

TRAINING SUPPORT PACKAGE (TSP)

TSP Number / Title	L229 / FINANCIAL MANAGEMENT
Effective Date	01 Oct 2003
Supersedes TSP(s) / Lesson(s)	L209, Supervise the Implementation of Financial Readiness Actions, Nov 99
TSP Users	400- PLDC, Primary Leadership Development Course
Proponent	The proponent for this document is the Sergeants Major Academy.
Improvement Comments	<p>Users are invited to send comments and suggested improvements on DA Form 2028, <i>Recommended Changes to Publications and Blank Forms</i>. Completed forms, or equivalent response, will be mailed or attached to electronic e-mail and transmitted to:</p> <p>COMDT USASMA ATTN ATSS D BLDG 11291 BIGGS FIELD FORT BLISS TX 79918-8002</p> <p>Telephone (Comm): (915) 568-8875 Telephone (DSN): 978-8875 e-mail: atss-dcd@bliss.army.mil</p>
Security Clearance / Access	Unclassified
Foreign Disclosure Restrictions	This product/publication has been reviewed by the product developers in coordination with the USASMA foreign disclosure authority. This product is releasable to students from all requesting foreign countries without restrictions.

PREFACE

Purpose

This Training Support Package provides the instructor with a standardized lesson plan for presenting instruction for:

Task Number

Task Title

121-008-1496

Supervise the Implementation of Financial Readiness
Actions

This TSP
Contains

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**FINANCIAL MANAGEMENT
L229 / Version 1
01 Oct 2003**

SECTION I. ADMINISTRATIVE DATA

All Courses Including This Lesson	<u>Course Number</u>	<u>Version</u>	<u>Course Title</u>
	400-PLDC	1	Primary Leadership Development Course

Task(s) Taught(*) or Supported	<u>Task Number</u>	<u>Task Title</u>
	121-008-1496	Supervise the Implementation of Financial Readiness Actions

Reinforced Task(s)	<u>Task Number</u>	<u>Task Title</u>
	None	

Academic Hours The academic hours required to teach this lesson are as follows:

	<u>Resident Hours/Methods</u>	
	2 hrs	/ Conference / Discussion
Test	0 hrs	
Test Review	0 hrs	
Total Hours:	2 hrs	

Test Lesson Number	<u>Hours</u>	<u>Lesson No.</u>
	Testing (to include test review) 2 hrs 30 min	WE01 version 1

Prerequisite Lesson(s)	<u>Lesson Number</u>	<u>Lesson Title</u>
	None	

Clearance Access Security Level: Unclassified
Requirements: There are no clearance or access requirements for the lesson.

Foreign Disclosure Restrictions FD5. This product/publication has been reviewed by the product developers in coordination with the USASMA foreign disclosure authority. This product is releasable to students from all requesting foreign countries without restrictions.

References

<u>Number</u>	<u>Title</u>	<u>Date</u>	<u>Additional Information</u>
AR 608-1	ARMY COMMUNITY SERVICE PROGRAM	31 Aug 2000	
TC 21-7	PERSONAL FINANCIAL READINESS AND DEPLOYABILITY HANDBOOK	17 Nov 1997	Chapters 6 and 7
	COMMAND FINANCIAL SPECIALIST TRAINING INSTRUCTOR GUIDE	2002	

Student Study Assignments

Before class--

- Read Student Handouts 1 thru 6.

During class--

- Complete PE-1 and participate in classroom discussions.

After class--

- Turn in recoverable reference materials.
-

Instructor Requirements

1:8, SSG PLDC graduate, ITC, and SGITC qualified

Additional Support Personnel Requirements

<u>Name</u>	<u>Stu Ratio</u>	<u>Qty</u>	<u>Man Hours</u>
None			

Equipment Required for Instruction

<u>ID Name</u>	<u>Stu Ratio</u>	<u>Instr Ratio</u>	<u>Spt</u>	<u>Qty</u>	<u>Exp</u>
673000T101700 PROJECTOR, OVERHEAD, 3M	1:16	1:2	No	1	No
702101T134520 DELL CPU, MONITOR, MOUSE, KEYBOARD	1:16	1:2	No	1	No
7110-00-T81-1805 DRY ERASE BOARD	1:16	1:2	No	1	No
7510-01-424-4867 EASEL, (STAND ALONE) WITH PAPER	1:16	1:2	No	1	No

* Before Id indicates a TADSS

Materials Required**Instructor Materials:**

- TSP
- Viewgraphs: VGT-1 thru VGT-13

Student Materials:

- SH-1, Advance Sheet.
- SH-2, Extracted Material from TC 21-7, Personal Financial Readiness and Deployability Handbook.
- SH-3, Extracted Material from AR 608-1, Army Community Service Center, Chapter 4, Section V, Financial Readiness.
- SH-4, Extracted Material from Command Financial Specialist Training Instructor Guide.
- SH-5, Extracted Material from Command Financial Specialist Training Instructor Guide Worksheets.
- SH-6, Extracted Material from Financial Readiness Training Guide.
- Any materials required by the NCOA's SOP.

Note: Issue handouts, pen or pencil and writing paper to students during in processing.

**Classroom,
Training Area,
and Range
Requirements**

GEN INSTRUCTION BLDG (CLASSROOM SIZE 40X40 PER 16 STU)

**Ammunition
Requirements**

<u>Id</u>	<u>Name</u>	<u>Exp</u>	<u>Stu Ratio</u>	<u>Instr Ratio</u>	<u>Spt Qty</u>
None					

**Instructional
Guidance**

NOTE: Before presenting this lesson, instructors must thoroughly prepare by studying this lesson and identified reference material.

Before class--

- Read and study materials and be ready to conduct the class.
- This TSP has question throughout to check on learning or generate discussion among the group members. You may add any questions you deem necessary to bring across to the group or expand on any matter discussed.
- You must know the information in this TSP well enough to teach from it, not read from it.

During class--

- Conduct the class in accordance with TSP.

After class--

- Collect all recoverable materials after the examination for this lesson.
-

**Proponent
Lesson Plan
Approvals**

<u>Name</u>	<u>Rank</u>	<u>Position</u>	<u>Date</u>
/s/Randolph E. Kelly			
/t/Kelly, Randolph E.	GS09	Training Specialist	24 Jul 03
/s/Frank W. Berta			
/t/Berta, Frank W.	GS09	Course Chief, PLDC	24 Jul 03
/s/Brian H. Lawson			
/t/Lawson, Brian H.	SGM	Chief, NCOES	24 Jul 03
/s/John W. Mayo			
/t/Mays, Albert J.	SGM	Chief, CDDD	24 Jul 03

SECTION II. INTRODUCTION

Method of Instruction: Conference / Discussion
 Technique of Delivery: Small Group Instruction (SGI)
 Instructor to Student Ratio is: 1:8
 Time of Instruction: 5 mins
 Media: None

Motivator

As a soldier, you must know and understand the key aspects of financial management. Money management is a factor of everyday life. No one is born with the ability to manage money wisely; it is a learned skill.

You need to be able to identify the importance of wise decision making when it comes to money management and assist your soldiers to ensure they have the information available to make their own wise money management decisions.

Terminal Learning Objective

NOTE: Inform the students of the following Terminal Learning Objective requirements. At the completion of this lesson, you [the student] will:

Action:	Recognize the importance of managing personal finances.
Conditions:	In a classroom or field environment, (culminating in a situational training exercise) and given a squad and Student Handouts 1 thru 6.
Standards:	Recognized the importance of managing personal finances by-- <ul style="list-style-type: none"> • Identifying ways to promote good financial management. • Identifying ways to choose and maintain good credit. • Identifying some investment options. • Identifying sources of financial assistance. IAW Student Handouts 1 thru 6.

Safety Requirements

None

Risk Assessment Level

Low

Environmental Considerations

NOTE: It is the responsibility of all soldiers and DA civilians to protect the environment from damage.

Evaluation

You will take a written examination. The examination will contain questions from this lesson. You must correctly answer 70 percent or more of the questions on the examination to receive a GO. Failure to achieve a GO on the examination will result in a retest. Failure of the retest could result in your dismissal from the course.

NOTE: Inform the students of where their examination will take place as posted on the training schedule and when they will receive feedback on the test. Include any retest information.

**Instructional
Lead-In**

In Basic Combat Training (BCT) you received training on SURE PAY, the Leave and Earning Statement, and how to maintain a personal checking account. In Advance Individual Training you received a refresher class that covered the three major elements of managing personal finances: spending less than you make, saving for the future, and getting financial help when you need it. During this period of instruction we will determine the importance of wise decision making when it comes to your managing finances. This lesson will identify some means of financial responsibilities, the wise use of credit, different types of investments available to you when required, and who you can turn to for emergency assistance.

SECTION III. PRESENTATION

NOTE: Inform the students of the Enabling Learning Objective requirements.

A. ENABLING LEARNING OBJECTIVE

ACTION:	Identify ways to promote good financial management.
CONDITIONS:	In a classroom or field environment, (culminating in a situational training exercise) and given a squad and Student Handouts 1 thru 6.
STANDARDS:	Identified ways to promote good financial management by-- <ul style="list-style-type: none"> • Identifying how you rate yourself as a money manager. • Developing a budget. IAW Student Handouts 1 thru 6.

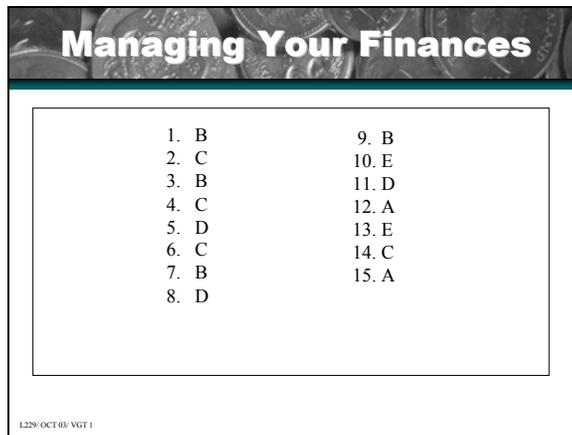
1. Learning Step / Activity 1. Managing Your Finances
 Method of Instruction: Conference / Discussion
 Technique of Delivery: Small Group Instruction (SGI)
 Instructor to Student Ratio: 1:8
 Time of Instruction: 10 mins
 Media: VGT-1

Ref: PE-1

Managing Your Finances

NOTE: Have the students complete PE-1, “How do you rate as a money manager?” Direct the students to the PE located in Appendix C.

SHOW VGT-1, MANAGING YOUR FINANCES



Ref: Appendix C, Solution to PE-1, p C-8

REMOVE VGT-1

2. Learning Step / Activity 2. Good Money Management
Method of Instruction: Conference / Discussion
Technique of Delivery: Small Group Instruction (SGI)
Instructor to Student Ratio: 1:8
Time of Instruction: 35 mins
Media: VGT-2 thru VGT-9

No one would dream of taking a long trip without knowing the destination, consulting a map, and making sure there's enough gas in the tank, therefore we must prepare when we set out on the road to our financial future. We should know about good money management because it can be a key to success in life. For example, good money management can give you control over your finances. It will build confidence in you regarding your financial judgment.

Personal financial management is for everyone, not just people who have a lot of money. Think of it in terms that make it real to you. Good financial management can help you make the most of the money you earn; it will promote wise buying and help you become a smart consumer. We all would love to be able to do things that we like to do in life. However, the most important thing is having enough money to live comfortably now and to make wise decisions to prevent worrying about money when we're old. Good money management is making smart choices. Achieving our retirement dreams depends on the decisions we make today. Regardless of our aspirations, now is the time to question how cleverly we budget our money and how faithfully we save.

We have to stop thinking about what we want today and start thinking about what we want for tomorrow" said Mildred S. Quinones, manager of Consumer Affairs and Financial Assistance Program at the Soldier and Family Support Center at Fort Belvoir, Virginia. Good money management is a skill that you must acquire through training that teaches you to accept responsibility for your personal finances; it is a tool that allows you to plan and develop ways to meet your wants and needs. Peer pressure can drive you crazy with desire and make you lose focus on wants over needs. With easy credit availability it eliminates the need to plan ahead for major purchases. The fact is, if we cannot afford it today, we cannot afford it tomorrow. There is no need to find yourself, crawling out from under a heap of bills as reason to budget your money. It is good management skill to make a budget to see where your money goes.

NOTE: Have the students take out the blank financial planning worksheets from SH-5 and fill them out to see where their money is going. Talk them through the process.

Entitlements

SHOW VGT-2, BUDGET ENTITLEMENTS

MONTHLY INCOME		ACTUAL	PROJECTED
ENTITLEMENTS			
* 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 ()			

Ref: SH-5, Budget Entitlements Worksheet, p SH-5-2

Entitlements

The top third of the form is where you input your entitlements. Copy all of your monthly entitlement amounts for pay and allowances from your Leave and Earnings Statement (LES) or use the pay chart in SH-5-10 to calculate your monthly gross pay. This section identifies the total of everything you received as your gross pay. Note that all taxable items (pay) will have an asterisk (*) next to them in the entitlement section. Add all pays and enter the sum under the Total Military Compensations (A) line.

NOTE: Explain that often gross pay and taxable pay can be two different amounts, since Gross Pay will include allowance, which are not taxable.

REMOVE VGT-2

SHOW VGT-3, BUDGET DEDUCTIONS

DEDUCTIONS:			
ALLOTMENT			
Family SGLI (For Spouses)			
Servicemen's Group Life Insurance (SGLI)			
Uniform Services TSP			
MGIB			
FITW Filing Status Actual:			
FICA (Social Security)			
FICA (Medicare)			
State Income Tax			
AFRH (Armed Forces Retirement Home)			
Tricare Dental Plan (TDP)			
Advance Payments			
Over Payments			
TOTAL DEDUCTIONS (B)	\$	\$	

Ref: SH-5, Budget Entitlements Worksheet, p SH-5-2

Budget Deductions

The middle third of the page is for entering any and all deductions from the military paycheck. Only items taken out of monthly pay by the military go here. List all taxes withheld, SGLI, Tricare Dental, ect. When you have listed all deductions, add them up and enter the amount on the Total Deductions (B) line.

NOTE: Give the students the formula for take home pay. “(Pays + Allowances) – All Deductions = Take Home Pay.”

REMOVE VGT-3

SHOW VGT-4, BUDGET NET INCOME

CALCULATE NET INCOME			
Service Member's Take Home Pay (A-B)	\$	\$	
Service Member's Other Earnings (less taxes)			
Spouse's Earnings (less taxes)			
ALLOTMENT			
Family SGLI (For Spouses)			
Servicemen's Group Life Insurance (SGLI)			
Uniform Services TSP			
MGIB			
Tricare Dental Plan (TDP)			
Advance Payments			
Over Payments			
Child Support/Alimony (Received/Income)			
Other Income (e.g. SSI, Rental Income)			
TOTAL NET MONTHLY INCOME	\$	\$	

Ref: SH-5, Budget Net Income Worksheet, p SH-5-4

Calculate the Total Net Monthly Income in the bottom third of the page by listing other earnings such as non-military pay to include spouse's earnings, alimony, child support and all other family income. Add all amounts together to arrive at what you know as your Total Net Monthly Income.

REMOVE VGT-4

Monthly Savings

SHOW VGT-5, BUDGET MONTHLY SAVINGS

The screenshot shows a worksheet titled "Budget Monthly Savings" with a sub-header "MONTHLY SAVINGS AND LIVING EXPENSE". A note states: "Note: Actual or Projected Figures can be carried forward to spending plan." The table below has columns for "SAVINGS", "ACTUAL", and "PROJECTED".

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

At the bottom left of the screenshot, it says "12/26/08 OCT 18 VGT 5".

Ref: SH-5, Budget Monthly Saving Worksheet, p SH-5-5

Monthly Savings

As you can see at the top of the page, we break savings down into four areas.

Three of the four areas are savings funds, and the last area is Investments/IRA/TSP/etc.

- The emergency fund is money set aside for the unexpected breakdowns, sickness, repairs, emergency leave and the like. A general guideline for emergency savings balance for military is three months of base pay.

- Reserve Funds is money set aside for those items that occur regularly but not monthly, such as birthdays, vacations, holidays, and insurance payments. You can also use reserve funds to hold money that you would use to cover variable expenses such as a phone bill that is higher than planned. Having a reserve fund will keep you from using other funds for these expenses. The recommended balance for this fund depends on the amount of birthday gifts and type of vacation you plan to take.

- Goal-Getter Funds is money that you save for down payment on a new car, or furniture.

The balance depends on what you plan to buy.

- Investments /IRA/TSP/etc., is money that you invest every month. We will discuss investment options later in the lesson.

Ref: SH-4 , Cmd Financial Specialist Tng Instr Guide, p SH-4-12

Although we list the emergency, reserve and goal getter funds as three separate funds, they don't necessarily need three separate accounts, just three separate accounting procedures. Enter the total amount going into savings and investments on a monthly basis on the Total Monthly Savings line. Budget experts recommend that you save 10 percent of your net income each month.

Living Expenses

REMOVE VGT-5

SHOW VGT-6, BUDGET LIVING EXPENSES

LIVING EXPENSES		ACTUAL	PROJECTED
HOUSING	Rent/Mortgage Payment		
	Taxes/Fees		
FOOD	Repairs/Maintenance		
	Groceries		
	Lunches (at work)		
UTILITIES	Other (e.g. school lunches)		
	Electricity		
	Gas/Oil (House)		
	Water/Sewage/Garbage		
TRANSPORTATION	Cellular Phones/Pagers		
	Telephone		
	Gas/Oil (vehicles)		
	Car Pool/Public Transportation		
	Tax, License, Inspection, etc.		
CLOTHES	Repairs/Maintenance		
	Laundry/Cleaning/Altering		
	Clothing Purchased Yearly/12		
INSURANCE	Other		
	Autos		
	SGLI and Family SGLI		
	Tricare Dental Plan		
HEALTH	Other (e.g. Life/Health/Renters)		
	Prescription Drugs		
	Doctor/Hospital Visits		
	Dentist Visits		

Ref: SH-5, Budget Living Expenses Worksheet, p SH-5-6

Group your monthly living expenses into major areas of expenses such as housing, food, and utilities. Make sure you put the amount you spend on each item every month on the form.

REMOVE VGT-6

SHOW VGT-7, BUDGET LIVING EXPENSES, cont

Budget Living Expenses, cont

EDUCATION	Tuition/Fees					
	Books					
	Lessons					
	Other (MCB, Room & Board)					
CONTRIBUTIONS	Club Dues/Association Fees					
	Religious					
	Charities					
SUBSCRIPTIONS	Newspapers/Magazines					
	Computer/Internet Services					
	Books/CDs/Recorders/Tapes/Videos					
	Cable/Satellite TV					
	Other (e.g. Pest Control, Lawn Svc)					
PERSONAL	Beauty Shop/Nails					
	Barber Shop					
	Cigarettes/Other Tobacco					
	Vending Machines					
	Liquor/Beer/Wine					
	Other (Toiletries, Supplements, etc.)					
ENTERTAINMENT	Dinner/Carry Out					
	Movies/Video Rentals					
	Hobbies/Software/etc.					
	Sports/Youth Leagues/Scouts					
	Gifts/Vacation					
	Other (Clubs, Lottery, etc.)					
DEPENDENT CARE	Child Care					
	Child Support/Alimony (You Pay Out)					
	Allowances					
MISCELLANEOUS	Furniture Appliances Household					
	Pet Supplies Grooming Vet					
	Other (ATM fees, Pk Card, Stamps)					
TOTAL MONTHLY LIVING EXPENSES (70%)						

12.26 OCT10 VGT 7

Ref: SH-5, Financial Planning Worksheets, p SH-5-7

After you have listed all monthly expenses, total them up and write in the amount on the Total Monthly Living Expenses line at the bottom of the page. The general guideline for how much net income you should spend on living expenses is 70 percent.

REMOVE VGT-7

Indebtedness

SHOW VGT-8, BUDGET INDEBTEDNESS

Budget Indebtedness

INDEBTEDNESS 20%

CREDITOR	PURPOSE	MONTHLY PAYMENT	BALANCE	PROJECTED PAYMENT	REMARKS (Max. Behind, # of Account, etc.)	APR %
1. US Govt	Advance Pay				Automatic Deduction	
2. US Govt	Over Payments				Automatic Deduction	
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						

12.26 OCT10 VGT 8

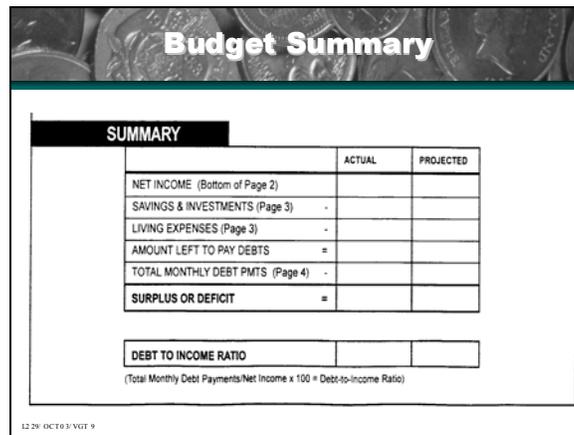
Ref: SH-5, Budget Indebtedness Worksheet, p SH-5-8

This page allows you to list all of your outstanding debt that you owe for goods and services rendered. List each creditor, the purpose of the debts, the minimum monthly payment required, the total outstanding balance of the bills, and the Annual Percentage Rate (APR).

REMOVE VGT-8

Summary

SHOW VGT-9, BUDGET SUMMARY



The image shows a worksheet titled "Budget Summary" with a table for summarizing financial data. The table has three columns: "SUMMARY", "ACTUAL", and "PROJECTED". The rows include: NET INCOME (Bottom of Page 2), SAVINGS & INVESTMENTS (Page 3) with a minus sign, LIVING EXPENSES (Page 3) with a minus sign, AMOUNT LEFT TO PAY DEBTS with an equals sign, TOTAL MONTHLY DEBT PMTS (Page 4) with a minus sign, and SURPLUS OR DEFICIT with an equals sign. Below the table is a section for "DEBT TO INCOME RATIO" with a formula: (Total Monthly Debt Payments/Net Income x 100 = Debt-to-Income Ratio). The footer of the worksheet reads "12.29 OCT 03 VGT-9".

SUMMARY	ACTUAL	PROJECTED
NET INCOME (Bottom of Page 2)		
SAVINGS & 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)

12.29 OCT 03 VGT-9

Ref: SH-5, Budget Summary Worksheet, p SH-5-9

Now it is time to place the figures from SH-5-1 thru SH-5-9, and insert the numbers on the summary page. The next step is to subtract the Living Expenses and the Savings and investments line from the Net Income and enter the balance in the Amount Left To Pay Debts line. The next step is to subtract the Total Monthly Debt payments from the Amount Left to Pay Debts and enter the balance on the surplus or deficit line. To determine your Debt to Income Ratio, divide the Total Monthly Debt Payments by the Total Net Monthly Income. Then multiply the result by 100, and you will have your Debt-to-Income Ratio. We noted earlier that a good goal for savings is 10 percent of your total Monthly Net Income, and a good goal for Living Expenses is 70 percent of your total Monthly Net Income. Since 70 plus 10 equals 80, that means we still have 20 percent of the net income to allot to Monthly Debt Payments. Therefore we say that a general guideline for a balanced budget is 70-20-10.

REMOVE VGT-9

NOTE: Conduct a check on learning by asking the following or similar questions. Briefly summarize the covered material and correct misunderstandings the students may have.

CHECK ON LEARNING:

QUESTION: How can you figure your debt to income ratio?

ANSWER: Divide the Total Monthly Debt Payments by the Net Monthly.

Income then multiplies the result by 100.

QUESTION: What is a general percentage guideline for a balanced budget?

ANSWER: 70-20-10.

Ref: SH-4, Cmd Financial Specialist Tng Instr Guide, p 4-19, para Debt to Income Ratio

Break: Time: 00:50 to 01:00

B. ENABLING LEARNING OBJECTIVE

NOTE: Inform the students of the enabling learning objective requirements.

ACTION:	Identify ways to choose and maintain good credit.
CONDITIONS:	In a classroom or field environment, culminating in a situational training exercise and given a squad and Student Handouts 1 thru 6.
STANDARDS:	Identified ways to choose and maintain good credit by-- <ul style="list-style-type: none">• Identifying reasons for repaying your obligation in a timely manner.• Determining the important of selecting a specific credit card. IAW Student Handouts 1 thru 6.

1. Learning Step / Activity 1. Easy Credit
Method of Instruction: Conference / Discussion
Technique of Delivery: Small Group Instruction
Instructor to Student Ratio: 1:8
Time of Instruction: 20 mins
Media: VGT-10 and VGT-11

In these days of “easy credit” people often assume that paying for things “on time” is fine as long as they can make the minimum payments. This easy credit, often tempts you to get everything you want, all at once. Now it’s normal to want nice things, but the problem is in thinking that you can have them **ALL**. This will only get you deep into debt.

Using this example, you can see how by paying the minimum payment the compounding interest keeps adding to what you owe.

SHOW VGT-10, EXCESSIVE BEHAVIOR

Excessive Behavior						
Purchase: TV Set \$725 Credit Card Interest Rate 18% APR						
Payment	1	\$35	Interest Accrued	\$10.88	Balance	\$700.88
Payment	2	\$35	Interest Accrued	\$10.51	Balance	\$676.39
Payment	3	\$35	Interest Accrued	\$10.15	Balance	\$651.54
Payment	4	\$35	Interest Accrued	\$ 9.77	Balance	\$626.31
Payment	5	\$35	Interest Accrued	\$ 9.39	Balance	\$600.70
AFTER 5 PAYMENTS TOTALING \$175.						
YOU'VE ONLY REDUCED THE LOAN BY \$100.						
<small>12.29 OCT03 VGT 10</small>						

SH-6, Financial Readiness Training Guide, p SH-6-3, para 3

You will be paying for that TV almost forever! After 5 payments you've paid \$175 but only reduced the loan by \$100. These are things you need to beware of and recognize before they turn into problems. You want to be in control of your life, rather than letting things sort of happen to you. With a plan for your money and reasonable expectations, you can have nice things and live well. But you'll need to define what is reasonable for you, and know what is "excess." For example, guess how long it will take to pay off this credit card debt if you only make the minimum payment each month? The answer is **4 years**.

REMOVE VGT-10

Repaying your Obligations

When you accept credit, you are saying that you are responsible for repaying your obligation in a timely manner. Most people don't get into financial trouble intentionally; they do it thoughtlessly; they say things like, "I didn't know the payment was due the first DAY of the month!" and "I deserve to have this!" A good rule to remember is "for every action there is a reaction." Let's look at what could happen if you do not repay on time.

SHOW VGT-11, RESULTS OF NON-TIMELY PAYMENTS



Ref: SH-6, Financial Readiness Training Guide, p SH-6-2, para 2

Rising Debt

When you don't pay your monthly bill, the creditor adds interest to the balance.

Lost Possessions

If you don't pay your bills on time, you will lose things like your car, your furniture, or your home.

Repossessions

Any loan "secured" by physical object, like a car, gives the loan company the option of repossession if you do not repay on time or in full. Often, you'll still have to make payments on the items taken back.

Loss of Credit

If your creditors report nonpayment to a credit bureau, you may not be able to borrow more, charge more, or sign new contracts or leases. They all have access to your credit file.

Pay Garnishment

Your employer may find out quickly. In the military your CO and 1SG will probably be the first to know. Military-town retailers know you get a regular check and that they can garnish it easily. They also know your CO and 1SG hate dealing with financial problems.

Lose Clearance

Your security clearance may immediately be in jeopardy.

Lose Privileges

Because the military may view you as a “problem employee,” you may lose your chance for promotions or duty assignments and other base privileges such as check cashing.

Can't Reenlist

The military may not allow its personnel to re-enlist.

Discharged/Lose Job

For serious, continuing problems, the service may discharge you with no recourse. Then you'd have no job, and still have bills.

REMOVE VGT-11

Credit Cards

NOTE: Direct the students to SH-2

Let's now look at another purchasing method-- the credit card. Most people have a credit card of some type. All credit cards have a spending limit. The company sets the limit, and you cannot exceed this amount in purchases and cash advances. Every month you'll get a statement that shows what your balance is, what your minimum monthly payment is, and when the next payment is due. You can pay more than the minimum payment, or you can pay the whole balance. Remember, the sooner you pay off your balance, the less interest you will pay. Credit card companies charge different rates of interest, and some of them even charge a yearly fee. It's very important to shop around for the lowest rate and fee. Each credit card has its own specific details, which you should always read and understand before you sign anything. However, using a credit card works just like a loan. Don't use the money unless you are positive you can pay it back. Look at your budget before you use your credit card to make sure you can afford the payments.

QUESTION: What are disadvantages of using a credit card?

ANSWER:

- Interest rates charged by the companies are usually higher than the interest on a regular loan.
- If you exceed the preset purchase limit, the company may not approve further purchases until your balance is back within the limit.
- Some companies charge a yearly membership fee. It is important to shop around for the lowest interest rate and find a no-fee card.
- Making the minimum payment allows more interest to accumulate.

Ref: SH-2, TC 21-7, p SH-2-2, 4th para Credit Cards

CHECK ON LEARNING:

QUESTION: Who sets the spending limits on credit cards?

ANSWER: The credit card company sets the limit.

Ref: SH-2, TC 21-7, p SH-2-2, 4th para Credit Cards.

QUESTION: Will the interest incurred remain the same if the balance is paid off sooner?

ANSWER: The sooner you pay off your balance, the less interest you will pay.

Ref: SH-2, TC 21-7, p SH-2-2, para Credit Cards.

C. ENABLING LEARNING OBJECTIVE

ACTION:	Identify some investment options.
CONDITIONS:	In a classroom or field environment, (culminating in a situational training exercise) and given a squad and Student Handouts 1 thru 6.
STANDARDS:	Identified some investment options by knowing the different types of investment options IAW Student Handout 1 thru 6.

1. Learning Step / Activity 1. Investment Options
Method of Instruction: Conference / Discussion
Technique of Delivery: Small Group Instruction (SGI)
Instructor to Student Ratio: 1:8
Time of Instruction: 20 mins
Media: VGT-12 and VGT-13

Investment Options

NOTE: Direct students to SH-2

SHOW VGT-12, INVESTMENT OPTIONS



Ref: SH-2, TC 21-7, p SH-2-3, Chapter 7

Negotiable Order of Withdrawal (NOW) Accounts

These are checking accounts that pay interest. You must maintain a minimum or average monthly balance to earn interest and avoid extra charges. The banks do not limit deposits and withdrawals on these accounts, but you will pay fees and/or lose interest if your account drops below the minimum. NOW accounts are available at most financial institutions. These are also low risk, unless the financial institution itself is at risk.

Certificates of Deposit (CDs)

When you buy a CD, you agree to leave your money in the CD for a specific period, and you will earn interest on the money. If you cash in a CD before it matures, you must pay a penalty for early withdrawal. CDs pay higher interest rates than savings accounts, and the rate increases with a longer term of maturity. The longer the term of the CD, the higher your yield will be. CDs are available from most financial institutions and brokerage firms. These are also a low-risk investment

Money Market Deposit Accounts (MMDAs)

These accounts earn rates that vary with market conditions. The rate will rise and fall as market interest rates rise and fall accordingly. They require a minimum balance, depending on the institution. If your balance drops below the minimum, you may get a lower interest rate or have to pay a monthly fee. Usually you may make only three deposits and three withdrawals per month.

Money Market, continued

Money Market Deposit accounts are available at most financial institutions and brokerage firms. They are a little bit riskier because institutions or firm invests the money in the money market instead of allowing it to sit in the bank.

Stocks

When you buy stock, you become part owner of a company's assets. The value of your shares will rise and fall depending on how well the company does. If the company is successful, the stock prices will increase, and you will be able to sell your shares on the stock market for a profit. Stocks are available through brokerage firms, which will buy and sell your stocks according to your wishes. These are a fairly risky investment because you are "taking a chance" that the company is going to do well.

Government Bonds

A bond represents a loan from the investor to a government entity. The government agrees to pay back the loan, plus a specific amount of interest, after a certain time. U.S. Treasury bonds are the safest, and there are several different kinds. Savings bonds are the most common depending on the period and amount of investment. States, cities and towns also issue bonds. Like stocks, these are available through brokerage firms. They are less risky than stocks because there is a guaranteed payback at maturity.

Mutual funds

In a mutual fund, many investors pool their money toward a common goal. After you invest money, you will own a certain number of shares of the mutual fund. Knowledgeable people who invest in a diversified list of various stocks, bonds, bills, etc. run these funds. This feature allows the average small investor the opportunity to benefit from investments without having the knowledge or time to play the various stock and bond markets.

There are many different types of funds. Some charge money to join, some charge monthly fees, some don't charge you unless you take money out of the fund, and some don't charge fees at all except a small management fee. You can invest in mutual funds through a brokerage firm or you can deal directly with the managers of the fund. Several financial

journals and publications frequently publish advertisements and listings of mutual funds, performance records, and phone numbers. Mutual funds are generally less risky than stocks and bonds because they have investments in several companies and industries. The more widespread or diverse the fund, the less risky it is.

REMOVE VGT-12

SHOW VGT-13, INVESTMENT OPTIONS, cont



Ref: SH-2, TC 21-7, pp SH-2-5 and SH-2-6

Money Market Mutual Funds

These are mutual funds that pool the money from many investors and invest in Short-term items, such as treasury bills, certificates of deposit, bankers' acceptance, and commercial paper. Money market funds provide income, liquidity, and a high degree of safety. Your yield depends on fluctuations in the money market. You can add money to the account at any time, and these funds pay interest on a daily basis. They are available at most financial institutions and brokerage firms. These investments are fairly risky because money markets fluctuate just like other markets, and they are just as unpredictable.

Individual Retirement Account (IRAs)

IRAs are a good way to prepare for retirement. You can have as many separate IRAs as you want. You can even transfer money from one IRA to another. These provide an excellent way to put aside a little money each week or each month in preparation for your retirement. IRAs are available through most financial institutions. Just like other investments run through a financial institution, IRAs are fairly safe as long as the financial institution itself is not at risk

Thrift Savings Plan (TSP)

Ref: SH-4, Cmd Financial Tng Guide, p 4-3

The TSP is a retirement saving and investment plan sponsored by the Federal Government. It has been available as part of Civil Service Retirement for a number of years. It is a defined contribution plan; therefore it has the same type of saving and tax benefits as a 401(k)- type of plan. Participation in the TSP is optional. Members must sign up to participate. The member will make contributions directly out of the paycheck, and choose the investment options. Again the purpose of the TSP is to provide a source of retirement income. It is not a savings account that you can withdraw at any time. The TSP is open to all members of the Uniformed Service, Active Duty and Ready Reserve; there are two open seasons each year, 15 May through 31 July and 15 November through 31 January. Members who deploy and miss open season must enroll within 60 days of their return. Members can contribute from 1% to 7% of their base pay; members can also contribute the total amount of any incentive and special pays (including bonuses) up to an annual of 11,000.

Tangible Investments

A tangible investment is one that you can see and touch. Some examples are real estate, gold, silver, gemstones, and collectibles (stamps, coins, trading cards, antiques, art etc.). When you invest in tangible investments, you are counting on the value of that asset to increase over time, due to the scarcity of and demand for the asset. It is difficult to assess the risk of most tangible investments, but the larger ones, such as gold and silver, will reflect the risk of their market.

REMOVE VGT-13

NOTE: Conduct a check on learning by asking the following or similar questions. Briefly summarize the material covered and correct misunderstandings the students may have.

CHECK ON LEARNING:

QUESTION: Which investment is when you lend money to the government and they pay you interest?

ANSWER: Government bonds.

Ref: SH-2, TC 21-7, p SH-2-4, para Government Bonds

QUESTION: Which investment pools your money with other investors and lets someone else manage your investment?

ANSWER: Mutual funds and money market.

Ref: SH-2, TC 21-7, p SH-2-4 and SH--2-5, para Mutual Funds and Money Market Mutual Funds

D. ENABLING LEARNING OBJECTIVE

ACTION:	Identify sources of financial assistance.
CONDITIONS:	In a classroom or field environment, (culminating in a situational training exercise) and given a squad and Student Handouts 1 thru 6.
STANDARDS:	Identified sources of financial assistance by knowing all the sources for assistance with each type of financial need. IAW Student Handouts 1 thru 6.

- 1. Learning Step / Activity 1. Financial assistance
Method of Instruction: Conference / Discussion
Technique of Delivery: Small Group Instruction (SGI)
Instructor to Student Ratio: 1:8
Time of Instruction: 25 mins
Media: None

Financial Assistance

NOTE: Direct the student to SH-3

The Army Community Services (ACS) has the resources to provide prevention education, and assist in mandatory training. The training may consist of classes on banking and credit union services, budget development record keeping, debt liquidation, credit, consumer rights and obligations, insurance, personal financial readiness, and emergency assistance. The most important thing to remember is to seek help. ACS provides financial counseling service, debt liquidation assistance, consumer advocacy service, and consumer complaint resolution. Remember, as soon as the problem arrives, seek help. Your unit, along with other agencies, is set in place to provide you with free assistance.

Ref: SH-3, AR 608-1, p SH-3-2, para 4-35

SECTION IV. SUMMARY

Method of Instruction: <u>Conference / Discussion</u>
Technique of Delivery: <u>Small Group Instruction (SGI)</u>
Instructor to Student Ratio is: <u>1:8</u>
Time of Instruction: <u>5 mins</u>
Media: <u>None</u>

Check on Learning

The practical exercise serves as a check on learning for this lesson.

Review / Summarize Lesson

In this lesson we have gone beyond what you learned in BCT and AIT. Here we have learned some of the important lessons in personal financial management. We said that you must spend less than you make. This means that you must know how much is coming in and how much is going out. You must be careful with credit, and you should set some goals and do a simple budget to get yourself on track. We also talked about saving and investing for the future--once you get yourself out of debt.

First, set up an insurance policy to protect you from sudden debt in an emergency. Once you have your emergency fund set up and have proved to yourself that you can save regularly, then you should start investing for the future. There are many options depending on your personal situation. However, avoid any "get-rich-quick" schemes. The only people who will get rich from them are the ones to whom you give your money.

Finally, you should have the courage to admit your mistakes and get financial help when you need it. Your chain of command can help on many small issues, but the Army Community Service is ready and willing to help you in many areas, from debt consolidation to advice on purchasing cars and houses. If you are wise, you will use this free service.

Transition to Next Lesson

The information you learned in this lesson will assist you in managing your personal finances and also assist you in recognize and promote in the management of your personal finances.

SECTION V. STUDENT EVALUATION

Testing Requirements

NOTE: Describe how the student must demonstrate accomplishment of the TLO. Refer student to the Student Evaluation Plan.

You will take a written examination. The examination will contain questions from this lesson. You must correctly answer 70 percent or more of the questions on the examination to receive a GO. Failure to achieve a Go on the examination will result in a retest. Failure of the retest could result in your dismissal from the course.

Feedback Requirements

NOTE: Feedback is essential to effective learning. Schedule and provide feedback on the evaluation and any information to help answer students' questions about the test. Provide remedial training as needed.

Inform the students of where their examination will take place as posted on the training schedule and when they will receive feedback on the test. Include any retest information.

Terminal Learning Objective

VGT-1, Managing Your Finances



Managing Your Finances

- | | |
|------|-------|
| 1. B | 9. B |
| 2. C | 10. E |
| 3. B | 11. D |
| 4. C | 12. A |
| 5. D | 13. E |
| 6. C | 14. C |
| 7. B | 15. A |
| 8. D | |

L229/ OCT 03/ VGT 1



Budget Entitlements

MONTHLY INCOME				
	ACTUAL		PROJECTED	
ENTITLEMENTS				
* 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 ()				

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Budget Deductions

DEDUCTIONS:				
ALLOTMENT				
Family SGLI (For Spouses)				
Servicemen's Group Life Insurance (SGLI)				
Uniform Services TSP				
MGIB				
FITW Filing Status Actual:				
FICA (Social Security)				
FICA (Medicare)				
State Income Tax				
AFRH (Armed Forces Retirement Home)				
Tricare Dental Plan (TDP)				
Advance Payments				
Over Payments				
TOTAL DEDUCTIONS	(B)	\$		\$

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Budget Net Income

CALCULATE NET INCOME				
Service Member's Take Home Pay (A-B)	\$		\$	
Service Member's Other Earnings (less taxes)				
Spouse's Earnings (less taxes)				
ALLOTMENT				
Family SGLI (For Spouses)				
Servicemen's Group Life Insurance (SGLI)				
Uniform Services TSP				
MGIB				
Tricare Dental Plan (TDP)				
Advance Payments				
Over Payments				
Child Support/Alimony (Received/Income)				
Other Income (e.g. SSI, Rental Income)				
TOTAL NET MONTHLY INCOME	\$		\$	

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Budget Monthly Savings

MONTHLY SAVINGS AND LIVING EXPENSE

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

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

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Budget Living Expenses

LIVING EXPENSES		ACTUAL		PROJECTED	
HOUSING	Rent/Mortgage Payment				
	Taxes/Fees				
	Repairs/Maintenance				
FOOD	Groceries				
	Lunches (at work)				
	Other (e.g. school lunches)				
UTILITIES	Electricity				
	Gas/Oil (House)				
	Water/Sewage/Garbage				
	Cellular Phones/Pagers				
	Telephone				
TRANSPORTATION	Gas/Oil (Vehicles)				
	Car Pool/Public Transportation				
	Tax, License, Inspection, etc.				
	Repairs/Maintenance				
CLOTHES	Laundry/Dry Cleaning/Tailoring				
	Clothing Purchased Yearly/12				
	Other				
INSURANCE	Autos				
	SGLI and Family SGLI				
	Tricare Dental Plan				
	Other (e.g. Life/Health/Renters)				
HEALTH	Prescription Drugs				
	Doctor/Hospital Visits				
	Dentist Visits				

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Budget Living Expenses, cont

EDUCATION	Tuition/Fees				
	Books				
	Lessons				
	Other (MGIB, Room & Board)				
CONTRIBUTIONS	Club Dues/Association Fees				
	Religious				
	Charities				
SUBSCRIPTIONS	Newspapers/Magazines				
	Computer Internet Services				
	Books/CDs/Records/Tapes/Videos				
	Cable/Satellite TV				
	Other (e.g. Pest Control, Lawn Srvc)				
PERSONAL	Beauty Shop/Nails				
	Barber Shop				
	Cigarettes/Other Tobacco				
	Vending Machines				
	Liquor/Beer/Wine				
	Other (Toiletries, Supplements, etc.)				
ENTERTAINMENT	Dinner/Carry Out				
	Movies/Video Rentals				
	Hobbies/Software/etc.				
	Sports/Youth Leagues/Scouts				
	Gifts/Vacation				
	Other (Clubs, Lottery, etc.)				
DEPENDENT CARE	Child Care				
	Child Support/Alimony (You Pay Out)				
	Allowances				
MISCELLANEOUS	Furniture, Appliances, Household				
	Pet Supplies, Grooming, Vet				
	Other (ATM fees, Ph Card, Stamps)				
TOTAL MONTHLY LIVING EXPENSES (70%)		\$		\$	

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Budget Indebtedness

INDEBTEDNESS 20%

CREDITOR	PURPOSE	MONTHLY PAYMENT	BALANCE	PROJECTED PAYMENT	REMARKS <small>(Mos Behind, Pd by Allotment, etc.)</small>	APR %
1. US Govt.	Advance Pay				Automatic Deduction	
2. US Govt.	Over Payments				Automatic Deduction	
3.						
4.						
5.						
6.						
7.						
8.						
8.						
10.						

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Budget Summary

SUMMARY			
		ACTUAL	PROJECTED
NET INCOME (Bottom of Page 2)			
SAVINGS & 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)



Excessive Behavior

Purchase: TV Set \$725 Credit Card Interest Rate 18% APR

Payment	1	\$35	Interest Accrued	\$10.88	Balance	\$700.88
Payment	2	\$35	Interest Accrued	\$10.51	Balance	\$676.39
Payment	3	\$35	Interest Accrued	\$10.15	Balance	\$651.54
Payment	4	\$35	Interest Accrued	\$ 9.77	Balance	\$626.31
Payment	5	\$35	Interest Accrued	\$ 9.39	Balance	\$600.70

AFTER 5 PAYMENTS TOTALING \$175.

YOU'VE ONLY REDUCED THE LOAN BY \$100.

L229/ OCT 03/ VGT 10

Results of Non-Timely Payments



- **Rising Debt**
- **Lost Possessions**
- **Repossessions**
- **Loss of Credit**
- **Pay Garnishment**
- **Lose Clearance**
- **Lose Privileges**
- **Can't Re-enlist**
- **Discharged/Lose Job**

L229/ OCT 03/ VGT 11

Investment Options



- **Negotiable Order of Withdrawal (NOW) Accounts**



- **Certificates of Deposit (CDs)**



- **Money Market Deposit Accounts (MMDAs)**



- **Stocks**



- **Government Bonds**

- **Mutual Funds**

Investment Options, cont



- **Money Market Mutual Funds**



- **Individual Retirement Account (IRAs)**



- **Thrift Saving Plan (TSP)**



- **Tangible Investments**



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Appendix B Test(s) and Test Solution(s) (N/A)

PRACTICAL EXERCISE SHEET PE1

Title	Financial Management						
Lesson Number/Title	L229 version 1 / Financial Management						
Introduction	This practical exercise (PE) creates in mind a true assessment of your money manager skills.						
Motivator	As a soldier you must know and understand the key aspects of financial management. Money management is a factor of everyday life. No one has the ability to manage money wisely; it is a learned skill. You need to be able to identify the importance of wise decision making when it comes to money.						
Terminal Learning Objective	<p>NOTE: The instructor should inform the students of the following Terminal Learning Objective covered by this practical exercise.</p> <p>At the completion of this lesson, you [the student] will:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Action:</td> <td>Recognize the importance of managing personal finances.</td> </tr> <tr> <td>Conditions:</td> <td>In a classroom or field environment, (culminating in a situational training exercise) and given a squad and Student Handouts 1 thru 6.</td> </tr> <tr> <td>Standards:</td> <td> Recognized the importance of managing personal finances by-- <ul style="list-style-type: none"> • Identifying ways to promote good financial management. • Identifying ways to choose and maintain good credit. • Identifying some investment options. • Identifying sources of financial assistance. IAW Student Handouts 1 thru 6. </td> </tr> </table>	Action:	Recognize the importance of managing personal finances.	Conditions:	In a classroom or field environment, (culminating in a situational training exercise) and given a squad and Student Handouts 1 thru 6.	Standards:	Recognized the importance of managing personal finances by-- <ul style="list-style-type: none"> • Identifying ways to promote good financial management. • Identifying ways to choose and maintain good credit. • Identifying some investment options. • Identifying sources of financial assistance. IAW Student Handouts 1 thru 6.
Action:	Recognize the importance of managing personal finances.						
Conditions:	In a classroom or field environment, (culminating in a situational training exercise) and given a squad and Student Handouts 1 thru 6.						
Standards:	Recognized the importance of managing personal finances by-- <ul style="list-style-type: none"> • Identifying ways to promote good financial management. • Identifying ways to choose and maintain good credit. • Identifying some investment options. • Identifying sources of financial assistance. IAW Student Handouts 1 thru 6.						
Safety Requirements	None						
Risk Assessment Level	Low						
Environmental Considerations	None						
Evaluation	You will correct your PE based on a solution sheet. The results of the PE will have no bearing on your academic standing. However, this PE serves as a self evaluation of your financial readiness.						
Instructional Lead-In	During the first 10 minutes of this class you will complete a 23-question assessment. Upon completion you will see where you rank on the readiness meter.						

**Resource
Requirements**

Instructor Materials:

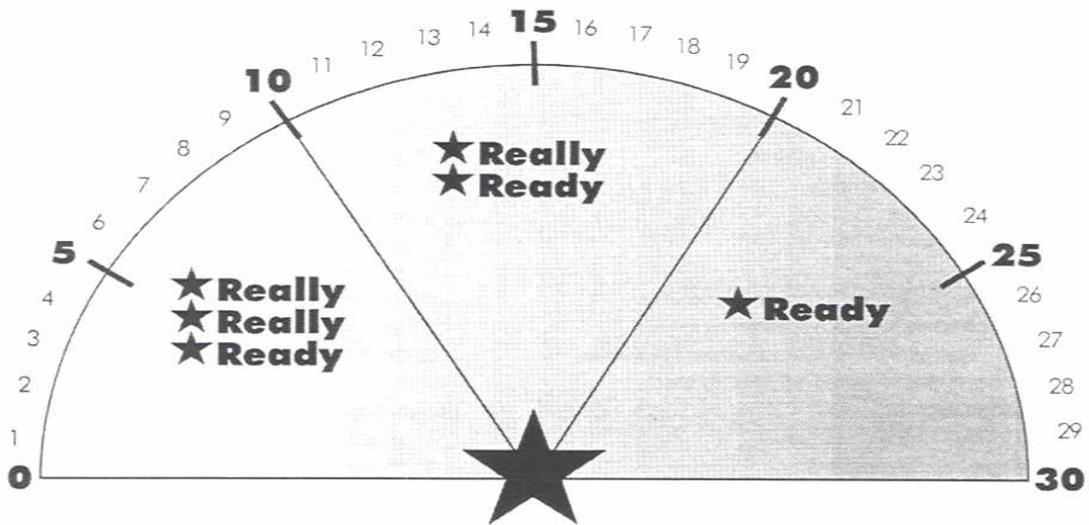
- PE-1
- Pencil and paper

Student Materials:

- PE-1
 - Pencil and paper
-

**Special
Instructions
Procedures**

Have the students complete the PE before showing the correct answers.



Where are you on the "Readiness Meter"?

To determine your level of readiness to complete this course, answer the questions on the following page.

After scoring, draw an arrow from the big star at the bottom to the number of correct answers you scored.

READINESS ASSESSMENT

1. A good financial counselor:
 - A. Does as much for the client as possible to relieve stress
 - B. Helps the client create solutions to problems
 - C. Is capable of making quick judgment calls regarding a client
 - D. Has enough technical experience to get through a session asking a minimal amount of personal questions
 - E. Should only have to meet with a client once

2. Under federal law, people have how many days to cancel unsolicited consumer sales contracts signed in their homes?
 - A. 0
 - B. 1
 - C. 3
 - D. 5
 - E. Don't know

3. In a recent leadership survey leaders indicated that the number one service member issue they deal with most often is:
 - A. Issues related to deployment
 - B. Financial concerns
 - C. Transition to civilian life/work
 - D. PCS or relocation concerns
 - E. Divorce or non-support of dependents

4. Terms used in advertising such as "new and improved", "non-fat", and "we finance E-1 and up" are important to the consumer because:
 - A. What you are buying is a good deal
 - B. The business really cares
 - C. Such exaggerations may result in the consumer being ripped-off
 - D. No other business can give you a better deal
 - E. Don't know

5. What is a Letter of Indebtedness?
 - A. A letter from a creditor complimenting your repayment history
 - B. A letter from a credit union offering you credit
 - C. A letter to your command from a bank stating your net worth
 - D. A letter to your command from a creditor requesting you pay your bills
 - E. Don't know

6. Net monthly pay is:
 - A. What you make every payday
 - B. What you take home every payday
 - C. What you take home every month after income taxes and social security (FICA) are deducted
 - D. What you take home every month after income taxes, social security (FICA), and allotments are deducted
 - E. Don't know

7. Which of the following NOT found on a credit report:
- A. Credit repayment history
 - B. Length of military obligated service
 - C. Credit-related information and public records
 - D. Employment
 - E. Don't know
8. What is the best way to establish credit?
- A. Open a checking account
 - B. Open a savings account
 - C. Apply for a loan using your savings as collateral
 - D. All of the above
 - E. None of the above
9. Good financial management states your indebtedness should NOT exceed what percent of your net income?
- A. 15
 - B. 20
 - C. 35
 - D. 38
 - E. 44
10. How long can a bankruptcy stay on your credit report?
- A. 3 years
 - B. 5 years
 - C. 10 years
 - D. Doesn't get reported on credit report
 - E. Indefinitely
11. Under the garnishment law, a creditor can garnish up to:
- A. 10% of all pay and allowances
 - B. 25% of all pay and allowances
 - C. The amount of the entire debt
 - D. The lesser of 25% of disposable pay or the amount allowed under state law
 - E. O-the law does not allow garnishment of the military paycheck
12. The difference between pay and allowances is:
- A. Generally, pay is taxed and allowances are not
 - B. Generally, only pay is taxed and allowances are subject to social security deductions
 - C. Pay and allowances are subject to income tax and social security deductions
 - D. Pay is subject to income tax and social security while allowances are subject to social security deduction
 - E. Don't know
13. The Thrift Savings Plan is:
- A. A defined contribution retirement plan
 - B. A defined benefit retirement plan
 - C. Voluntary
 - D. A great deal for everyone
 - E. A and C above

14. The three major takings of the ACS according to financial planning are:
- A. Budgeting, savings and investing, and counseling
 - B. Education and training, budgeting and consumer advocacy
 - C. Education and training, information and referral and counseling
 - D. Information and referrals, budgeting and advising
 - E. Information and referrals, resource library maintenance and debt management assistance
15. All types of life insurance provide:
- A. Cash benefits should the policyholder die
 - B. Cash surrender value
 - C. Forced savings for the policy-holder
 - D. Low interest loan and conversion rights
 - E. Don't know

**Feedback
Requirements**

Allow feedback from the class and discuss all unclear issues with the class.

SOLUTION FOR PRACTICAL EXERCISE PE1

The solution to the PE is:

Readiness Assessment Answer

1. B

Ref: Command Financial Specialist Training Instructor Guide, Chapter 6, p 6-5

2. C

Ref: Command Financial Specialist Training Instructor Guide, Chapter 8, p 8-23

3. B

Ref: Command Financial Specialist Training Instructor Guide, Chapter 3, p 3-7

4. C

Ref: Command Financial Specialist Training Instructor Guide, Chapter 8, p 8-12

5. D

Ref: Command Financial Specialist Training Instructor Guide, Chapter 4, p 4-16

6. C

Ref: Command Financial Specialist Training Instructor Guide, Chapter 10, p 10-7

7. B

Ref: Command Financial Specialist Training Instructor Guide, Chapter 14, p 14-21

8. D

Ref: Command Financial Specialist Training Instructor Guide, Chapter 14, p 14-11

9. B

Ref: Command Financial Specialist Training Instructor Guide, Chapter 6, p 6-5

10. E

Ref: Command Financial Specialist Training Instructor Guide, Chapter 9, p 9-20

11. D

Ref: Command Financial Specialist Training Instructor Guide, Chapter 15, p 15-5

Readiness Assessment Answer cont

12. A

Ref: Command Financial Specialist Training Instructor Guide, Chapter 5, pp 5-11 and 5-12

13. E

Ref: Command Financial Specialist Training Instructor Guide, Chapter 19, p 19-5

14. C

Ref: Command Financial Specialist Training Instructor Guide, Chapter 3, p 3-14

15. A

Ref: Command Financial Specialist Training Instructor Guide, Chapter 3, p 3-14

HANDOUTS FOR LESSON 1: L229 version 1

**This Appendix
Contains**

This Appendix contains the items listed in this table--

Title/Synopsis	Pages
SH-1, Advance Sheet	SH-1-1
SH-2, Extracts from TC 21-7	SH-2-1 thru SH-2-5
SH-3, Extracts from AR 608-1	SH-3-1 thru SH-3-3
SH-4, Extracts from Command Financial Specialist Training Instructor Guide	SH-4-1 thru SH-4-3
SH-5, Financial Planning Worksheets	SH-5-1 thru SH-5-10
SH-6, Extracts from Financial Readiness Training Guide	SH-6-1 thru SH-6-4

STUDENT HANDOUT 1

Advance Sheet

Lesson Hours This lesson consists of two hours of small group instruction

Overview This lesson provides information that will help you enhance the financial readiness of your unit. The lesson identifies the different support agencies that can assist soldiers and their families; identifies various military pay entitlements and allowances; defines the entries on the Leave and Earnings Statement and the Net Pay Advice statement; and explains the procedures for setting up bank accounts and resolving pay complaints.

Learning Objective Terminal Learning Objective (TLO).

Action:	Recognize the importance of managing personal finance.
Conditions:	In a classroom or field environment, culminating in a situational training exercise and given a squad and Student Handouts 1 thru 6.
Standard:	Recognize the importance of managing personal finance by-- <ul style="list-style-type: none">• Identifying ways to promote good financial management.• Identifying ways to choose and maintain good credit.• Identifying some investment options.• Identifying sources of financial assistance. IAW Student Handouts 1 thru 6.

ELO A Identify ways to promote good financial management.

ELO B Identify ways to choose and maintain good credit.

ELO C Identify some investment options.

ELO D Identify sources of financial assistance.

Assignment The student assignment for this lesson are:

- Before class read Student Handouts 1 thru 6.
-

Additional Subject Area Resources None

Bring to Class

- Student Handouts 1 thru 6.
- Pencil or pen and writing paper.
- Copy of your leave and earning statement.

STUDENT HANDOUT 2

Extracted Material From TC 21-7

This Student Handout Contains

This student handout contains four pages of material extracted from the TC 21-7, Chapters 6 and 7, Personal Financial Readiness and Deployability Handbook.

Item/Title	Pages
SH-2, Personal Financial Readiness and Deployability Handbook	SH-2-2 thru SH-2-5

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Chapter 6

CREDIT CARDS

Q. I know about credit cards; just about everyone has one, but I'm not sure I know how they work. Could you explain them to me?

A. All credit cards have a spending limit. The company sets the limit, and you cannot exceed this amount in purchases and cash advances.

Q. What happens if I go over the limit?

A. The credit card company can refuse to pay for the purchase. If they approve the purchase, they will not approve further purchases until your balance is back under the limit. Also, many credit card companies impose a penalty charge if you go over the limit. The penalty charge normally ranges from \$25 to \$35.

Q. How do I pay back the money?

A. You will receive a monthly statement, which will show your credit card purchases, your balance, the minimum monthly payment, and the date the next payment is due. You can pay off the balance by the payment date and avoid paying any interest charges. If you opt to pay the minimum monthly payment or any amount greater than the minimum but less than the balance you will be charged interest on the balance you carry forward. The sooner you pay off your balance, the less interest you will pay.

Q. What else is there to know about credit cards?

A. Credit card companies charge different rates of interest, and some of them even charge a yearly membership fee. It is very important to shop around for the lowest interest rate and a no fee credit card. Each credit card has its own specific rules, which you should always read and understand before you sign anything.

Remember, a credit card works just like a loan. Don't use the money unless you are positive you can pay it back. Look at your budget before you use your credit card to make sure you can afford the payments.

Q. So, is this the same way my government American Express credit card works?

A. No, there are some differences between your government American Express card and your personal credit card. First, your government American Express card is not a credit card - you cannot carry your balance forward. Your government American Express card should only be used for official travel expenses, such as lodging, rental cars or meals. It **is not** for your personal use. The balance on your travel card should be paid in full when you receive the monthly bill from American Express. If you file your travel claim right away, you should get your reimbursement check before the American Express card bill is due.

It is important to understand how to use your government American Express card and to use it correctly. If you misuse your travel card or become delinquent on your account, you could get into serious trouble with your chain of command.

DEBIT CARDS

Debit cards look just like a credit card and have either the Visa or Master card logo, but a debit card is not a credit card. A debit card is issued by your bank or financial institution. Whenever you use your debit card to make a purchase, the amount of your purchase is electronically debited from your checking account within a day of making the purchase.

Debit cards truly offer the best of both worlds. A debit card offers you the convenience of making purchases with a piece of plastic without the temptation and ability to run up credit card debt. Debit cards keep you from spending money you don't have and help you live within your means.

Important Note: If you choose to use a debit card it is essential to balance your checking account on a monthly basis. When you balance your account you will subtract your debit card purchases as well as cleared checks and ATM withdrawals. Balancing your checking account on a monthly basis will help you avoid any unnecessary bounced check fees that may occur as a result of forgetting to subtract any debit card purchases or ATM withdrawals.

Chapter 7 Investments

In addition to a savings account there are several options for you to consider. Let's spend a little time talking about each one.

Holiday Club Accounts: These are special purpose savings accounts where you contribute a specific amount of money each week for several months. You withdraw the money at the end of the period. Interest rates and periods of the account vary. Holiday club accounts are available at most financial institutions, and they are a fairly low risk investment, unless the financial institution itself is at risk.

Negotiable Order of Withdrawal (NOW) Accounts: These are checking accounts that pay interest. You must maintain a minimum or average monthly balance to earn interest and avoid extra charges. Deposits and withdrawals are unlimited, but you will pay fees if your account balance drops below the minimum balance. NOW accounts are available at most financial institutions. These are also low risk, unless the financial institution itself is at risk.

Certificates of Deposit (CDs): When you buy a CD, you agree to leave your money in the CD for a specific period of time, and you will earn interest on the money. If you cash in a CD before it matures, you must pay a penalty for early withdrawal. CDs pay higher interest rates than saving accounts, and the rate increases with time. The longer the period of the CD, the higher your yield will be. CDs are available from most financial institutions and brokerage firms. These are also a low-risk investment.

Money Market Deposit Accounts (MMDAs): These accounts earn rates that vary with market conditions. The rate will rise as market interest rates rise and fall accordingly. They require a minimum balance that varies depending upon the institution. If your balance drops below the minimum, you may get a lower interest rate or have to pay a monthly fee. You may usually make only three deposits and three withdrawals per month. They are available at most financial institutions and brokerage firms. MMDAs are riskier because the money is invested in the money market as opposed to sitting in a savings account at a financial institution.

Stocks: When you buy stock, you become part owner of a company's assets. The value of your shares will rise or fall depending on how well the company does. If the company is successful, the stock price will increase, and you will be able to sell your shares on the stock market for a profit. You can also invest in stocks that pay dividends, distributions of the company's earnings to the shareholders. Stocks are available through brokerage firms, which will buy and sell your stocks according to your wishes. These are a fairly risky investment because you are "taking a chance" that the company is going to do well.

Government Bonds: A bond represents a loan from the investor to a government entity. The government agrees to pay back the loan, plus a specific amount of interest, after a certain time. U.S. Treasury bonds are the safest, and there are several different kinds (savings bonds are the most common), depending on the period and the amount of investment. States, cities, and towns also issue bonds. Like stocks, these are available through brokerage firms. They are less risky than stocks because there is a guaranteed payback in maturity.

Corporate Bonds: If you buy a corporate bond, you loan your money for the corporation to use. They will pay you back the money plus a fixed amount of interest when the bond matures. Investors buy and sell bonds before they reach maturity because their worth fluctuates with the market interest rate. If you hold on to the bond until full maturity, interest rate changes will not affect your yield since the bond itself has a fixed interest rate. Bond investments are also available through brokerage firms. These are similar in risk to buying stocks because you are "betting" the company will do well in the future.

Mutual Funds: In a mutual fund, many investors pool their money toward a common goal. After you invest money, you will own a certain amount of "shares" of the mutual fund. These funds are managed by knowledgeable people, who invest in a diversified list of various stocks, bonds, bills, etc. Mutual funds allow the average small investor the opportunity to benefit from the knowledge of these investors and to reduce their personal risk. There are different types of funds. Some charge money to join, some charge monthly fees, some do not charge you unless you take money out of the fund, and some do not charge fees at all (except a small management fee). You can invest in mutual funds through a brokerage firm, or you can deal directly with the managers of the fund. Several financial journals and publications frequently publish advertisements and listings of mutual funds, performance records, and phone numbers. Mutual funds are generally less risky than stocks and bonds because they have investments in several companies and industries. The more widespread or diverse the fund, the less risky it is.

Money Market Mutual Funds: These are mutual funds that pool money from many investors and invest in short term items, such as Treasury bills, certificates of deposit, bankers acceptance, and commercial paper. Money market funds provide income and liquidity. You can add money to the account at any time, and they pay interest on a daily basis. Your yield depends on fluctuations in the money market. They are available at most financial institutions and brokerage firms. These investments are fairly risky because money markets fluctuate just like other markets, and they are just as unpredictable.

Individual Retirement Accounts (IRAs): IRAs are a good way to prepare for retirement. You do not pay taxes on the investment until you withdraw the money. You can have as many separate IRAs as you want. You can even transfer money directly from one IRA to another. IRAs are an excellent way to put aside money each week or each month in preparation for your retirement and are available through most financial institutions. Just as other investments run through a financial institution, IRAs are fairly safe, as long as the financial institution itself is not at risk.

Tangible Investments: A tangible investment is one that you can see and touch. Some examples are real estate, gold, silver, gemstones, and collectibles (stamps, coins, trading cards, antiques, art, etc.). When you invest in tangible investments, you are counting on the value of that asset to increase over time, due to the scarcity of and demand for the asset. It is difficult to assess the risk of most tangible investments, but the larger ones, such as gold and silver, will reflect the risk of their markets.

Well, those are the basic options for ways to save and invest your money. In addition to these options there are many other types of investments. Before you invest any money you should learn a lot more about your potential investment.

Q. How do I know which investment is right for me?

A. There are several things you should consider before you invest. The most important thing to consider is risk. Certain investments are a lot riskier than others. For the most part, investments with a higher potential yield on your money will have a higher risk. This means that although you expect to have a higher yield, you are more likely to lose money on your investment than on a "safer" investment with less risk. You must decide how much risk you can afford and are willing to take.

Decide how much yield you want to get out of your investment. How long will it take you to reach that yield? Due to interest rates, certain investments will take longer for you to reach your goal. Review your budget to see how much money you can afford to initially invest. It is better to start with a small investment amount and move up to larger investments later.

Also, consider the liquidity of your investment. Liquidity is a measure of how fast you can convert the investment to cash. If you have more than enough money to live on and for emergencies, you can afford to have investments with less liquidity.

Another thing to consider is the diversification of your investments. The more diverse your investment fund is the less risky it is. On the other hand an investment fund limited to one or two types of investments contains more risk.

Q. Is there anything else?

A. No, not really. Just remember, before you invest your money, know exactly what you are investing in before you obligate any of your money. If you have any doubts, talk to an expert at your financial institution or a brokerage house

STUDENT HANDOUT 3

Extracted Material from AR 608-1

This Student Handout Contains

This student handout contains two pages of material extracted from the AR 608-1, Army Community Service Center, Chapter 4, Section V, Financial Readiness

Item/Title	Pages
SH-3, Army Community Service Center, Chapter 4, Section V, Financial Readiness	SH-3-2 and SH 3-3

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SECTION V Financial Readiness

4–35. Prevention education

Classes will be provided in personal financial management readiness and consumer affairs to soldiers and family members. These classes will include—

- a. Banking and credit union services (includes overview of services provided by financial institutions).
- b. Budget development and recordkeeping (planning for expenses based on income, planning for emergency expenses, importance of good personal and financial records and methods of keeping these records).
- c. Debt liquidation (responsibilities and legal aspects of overextending financial obligations and consequences of noncompliance with provisions of AR 600–15, methods to reduce debts and become financially solvent, consequences of bad credit ratings, Soldiers and Sailors Civil Relief Act, methods to reduce installment payments and use of the credit card).
- d. Credit (use and abuse of credit, right to obtain credit regardless of sex, race, age, marital status or national origin, credit cards).
- e. Consumer rights and obligations.
- f. Insurance.
- g. Personal financial readiness (military pay system-pay entitlements and how to read Leave and Earnings Statements, wartime pay system and the Sure-Pay Program using TC 21–7, checkbook management, financial counseling resources and procedures, soldier's financial responsibility to themselves, family members and creditors, financial planning for family separations, "short-notice" deployments and PCS moves).

4–36. Mandatory training

- a. Refresher classes will be conducted for personnel who have abused and misused check-cashing privileges.
- b. Financial planning classes and counseling will be conducted for all junior enlisted soldiers (E–4 and below) who are scheduled for their initial PCS move.
- c. Support will be provided to unit commanders in establishing personal financial management readiness training for first term/initial term soldiers.

4–37. Financial counseling services

These counseling services will be provided for soldiers and family members in areas such as budget development and financial planning, developing a spending plan, managing personal finances and evaluating assets and liabilities.

4–38. Debt liquidation assistance

To assist commanders, soldiers and family members with problems of financial indebtedness, the

following debt liquidation assistance will be provided:

a. Facilitate resolution of financial crisis by—

- (1) Assisting clients in analyzing their assets and liabilities and enrolling them in a debt liquidation program, if appropriate.
- (2) Assisting clients in developing a repayment plan to liquidate debts.
- (3) Assisting clients in contacting their creditors.
- (4) Notifying each enrollee's creditors by mail that they are enrolled in the debt liquidation program.
- (5) Notifying each enrollee's creditors and unit commander by mail that the client has been negatively terminated

4–39. Consumer advocacy service

- a. Information will be provided to help soldiers and family members make educated decisions.
- b. Feedback will be provided to commanders on consumer issues affecting soldiers and families.

4–40. Consumer complaint resolution

Soldiers and family members will be assisted in handling consumer complaints.

a. DA Form 5184 (Consumer Complaint) will be used to record consumer complaint assistance.

b. The following services will be provided:

- (1) Information on resolving consumer complaints, consumer rights and protection laws.
- (2) Referral to military and civilian resources responsible for resolving complaints.
- (3) Coordination with Staff Judge Advocate (SJA), Inspector General and Armed Forces Disciplinary Board on issues requiring their assistance.

(4) Assistance to clients in drafting consumer complaint letters and contacting agencies and businesses in reference to consumer issues.

(5) Publicizing agencies and businesses that employ unfair business practices in accordance with AR 190–24.

c. Feedback will be provided to commanders on recurring consumer problem areas affecting soldiers and family members.

4–41. Emergency assistance

Soldiers and families will be provided emergency assistance to help prevent privation. This assistance will include—

a. Consideration of Army Emergency Relief loans and grants for eligible individuals per AR 930–4.

b. Use of food locker or vouchers. The procurement, storage and handling of food locker items must meet requirements of AR 40–5. In the case of vouchers, financial accountability, safeguards and recordkeeping must exist to prevent fraud and theft.

STUDENT HANDOUT 4

Extracted Material from Command Financial Specialist Training Instructor Guide

This Student Handout Contains

This student handout contains two pages of material extracted from the Command Financial Specialist Training Guide.

Item/Title	Pages
SH-4, Command Financial Specialist Training Instructor Guide Chapter 4 and 18	SH-4-2 and SH-4-3

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CHAPTER 4

- Although the Emergency reserve and goal-getter funds are listed as the separate funds, they don't necessarily need to be three separate accounts, just three separate accountings. (The investment dollars are going into other investment accounts.) Try **to ensure** that the client is saving something, even if it is just a little bit each month. For people who are not saving anything, initially the habit is more important than the amount.
- General Budgeting Guidelines: We noted earlier that a good goal for savings is 10% of Total Monthly Net Income, and a good goal for Living Expenses is 70% of Total Monthly Net Income. Since $70 + 10 = 80$, that means we still have 20% of net income to allot, and that typically goes to Monthly Debt Payments. Therefore, we can say that a general guideline for a balanced budget is 70-20-10, with 70% of the Net Monthly Income going to Living Expenses, 20% to Debt Payments, and 10% to Savings. Percentages may vary in different households based on different lifestyles. For example, a single sailor living in the barracks may have a breakout of 50-50-0, with 50% going to living expenses and 50% going to debt (probably a car payment) and nothing going to savings. He may be doing just fine day to day, but is not building any wealth. Furthermore, as the sailor gets increases in pay the ratios will change, and if he doesn't start dedicating some money to savings his budget will not be healthy for long, as he risks taking on too much debt.
- Debt-to-Income Ratio: In the 70-20-10 guideline the middle number is referred to as the debt-to-income ratio (DII Ratio). You will run this calculation on all of your clients (and yourself) to see if they are "in debt". We would all agree that most people are "in debt", meaning they carry some debt, but when does debt become problematic? The DII ratio gives us a guide to gauge the severity of the debt. Working on the Indebtedness page in the Summary section, divide Total Monthly Debt Payments by Total Net Monthly Income, then multiply the result by 100, and you will have the D/I Ratio.

CHAPTER 18

Thrift Saving Plan (TSP). The TSP is a retirement saving and investment plan sponsored by the Federal Government. It has been available as part of Civil Service Retirement for a number of years. It is a defined contribution plan; therefore it has the same type of saving and tax benefits as a 401 (k)-type of plan. Participation in the TSP is Optional. Member must sign up to participate. The member will make contributions directly out of the paycheck, and the member will choose the investment options. Again the purpose of the TSP is to provide a source of Retirement Income. It is not a saving account that can be withdrawn at any time. The TSP is open to all members of the Uniformed Service, Active Duty and Ready Reserve; there are two open seasons each year, 15 May through 31 July and 15 November through 31 January. Member who are deployed and miss open season are given 60 days upon return to enroll. Member can contribute from 1% to 7% of their base pay, member can also contribute the total amount of any incentive and special pays (including bonuses) up to an annual of 11,000.

Command Financial Specialist Training Instructor Guide

STUDENT HANDOUT 5

Financial Planning Worksheets

This Student Handout Contains

This student handout contains nine financial planning worksheets for PE-1.

Item/Title	Pages
Budget Entitlements	SH-5-2
Budget Deductions	SH-5-3
Budget Net Income	SH-5-4
Budget Monthly Savings	SH-5-5
Budget Living Expenses	SH-5-6
Budget Living Expenses, cont	SH-5-7
Budget Indebtedness	SH-5-8
Budget Summary	SH-5-9
Military Leave and Earning, Statement	SH-5-10

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BUDGET ENTITLEMENTS

MONTHLY INCOME

	ACTUAL		PROJECTED	
ENTITLEMENTS				
BASE PAY *				
BASIC ALLOWANCE FOR HOUSING (BAH				
OVERSEAS HOUSING ALLOWANCE				
(OHA)				
BASIC ALLOWANCE FOR SUBSISTENCE				
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				

BUDGET DEDUCTIONS

DEDUCTIONS				
ALLOTMENT				
FAMILY SGLI (FOR SPOUSES)				
SERVICE'S GROUP LIFE INSURANCE (SGLI)				
INIFORM SERVICES TSP				
MGIB				
FITW FILING STATUS ACTUAL				
FICA (SOCIAL SECURITY)				
FICA (MEDICARE)				
STATE INCOME TAX				
AFRH (ARMED FORCES RETIREMENT HOME)				
TRICARE DENTAL PLAN (TDP)				
ADVANCE PAYMENTS				
OVER PAYMENTS				
TOTAL DEDUCTIONS				

BUDGET NET INCOME

CALCULATE NET INCOME				
SERVICE MEMBER'S TAKE HOME PAY				
SERVICE MEMBERS'S OTHER EARNING (LESS TAXES)				
SPOUSE'S EARNING (LESS TAXES)				
ALLOTMENT				
FAMILY SGLI (FOR SPOUSES)				
SERVICEMEN'S GROUP LIFE INSURANCE (SGLI)				
UNIFORM SERVICE TSP				
MGIB				
TRICARE DENTAL PLAN (TDP)				
ADVANCE PAYMENTS				
OVER PAYMENTS				
CHILD SUPPORT/ALIMONY (RECEIVED/INCOME)				
OVER PAYMENTS (E.G. SSI, RENTAL INCOME)				
TOTOAL NET MONTHLY INCOME				

BUDGET MONTHLY SAVINGS

MONTHLY SAVINGS AND LIVING EXPENSE

NOTE: ACTUAL OR PROJECTED FIGURES CAN BE CARRIED FORWARD TO SPENDING PLAN

SAVINGS		ACTUAL		PROJECTED	
SAVINGS	<i>EMERGENCY FUND (1-3 MONTHS)</i>				
GOAL: 10% OF NET INCOME	<i>RESERVE FUND</i>				
ACTUAL PROJECTED	<i>"GOAL GETTER" FUND</i>				
\$ \$	<i>INVESTMENTS/IRA'S/TSP/ETC.</i>				
TOTAL ALLOTMENT		\$		\$	

BUDGET LIVING EXPENSES

LIVING EXPENSES		ACTUAL		PROJECTED	
HOUSING	RENT/MORTGAGE PAYMENT				
	TAXES/FEES				
	REPAIRS/MAINTENANCE				
	GROCERIES				
	LUNCHES (AT WORK)				
	OTHER (E.G. SCHOOL LUNCH				
UTILITIES	ELECTRICITY				
	GAS/OIL (HOUSE)				
	WATER/SEWAGE/GARBAGE				
	CELLULAR PHONES/PAGERS				
	TELEPHONE				
TRANSPORTATION	GAS/OIL (VEHICLES)				
	CAR POOL/PUBLIC TRANSPORTATION				
	TAX, LICENSE, INSPECTION, ETC				
	REPAIRS/MAINTENANCE				
CLOTHES	LAUNDRY/DRY CLEANING/TAILORING				
	CLOTHING PURCHASING YEARLY/12				
	OTHER				
INSURANCE	AUTOS				
	SGLI AND FAMILY SGLI				
	TRICARE DENTAL PLAN				
	OTHER (E.G. LIFE/HEALTH/RENTERS)				
HEALTH	PRESCRIPTION DRUGS				
	DOCTOR/HOSPITAL VISITS				
	DENTISTS VISITS				
EDUCATION	TUITION/FEES				
	BOOKS				
	LESSONS				
	OTHER (MGIB, ROOM & BOARD				

BUDGET LIVING EXPENSES, cont

LIVING EXPENSES		ACTUAL		PROJECTED	
CONTRIBUTIONS	CLUB DUES/ASSOCIATION FEES				
	RELIGIOUS				
	CHARITIES				
SUBSCRIPTIONS	NEWSPAPERS/MAGAZINES)				
	COMPUTER INTERNET SERVICES				
	BOOKS/CDs/RECORD/TAPES/VIDEOS/CABLE/SATELITE TV				
	OTHER 9E.G. PAST CONTROL. LAWN SRVC)				
PERSONAL	BEAUTY SHOP/NAILS				
	BARBER SHOP				
	CIGARETTES/OTHER TOBACCO				
	VENDING MACHINES				
	LIQUOR/BEER/WINE				
	OTHER (TOILETRIES, SUPPLEMENTS. ETC)				
ENTERTAINMENT	DINER/CARRY OUT				
	MOVIES/VIDEO RENTALS				
	HOBBIES/SOFTWARE/ETC				
	SPORTS/YOUTH LEAGUES/SCOUTS				
	GIFTS VACATION				
	OTHER (CLUBS, LOTTERY, ETC)				
DEPENDENT CARE	CHILD CARE				
	CHILD SUPPORT/ALIMONY (YOU PAY OUT ALLOWANCES				
MISCELLANEOUS	FURNITURE, APPLIANCES, HOUSE HOLD				
	PET SUPPLIES, GROOMING				
	OTHER (ATM FEES, PH CARD, STAMPS				

BUDGET INDEBTEDNESS

INDEBTEDNESS 20%

Creditor	Purpose	Monthly Payment	Balance	Project ed Payme nt	Remark Most behind, pd by allotment, etc	APR %
1. US GOVT	<i>ADVANCE PAY</i>				<i>Automatic Deduction</i>	
2	<i>OVER PAYMENTS</i>				<i>Automatic Deduction</i>	
3						
4						
5						
6						
8						
9						
10						
11						
12						
13						
14						
15						
16						

BUDGET SUMMARY

SUMMARY

		ACTUAL	PROJECTED
NET INCOME (<i>Bottom of page 2</i>)			
SAVING & INVESTMENTS (<i>PAGE 3</i>)	-		
LIVING EXPENSES (<i>PAGE 3</i>)	-		
AMOUNT LEFT TO PAY DEBTS	=		
TOTAL MONTHLY DEBT PMTS (<i>PAGE 4</i>)	-		
SURPLUS OR DEFICIT	=		

DEBT TO INCOME RATIO

(TOTAL MONTHLY DEBT PAYMENTS/NET INCOME X 100=DEBT-TO-INCOME RATIO)

DEFENSE FINANCE AND ACCOUNTING SERVICE/ MILITARY LEAVE AND EARNING STATEMENT

ID	NAME (Last, First, MI) DOUGH, JOHN M.	SOC. SEC. NO 000-55-5555	GRADE E-4	PAYDATE 100101	YRS SRV 2	ETS 040104	BRANCH ARMY	ADSN/DSSN 4015	PERIOD COVERED 1-31 OCT 03					
ENTITLEMENT		DEDUCTIONS			ALLOTMENTS			SUMMARY						
TYPE		TYPE			TYPE			AMOUNT						
AMOUNT		AMOUNT			AMOUNT			AMOUNT						
A	BASE PAY 1169.10	FEDERAL TAXES 161.45			DISCRETIONARY			+ Amt fwd						
B	BAH 450.00	FICA-SOC.SECURITY 72.48			AFAF-ALLOT			+ Amt Fwd						
C	SEPARATE RATS 210.00	FICA-MEDICARE			220.00			- Tot DEd						
D		SGLIFOR 50,000 4.00			2.00			- Tot Alt						
E		AFRH						= Net Amt						
F								- Cr Fwd						
G														
H		MID-MONTH PAY						= EOM Pay						
I		DENTAL												
J		18.00						\$683.36						
K														
L														
M														
O														
TOTAL		1829.10			922.19			222.00						
LEAVE	BF 7.5	Ernd 3.5	Used 0	Cr Fwd 10	ETS Bal 120.0	L ost 0	Lv PD 30	Use/Lose 0	FED Taxes	Wage Period 1469.40	Wage YTD 1636.00	M/S	Add Tax	Tax YTD
FICA TAXEA	Wage Period	. Soc Wage YTD 1676.00	Sos. Tax YTD 1636.00	Med Wage. YTD 4676.40	Med. Tax YTD 76.40	STATE TAXES	ST 51	Wage Period 1169.10	Wage YTD 1676.10	M/S/N S	Ex 91	Tax Ytd		
PAY DATA	BAQ TYPE	BAQ Depn	VHA Zip	Rent Amt	Share	Stat	IFTP	Depns	JFTR	PAS Type	Charity Type 8.00	TPO	FACIDN	
THRIFT SAVINGS PLAN (TSP)	Base P Rate 0%	Base P. Curr	Spec P. Rate 0%	Spec P Curr	Inc P Rate 0%	Inc P. Rate	Bonus P. Rate 0%	Bonus P. Rate 0%						
		TSP YTD Deduction			Deferred			Exempt						
Remarks:		YTD ENTITLEMENTS:			YTD Deductions:									

STUDENT HANDOUT 6

Extracted Material from Financial Readiness Training Guide

This Student Handout Contains

This student handout contains three pages of material extracted from Financial Readiness Training Guide.

Item/Title	Pages
SH-6, Financial Readiness Training Guide	SH-6-2 thru SH-6-4

Disclaimer: The training developer extracted the materials from Financial Readiness Training Guide. The text may contain passive voice, misspellings, grammatical errors, etc., and may not be in compliance with the Army Writing Style Program.

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FINANCIAL READINESS TRAINING GUIDE

Making the most of your money and buying wisely are things you can do now. “Living well today” can’t happen all at once. Some self-control and patience are needed to reach any goal. Think of spending your money deliberately, spending on things you really want and choosing wisely. Let’s look at an example of how much more you get for your money just by getting a better interest rate. Compare the car loans shown here for the same used car. Car dealers try to get you to focus on just the monthly payment. The monthly payments are close: loan 2 is a little interest rate. But because you’re making another 12 months of payments, that’s a lot more money for the same car! Think what you could do with that extra money.

1. Where You Can Be Tomorrow

Young people rarely worry about the future. Most of us start saving for our goals way too late. Why? Most people don’t make much money when they’re young and bills seem to take it all. What IS the big deal about starting now? Why rush? It’s a big deal because of the magic of compounding interest, over time. Let’s see what you’d have at retirement age, if you put the IRS-allow \$2,000 into an IRA for just 10 years (starting at age 22). Look at what you could have by the time your 65 and you only had to put money in for 10 years then stopped. If we all did this when we were younger, then we wouldn’t have to worry about our retirement or social security.

2. Potential Problems

a. Where will you be when you consider some of the things that can happen if you do NOT handle your money responsibly. Most people don’t get into financial trouble intentionally - they do it thoughtlessly. They say things like, “I didn’t know the payments were due the first DAY of the Month!” and “I deserve to buy this! Consider some of the things that can happen if you do NOT handle your money responsibly.

- Rising Debt - Debt can creep up almost unnoticed and become unmanageable.
- Lost Possessions - If you don’t pay bills on time, you will lose things, like your car, your furniture, or your home.
- Repossession - Any loan “secured” by a physical object, like a car, give the loan company the option of repossession if that loan is not repaid on time or in full. Often, you’ll still have to make payments on the items taken back.
- Loss of Credit - If your creditors report non-payment to a credit bureau, you may not be able to borrow more, charge more, or sign new contracts or leases. They all have access to your credit file.
- Pay Garnishment - Your employer may find out quickly. For military people, your CO will probably be the FIRST to know. Military-town retailers know you get a regular check and that they can garnish it easily. And they know your CO hates dealing with financial problems.

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- Lose Clearance - Your security clearance may immediately be jeopardized.
- Lose Privileges - Because you may be viewed as a “problem employee,” you may lose your chances for promotions or duty assignments, and other base privileges.
- Can't Reenlist - Military personnel may not be allowed to reenlist.
- Discharged/Lose Job - For serious, continuing problems, you can be discharged from the service with no recourse. Then you'd have NO job, and STILL have bills.

3. The Problem is Excessive Behavior

You may be tempted to get everything you want, all at once. It's normal to want nice things. The problem is in thinking that you can have them all, and getting deeply into debt. In these days of “easy credit” people often assume that paying for things “on time” is fine as long as they can make the minimum payments. Using this example you can see how by paying the minimum payment the compounding interest keeps adding to what you owe. You will be paying for that TB almost forever! After 5 payments you've paid \$175 but only reduced the loan by \$100. These are things you need to be aware of and recognize before they turn into problems. You want to be in control of your life, rather than letting things sort of happen to you. With a plan for your money and reasonable expectations, you can have nice things and live well. But you'll need to define what is reasonable for you, and know what is “excess.” For example, guess how long it will take to pay off this credit card debt if you only make this minimum payment each month? Four years. There are many great reasons for managing your personal finances well, including:

- You can have control of your money and life:
- It is possible to live well on a small income if you spend wisely.
- Saving early in life can help you avoid retirement money problems, and there are many reasons to avoid financial problems:
 - Debt can creep up and become unmanageable.
 - Financial problems can negatively affect your relationships and employment.
 - You may risk losing your job and your credit rating and yet have debts to pay.

Let's look at some ways you could spend your money more wisely:

- Buy a house instead of rent, could be a financial loss if you move within 3 years.
- Pay cash for smaller items like furniture you save hundreds in interest charges.
- Stop buying my weekly Lotto ticket - \$1.00 per week is not much, just be sure to budget for it.
- Get low-interest car loan on a used car, you save hundreds or thousands of dollars.
- Eat lunch out only once a week, Limit restaurant lunches and save.
- Never use credit cards for purchases, save the card for emergencies, however, using credit cards wisely can be OK if you stay within your budget.

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4. Excessive Gambling and Bad Habits

Why are we discussing gambling in a discussion of consumer awareness? And what really “counts” as gambling - buying a lottery ticket, or losing thousands in a casino? Gambling concerns your money, and some people go overboard on gambling. In all gambling, the odds are against you. In a financial management sense, gambling is any use of your money where you’re not sure you’ll get anything back for it. As with any spending issue, the problem is in excess. You need to know your budget and priorities, and whether your money is going to the right places. Then, if you decide to buy a lottery ticket, you’ll know you have it in your Entertainment budget and nothing else will suffer if you lose it. There is a major difference between taking acceptable risks and having a gambling problem (or other addictive problems like addictive buying). They become a problem if the money you spend on the “habit” takes away from other priorities or people. True, addictive behaviors such as: gambling, buying unneeded items, or making purchases that you must hide from your spouse or friends to avoid their remarks, are usually based on emotional problems that require counseling. If you see this behavior in yourself, your spouse or friend, try to get the person to get counseling as soon as possible.

5. How to Decide if You’re in Trouble

People who find themselves in serious financial trouble often don’t know exactly how they got there. The problem usually comes down to one thing: poor money management. If you spend without planning and don’t keep track of it, you can quickly find yourself in trouble. Consumers need to know the signs of financial trouble so they can stop problems from occurring, and if some do arise, they can regain control. When debt is under control, you can build a better financial future.