**
L 2020	37.4%	7.35%	29.45%	9.4%	16.4%	Moderate	**Moderate**
L Income	74%	6%	12%	3%	5%	Low	**High**

Unless otherwise directed, your contributions to your TSP default to 100% into the G Fund. While this is extremely safe for preservation of your assets, the returns on investment are also relatively low. Since inception the return has averaged 6.57%. At the same time the F Fund has averaged 7.25%; the C Fund 11.86%; the S Fund 10.04%; and the I Fund 4.72%. While the Government Securities in the G Fund are very safe, their returns have never been above 10 percent in the past 10 years.

The Lifecycle Funds offer a relatively easy way for you to select a mix of funds to potentially generate a greater return on your contributions without having to heavily investigate each fund. The investment objectives of the funds take into consideration when you expect to need your money.

Here are the examples from the TSP website.

Choose:	If your time horizon is:
L 2050	2045 or later
L 2040	2035 through 2044
L 2030	2025 through 2034
L 2020	2015 through 2024
L Income	Now

The following are some examples for self–directing your own allocations beyond the Lifecycle funds. These are **not meant to be a recommendation** or a guarantee of return, but to provide other allocation examples. As with most investment strategies, **there may always be an element of risk**.

Example uses $200 per month. A good goal is to try to put 10% of your base pay into the TSP. Remember too, your money will work for you for the next 30 to 40 years.

OPTION	**G Fund**	**F Fund**	**C Fund**	**S Fund**	**I Fund**	**Growth Objective**	**Preservation of Assets**
1	5% - $12	5% - $12	60% - $144	10% - $24	20% - $48	Very High	**Very Low**
2	8% - $16	7% - $14	55% - $110	15% - $30	15% - $30	High	**Low**
3	30% - $60	10% - $20	40% - $80	10% - $20	10% - $20	Moderate	**Moderate**
4	60% - $120	10% - $20	18% - $36	7% - $14	5% - $10	Moderate - Low	**Moderate - High**
5	80% - $160	5% - $10	5% - $10	5% - $10	5% - $10	Low	**High**
TSP Default	100%	0	0	0	0	Low	**Very High**

Other Resources

The Foundation for Financial Planning

A non-profit charitable organization with the mission of helping people take control of their financial lives. We achieve this through support of pro bono financial planning advice. To learn more visit us on the web at **FoundationForFinancialPlanning.org**

FINDING A FINANCIAL PLANNER

CFP.net/Search
PlannerSearch.org
findanadvisor.napfa.org

FINANCIAL LIFE SKILLS RESOURCE

Found at FoundationForFinancialPlanning.org

Navigating Your Financial Waters –Shows systematic steps for managing and planning your finances. A concise tool designed for individuals to assess their financial strategy.
Practical Money Skills –**Foundation-finplan.practicalmoneyskills.org**
FDIC MoneySmart online course - Financial Education Program on topics such as banking, credit, savings, housing and consumer rights designed to help individuals learn the basics of personal finance.

CREDIT

Free credit report – a**nnualcreditreport.com 1-877-322-8228**

If there is a mistake on your credit report, go to all 3 reporting agencies

- Equifax: (**800) 685-1111**
- Experian: **(800) 493-1058**
- TransUnion: **(800) 916-8800**

Understanding Credit Scores – **http://Foundation-finplan.whatsmyscore.org**
Find a credit counselor – **nfcc.org - 1-800-388-2227**
Help Improving Scores – Credit Karma – creditkarma.com

OTHER HELPFUL INFORMATION AT FoundationForFinancialPlanning.org
(Consumer Resources)

Max out your 401K to the match
Consider a Roth IRA
Make and/or update your will
Check and Update Insurance and Beneficiaries
Review Social Security Statement
Housing help **- portal.hud.gov - 1-800-333-4636**
Sign Up for National Do Not Call Registry **– donotcall.gov – 1-888 382-1222**

OTHER RESOURCE SITES

Financial Planning Association –FPAnet.org
National Association of Personal Financial Advisors – NAPFA.org
National Endowment for Financial Education (NEFE) – www.nefe.org
Federal Trade Commission: Hang Up on Fraud – ftc.gov/phonefraud
Protect Your Personal Information – ftc.gov/infosecurity

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For additional resources and information, visit:

www.FoundationForFinancialPlanning.org