CHAPTER 6: Managing Income, Expenses, Savings and Credit

INTRODUCTION

Managing Income, Expenses, Savings and Credit is a 90-minute program designed to provide Marines and their families with an understanding of the importance of managing all areas of personal finance. Within this chapter, learners will be provided with education enabling them to recognize and understand common financial terms, develop personal financial goals and a monthly budget, avoid excessive debt, and establish and maintain good credit.

LEARNING OBJECTIVES

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

- List at least two benefits of managing personal finances.
- Develop one short-term or one long-term financial goal.
- Name the three levels of the financial planning pyramid.
- Differentiate between gross, net, and take-home pay income.
- Identify the four primary areas in a monthly budget.
- Complete a budget/spending plan.
- Create a positive cash flow.
- Discuss the purpose of taxes.
- Discuss the correct procedure for disposing of financial documents.
- Name two types of financial management tools.
- Identify resources to assist in managing finances.

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PREPARATION AND PROCEDURES

Activities:

- "Setting S.M.A.R.T. Goals": An activity in which learners practice developing a short-term or long-term S.M.A.R.T. financial goal.

Additional Handouts:

- "Creative Savings Strategies"
- "Debt-to-Income Ratio"
- "Financial Planning Pyramid"
- "Financial Planning Worksheet"
- "Financial Planning Worksheet Checklist"
- "Monthly Spending Record"
- "Session Evaluation"

Materials:

- Managing Income, Expenses, Savings and Credit PowerPoint slides
- Pens, pencils, markers, and paper
- Chart paper or a whiteboard
- Electronic Financial Planning Worksheet
- Computer for all participants, if available

Registration:

Registration ensures that you have an adequate number of materials on hand and that guest speakers are prepared if they have handouts or giveaways for their audience. Program registrants should be contacted by phone or e-mail two to three days before the program to verify participation. Sign-in is advised to track attendance.

Target Audience:

The target audience is Marines and their family members with a basic to intermediate knowledge of personal financial management.

KEY TERMS

- **Checking account:** An account held at a financial institution that an individual uses to deposit funds and make withdrawals.
- **Discretionary income:** The amount of money left over after all deductions and automatic payments or allotments are taken from net income.
- **Federal Insurance Contributions Act (FICA):** An act that mandates an employer withholds a set percentage of an employee's salary each pay period as a tax. FICA also requires that the employer match the employee's amount and contribute the money to a government account known as the Social Security Trust Fund. This fund provides retirement income, as well as disability insurance, Medicare, and benefits for survivors.
- **Gross income:** The actual, total amount of money that an individual makes each month or year before any taxes, withholdings or allotments are removed.
- **Leave and Earnings Statement (LES):** Monthly statement of pay based on two pay periods. This statement provides the Marine with all of their monthly and year-to-date income, as well as entitlements, deductions and allotments, and taxes.
- **Net income:** Gross income minus income taxes, withholdings and allotments (dental, TSP, SDP, life insurance, TRICARE etc).
- **Net worth:** The total picture of an individual's financial status at a given time based upon their assets minus their liabilities (debts). Net worth is often used by banks to determine an individual's ability to repay a loan.
- **Reconciliation of bank statements:** A form that allows individuals to compare their personal bank account records to the bank's records on their account balance, to reveal any discrepancies.
- **Savings account:** A deposit account held at a financial institution (bank, credit union, etc.), that allows principal security and a modest interest rate.
- **S.M.A.R.T. goals:** Goals that are specific, measurable, attainable, realistic, and trackable and time sensitive.
- **Spending plan:** A written budget that allows an individual to achieve financial goals through proper management of money from paychecks and other sources of income. This plan allots specific amounts of money for particular uses. It is more commonly referred to as a "budget."

QUALITY ASSURANCE PROCEDURES

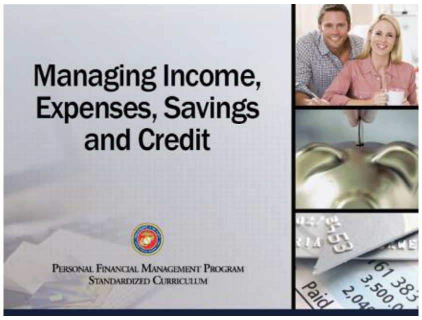
To assure accurate and current information as well as a quality presentation:

- Headquarters (HQ) and installation PFMs will review the curriculum annually or when there have been consequential changes to content regarding laws, regulations or military programs that could have a significant impact on Marines and their families. HQ will then update the curriculum.
- Distribute session evaluations to participants at the end of each workshop. Results should be tabulated and retained to measure the effectiveness of information provided at the session, in the program content, and of the delivery of the presentation.

CONTENT OUTLINE (90 MINUTES TOTAL)

1. Welcome and Chapter Overview (5 minutes)
2. Benefits of Managing Your Finances (10 minutes)
   a. S.M.A.R.T Goals
3. Financial Planning Pyramid (10 minutes)
   a. Management Level
   b. Savings Level
   c. Investment Level
4. Budgeting Basics (30 minutes)
   a. Net Worth
   b. Monthly Budget
   c. Income
   d. Savings
   e. Living Expenses
   f. Tracking Expenses
   g. Indebtedness
   h. 70-20-10 Guideline
   i. Debt-to-Income Ratio
   j. Creating a Positive Cash Flow
5. Understanding Taxes (10 minutes)
   a. Withholding Taxes
   b. Payroll Taxes
6. Record Keeping (15 minutes)
   a. Statements
   b. Checks and Debit Cards
   c. Insurance Documents
   d. Other Considerations
   e. Records Disposal
7. Resources and Summary (5 minutes)

SLIDE 1: INTRODUCTION



SLIDE 2: OVERVIEW

INSTRUCTOR NOTES:

1. Introduce yourself and have the participants introduce themselves.
2. Introduce the topics to be covered in this session.

SECTION BACKGROUND INFORMATION

Managing your income, expenses, savings and credit is one of the most important things that you can do for yourself and your family. Your financial health and that of your family's will depend on how well you understand your financial picture and how well you continue to grow and manage your finances throughout your life.

There are basic ideas and terms that are a necessary part of managing your personal finances. Once you understand some of these core concepts, you will be able to make sound decisions regarding the way you budget your money.

Do you have a household or personal monthly budget at the present time? If not, you may be thinking to yourself, *"I know how much I make each month and I know how to spend my paychecks. That is all that matters."*

However, good financial management includes not only spending and saving but good record keeping as well!

In today's session, we will discuss many topics that will assist you in managing all aspects of your personal finances. These include:

- Benefits of Managing Your Finances
- Financial Planning Pyramid
- Budgeting Basics
- Understanding Taxes
- Record Keeping
- Financial Management Tools
- Resources

SLIDE 3: BENEFITS OF MANAGING YOUR FINANCES

INSTRUCTOR NOTES:

Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

Consider the following questions:

- Do you live within your income?
- Do you know whether your credit is good or bad?
- Have you ever felt financial stress?
- Would you like to achieve financial confidence?

Being able to effectively manage your finances is an important skill. It calls for self-discipline and the setting of goals, if one desires to do it successfully.

Although it does require some work to do it well, there are benefits that will change the way you think when it comes to your money.

Live within your income: A good budget will guide your spending and help you live within your income. Putting everything down in black and white, and planning and tracking your spending, enables you to account for every penny you earn. As a result, you and your family are able to stay in line with your short- and long-term financial goals.

Maintain good credit: Establishing and maintaining good credit is both a good goal worth setting and an important benefit in good financial management. The first step in having good credit is to pay your bills on time. An effective, written budget provides the foundation for a great credit report. And since the ultimate goal of any spending plan is to help you build wealth, not debt, as your assets grow and your debt is kept to a minimum, your credit report looks better and better.

Get more for your money: Managing your finances through a budget is the single best way to help find "leaks" in your spending. ***By tracking your income and expenses, you may find money you did not know you had.*** You could find that you have been spending money on things that you do not really need or value. Many people even find that there is money "lost" … meaning they do not know where some of their money goes. You should be able to account for 100 percent of your money and ensure it is going only where you want it to go. Good financial management in some ways can be as easy as knowing what is coming in and how it is going out to reach your financial goals.

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

Achieve financial confidence and success: Imagine how it would feel to have just achieved an important financial goal in your life – perhaps it was to buy a house, to finance a child's education, or to retire early. Imagine how it would feel to save for that important goal and to achieve it. Imagine what it would feel like to be fully in control of your money, with no/low debt, adequate savings, an investment plan in place and not living paycheck to paycheck. Learning financial management skills is not the key to all happiness, but it will certainly open the door to a sense of financial confidence. This can motivate you to take the necessary steps to create wealth in the future.

SLIDE 4: S.M.A.R.T. GOALS

INSTRUCTOR NOTES:

1. Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

Successful people have financial goals!

They take control of their money, distribute percentages of their income to specific uses and commit to them in writing. Goal setting is an important part of financial management It forces you to decide what you want to accomplish with your money and clearly defines the steps you need to take to get there. A well-written financial goal is a S.M.A.R.T. goal.

2. After the discussion, conduct the activity described below.

Learner Activity: Setting S.M.A.R.T. Goals.

Purpose: To allow learners the opportunity to practice developing a short-term or long-term S.M.A.R.T. financial goal.

Time: 5 minutes

Materials: Pencils and paper.

Procedure: Provide each learner with a pencil and blank sheet of paper. Explain to the participants that you are going to have them take a moment to practice writing their own financial goal. Instruct each participant to write down one financial goal that they would like to achieve. It can be short-term, (achieved within the next five years), or long-term (would take more than five years to achieve). Point out that they should also ensure their goal follows the S.M.A.R.T. model. After a few minutes, ask for volunteers to read their goals. Tactfully tweak participant goals to ensure they follow the S.M.A.R.T. model. Congratulate all participants for putting their goals in writing.

Discussion: Reiterate the importance of making financial goals specific, measurable, attainable, realistic, and timely to ensure success.

S.M.A.R.T. goals are effective because they are:

- Specific
- Measurable
- Attainable
- Realistic
- Timely (has start and stop dates)

In the financial world, being fiscally S.M.A.R.T will ensure that your short- and long-term goals are met with success! Let's take a closer look at each part of this acronym:

Specific: When setting up financial goals, you must make them specific. Goals should be straightforward and emphasize what you want to happen. You cannot just say, *"Hey! I want to be rich one day!"* Does being rich mean that you will have $1 million by age 40? Or does it mean having a retirement account that allows you to have your current standard of living without having to work? Be specific such as: *Pay off car loan in 12 months!* Specifics help us to focus our efforts and clearly define what we are going to do. Specific is the what, why, and how of the S.M.A.R.T. model.

Measurable: If you cannot measure your goal, you cannot manage it. Establish concrete criteria for measuring progress toward the attainment of each goal you set. When you measure your progress, you stay on track, reach your target dates, and experience the exhilaration of achievement that spurs you on to continued effort required to reach your goal. To determine if your goal is measurable, ask questions such as: How much? How many? How will I know when it is accomplished? If your goal is to pay off your car loan in 12 months you can easily track your progress on this.

Attainable: Good financial goals are ones that you can achieve. For goals you set which are too far out of your reach, you probably will not commit to doing. Although you may start out with the best of intentions, your subconscious will keep reminding you that your goal is beyond your means and will stop you from giving it your best.

Realistic: In this case, realistic means within your capabilities. It means a financial goal that is within your availability of resources, knowledge and time. It means that the learning curve is not a vertical slope; it may push your skills and knowledge to reach it, but it should not break you. Be sure to set goals that you can attain with some effort and set the bar high enough for a satisfying achievement! You may decide to start paying off the smallest debt first which gives you a feeling of accomplishment and then move that extra funding to the next piece of debt -- whether it is the next smallest or the one with the highest interest rate. PowerPay.org is a great Internet resource with tools to help you develop a personalized debt elimination plan.

Timely: Set a timeframe for the goal: next week, in three months, by retirement, etc. Putting an end point on your goal gives you a clear target to work toward. If you do not set a time limit, the commitment is too vague. It tends not to happen because you feel you can start at any time. Without a time limit, there is no urgency to start taking action now.

Here is an example of a S.M.A.R.T. goal:

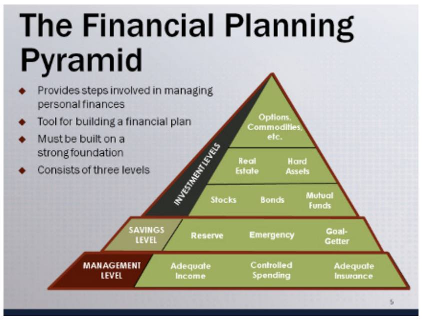
"I will buy a house within the next five years."

To achieve this goal, I will:

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

Thorough, accurate and effective spending plans are developed with the ultimate goal of building wealth, not debt. Start the process of managing your finances by envisioning what you would like to achieve with your money and then writing your goals down in black and white using the S.M.A.R.T. process.

SLIDE 5: FINANCIAL PLANNING PYRAMID



INSTRUCTOR NOTES:

1. Use the information in the column to the right to guide your discussion.
2. Distribute the "Financial Planning Pyramid" handout to participants.

SECTION BACKGROUND INFORMATION

Once you set your goals, the next phase in managing your finances is having an understanding of what is needed to build financial success.

The Financial Planning Pyramid gives us a visual picture of the steps that are involved in successfully managing our personal finances. It is also a widely accepted, simple tool for building your financial plan.

The pyramid illustrates how developing a financial plan proceeds in an orderly fashion (like building blocks) and that it must be built on a strong foundation.

There are basically three levels to the pyramid: Management, Savings, and Investment.

Investing is an advanced financial tool that you will want to learn about after you have your "building blocks" in place and you understand their importance.

SLIDE 6: MANAGEMENT LEVEL

INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

"Management" is a word we hear every day. There are retail managers, project managers, business managers and financial managers, to name a few. Anytime we take control of a situation, entity or job, we are managers. Taking control and responsibility for your personal finances is the first step toward financial success.

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

- **Adequate income:** Using all of the pays, allowances and benefits offered by your employer.
- **Controlled spending:** Using some type of a written plan.
- **Adequate insurance:** Using appropriate insurance to protect against financial loss.

The management level is also the rock-solid foundation of the other two more advanced steps; therefore, the most important step in the pyramid.

SLIDE 7: SAVINGS LEVEL

INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

The second level of the pyramid is the savings level. This level includes:

- **Emergency fund:** An emergency fund is for unexpected emergency expenses such as emergency leave, auto repairs, or things like sick pets. It is recommended that an emergency fund consist of one to three months of your net pay.
- **Reserve fund:** A reserve fund is for expenses that do not occur monthly, such as car insurance, school tuition, birthdays and anniversaries, and holiday shopping.
- **Goal-getter fund:** The goal-getter fund is for your short-term goals or for financial goals for which the money is needed in the next five years or less. Money is kept in liquid accounts such as savings accounts, money market savings accounts, or short-term CDs, where it is easily accessed. In this fund, you will make an initial installment plan, and add to it weekly or monthly during a certain period of time to achieve your specific goals. Many banks offer goal-getter funds which foster good financial management and responsibility.

Note that these three funds do not necessarily have to be three separate accounts, but they need to be accounted for separately.

SLIDE 8: INVESTMENT LEVEL

INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

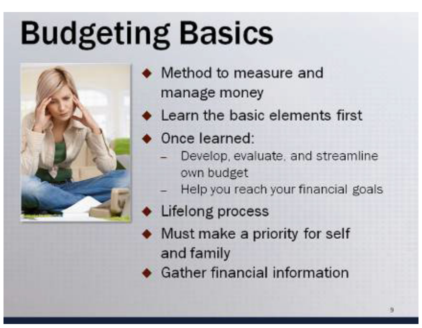
The remaining level of the Financial Planning Pyramid is the investment level. This level includes all of the tools that can be used in an effective investment plan. It involves the acquisition of stocks, bonds, mutual funds, real estate, hard assets, options, and commodities, to name a few.

Investing is different from savings – more gain is involved, but so is more risk. Investing is for long-term financial goals; financial goals for which the money is needed in more than five years. Do not invest money you may need in the short term. The most important thing to remember at this level is to diversify your investments.

Before investing though, it is critical to first give attention to the management and savings levels of the Financial Planning Pyramid. Once you have established your spending and savings plans, then move into the investment arena.

Since these are advanced investment steps, it is recommended you educate yourself first and seek professional financial assistance from your Command Financial Specialist (CFS) or Marine Corps Community Services (MCCS) Personal Financial Management (PFM) Specialist.

SLIDE 9: BUDGETING BASICS



INSTRUCTOR NOTES:

1. Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

Marines and their families can benefit tremendously when they understand the basics of developing a budget/spending plan.

What is a budget?

A budget is a written method of measuring and managing the money that comes in and goes out of your pocket. Another common name for a budget is a spending plan.

Learn the basics first: Before creating a budget, though, it is important to have a clear understanding of all of the basic elements that go into it.

2. Distribute the "Financial Planning Worksheet Checklist" handout to the participants.
3. After the discussion, conduct the activity described below.
4. If a computer lab is available where all participants will have access to a computer, ensure the electronic version of the Financial Planning Worksheet (FPW) is on each computer. The instructor may choose to modify the lesson to accommodate participant interaction with each tabbed section being discussed on the electronic FPW.
5. If computers are not available for all participants, distribute the "Financial Planning Worksheet" handout to the participants. Show them the electronic version of the FPW on the computer you are using to give the presentation. Advise participants how they can get this electronic version to use on their own.

Learner Activity: Financial Planning Worksheet.

Purpose: A walk-through activity to familiarize learners with the FPW and help them understand how to apply personal financial information.

Time: 15-20 minutes.

Procedure: Provide each learner with the "Financial Planning Worksheet". Walk through each

Benefits of learning the basics: Once you learn the basics of budgeting, you will be able to easily streamline and review your own individual budget, evaluate and make changes to it where needed, and easily find you can stick to your budget to reach your financial goals.

It is important to remember that budgeting is a lifelong process. To be effective at managing your finances requires that you make it a priority for you and your family.

The FPW is one of the best ways to keep an eye on your expenses. It is one of the most convenient and simple tools of financial management and personal financial planning, enabling you to plan, execute, and review income and expenses. Think about it like this, once you know how much money you have coming in every month, and what you are spending every month, you will be able to make decisions about what you need versus what you want. You will also be informed and prepared to make good financial decisions that will impact you and your family. You will have a visual picture of your financial situation -- and this information is power!

Although a brief walk-through will be conducted to familiarize you with the contents of the FPW, Marines will need to invest some time on their own or with one-on-one coaching with a PFM Specialist after the training to thoroughly complete the worksheet. Once completed, the FPW will aid you in developing your own individual spending plan.

Gather financial information: One of the first things you must do before developing a spending plan is gather some important financial information. The "Financial Planning Worksheet Checklist" handout will provide you with a good idea of what is needed to complete the worksheet. This includes:

- Current Leave and Earnings Statement (LES). This can be obtained through myPay at http://mypay.dfas.mil.
- Any other sources of income.

section of the worksheet using the information provided in the column to the right that corresponds with Slides 9 through 16.

Most participants will not have the necessary items available during the training. However, they should be encouraged to fill out the worksheet using as much information as they know and complete the FPW on their own.

- A list of current living expenses, such as housing costs, food, entertainment, personal care, travel, etc.
- All current bank statements, including a current mortgage statement if you own a home.
- All current investment and retirement account statements.

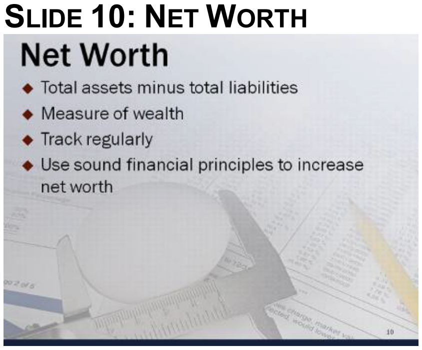
It is also important to have copies of your monthly bills, (or know what monthly payments are and total balances due). Some examples may include:

- Utility and electric bills.
- Phone bills (home and/or cell.)
- Internet, cable, and/or satellite bills.
- Insurance payments.
- Any outstanding debts including personal loans, car loans, credit card statements, student loans, etc.
- Other debts owed.

It is very important to ensure you have all of your financial information so that you have an accurate picture of your cash flow.

It is vital that you record this information, either on the worksheet provided or in a spreadsheet of your choice.

SLIDE 10: NET WORTH



INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

The first place to start on the FPW is at the "Statement of Net Worth." In this section, you will calculate your total net worth. Although it may sound complicated, calculating net worth is simply what you *own* minus what you *owe*.

Your net worth can be a useful tool to measure your financial progress from year to year. Your net worth is essentially a grand total of all of your assets (what you own) minus your liabilities (what you owe). Having this information allows you to be in control of your financial situation. It will reduce the possibility of being surprised by unexpected expenses and will enable you to develop your financial plan with confidence.

List your assets: On the worksheet, you will list the value of everything you *own* under the “assets” column on the left. Where property is concerned, do not forget that you must actually own the property; therefore, exclude leases or rental information here.

Examples of assets include:

- Personal assets (jewelry, automobiles, household items).
- Home and real estate (including undeveloped land).
- Cash, as well as money in checking or savings accounts.
- Retirement plans of all kinds (pension, 401(k), etc),
- Investments (stocks, bonds, mutual funds, CDs, annuities).
- Cash value of life insurance policies.
- Livestock.
- Farmland/crops.

List amounts of liabilities: Next, you will list individual amounts of everything you *owe* under the “liabilities” column on the right. You will want to remember to include Navy-Marine Corps Relief Society loans, and student or car loans, as these are debts which must be repaid.

Examples of liabilities include:

- Loans or leases (Navy-Marine Corps Relief Society, signature, student, consolidation, auto).
- Credit card debts.
- Advance/overpayments (something you must pay back).
- Mortgages for second homes or rental properties.
- Other balances due (time shares, layaway payments, etc.)

Total both balances and subtract liabilities from assets: The next step is to total both the assets and liabilities columns, and record these numbers at the bottom of the page. Finally, subtract what you owe (liabilities) from what you own (assets). This is your net worth.

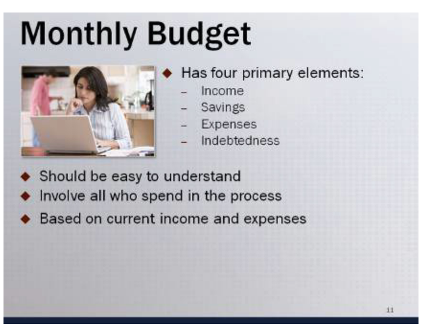
To have a positive net worth (which is what we all want), your assets (what you own) should be more than your liabilities (what you owe). If that is not the case, you should see a CFS, PFM Specialist or call Military OneSource (both are found in the reference section of this presentation) for assistance in developing a plan to decrease your debt as soon as possible.

Ideally, you should have a positive net worth. However for many people just starting out, it is common to be negative.

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

Since your net worth is a measure of your wealth, it is a number you should track on a regular basis, preferably year to year. This is important to ensure you are building wealth, not debt. Using sound financial principles in the way you manage your money will ensure that each year your net worth increases and that you are indeed moving in the direction of building wealth.

SLIDE 11: MONTHLY BUDGET



SECTION BACKGROUND INFORMATION

A monthly budget is the first step in managing your personal finances! Though many Marines may be familiar with the term, most do not understand exactly what goes into developing one.

There are four primary elements in developing a budget:

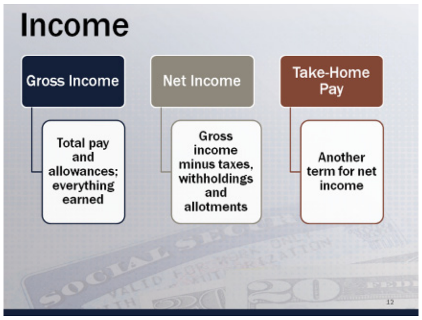
- Income
- Savings
- Expenses
- Indebtedness

INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

To ensure your budget is effective and works for YOU, remember these important points:

- **A budget should be easy to understand:** A budget, in its simplest form, is a list of money in and money out. It should not be any more complex than it needs to be for your situation.
- **Involve everyone who spends the money in the budgeting process:** A budget is a reflection of your family's needs, wants, values and goals: The monthly budget is YOUR budget. It should reflect the way you actually spend your money. Anyone who spends the money should be involved in the budgeting process. For example, if you are married, your spouse should be included.
- **A monthly budget is based on current income and expenses:** If you do not know what your current income and expenses are, you will need to find out. Most of the information you will need to develop it can be obtained from a Leave and Earnings Statement (LES), credit card and bank statements, receipts, bill statements, etc. Listing expenses may take a little more effort, especially if the individual putting the plan together does not spend all of the money in the family. Again, include everyone who spends the money in the budgeting process. If you need to, track spending for a pay period or two to get accurate numbers. When your income changes, such as a pay raise or a pay grade increase, you will want to sit down and decide where that extra money would be best utilized. Paying down high interest debt is always a top priority once you have saved for an emergency savings account. If you have already accomplished these, then consider applying the increase towards savings, investments, college education, or a special fund such as vacation or holiday.

SLIDE 12: INCOME



INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

Every budget begins with income, which is your deposit into your budget. There are income terms used for different combinations of pays and deductions:

- **Gross income:** Gross income is your total pay and allowances; it is everything you earn before any federal or state taxes and deductions are removed from the amount.
- **Net income:** Net income is the amount of money you receive after all taxes, withholdings and allotments are taken from your gross income. More information on the types of taxes deducted will be discussed later on in the chapter.
- **Take-home pay:** Another term for net income is take-home. This is the amount that ends up in your account each pay day. On a Marine's LES it will be "regular pay". Typically, this money will be used to pay for your living expenses.

As previously mentioned, your LES is a great resource to use when developing your budget. Your LES can help you determine the amount of your gross and net income. It will show you exactly where your money from your monthly pay has been dispersed. Your LES will also list the amount of taxes (both state and federal) you have paid, as well as any other deductions or automatic allotments you may have set up.

Funds that might be deducted from your pay can include:

- Taxes
- Servicemembers' Group Life Insurance (SGLI)
- Family Servicemembers' Group Life Insurance (FSGLI)
- Thrift Savings Plan (TSP)
- Dental
- Advance Pay
- Overpayments

Allotments might include:

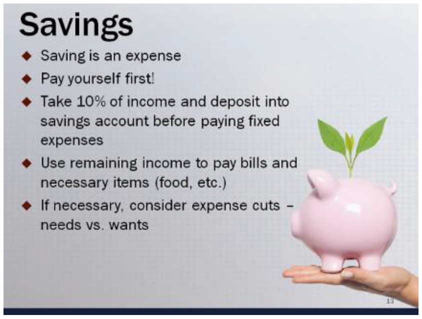
- Rent or mortgage payments
- Car payments
- Contributions to organizations like Navy-Marine Corps Relief Society (NMCRS)
- Child support payments

There are two important categories on the "Income" section of the FPW:

- **Cash flow statement:** The cash flow statement is the "Actual" column, which tells you where your money is coming from and where it is being spent. It is basically a tracker for your money. If you already use Quicken, mint.com, or another cash flow tool, it is the same concept.
- **Spending plan:** The column called "Projected" is also known as a spending plan. A spending plan is similar to a cash flow statement. However, instead of tracking what money goes in and out, this section allows you to *plan* for what money will come in and what will go out.

List your income: To simplify things, it is best to begin filling out the cash flow statement first. This step involves calculating all of your income sources (under the "Actual" column), on the "Monthly Income" of the FPW. Marines should include all current pays and income sources, including the income from a spouse. Next, calculate monthly net income. Remember, this should be written in the "Actual" column since you will only be working with what you currently earn. If desired, this number can then be divided in half to see what is received each pay period.

SLIDE 13: SAVINGS



INSTRUCTOR NOTES:

1. Use the information in the column to the right to guide your discussion.
2. Distribute the "Creative Savings Strategies" handout to participants.
3. More detailed information about saving and investing can be obtained in both the "Basic and Intermediate Saving and Investing" workshops.

SECTION BACKGROUND INFORMATION

The next element to include in developing your monthly budget is the amount you put toward savings. This amount should be considered an expense, because it is something that you should "spend" money on.

Calculate your expenses: List all of your current expenses, starting with your savings expenses on the page titled "Monthly Saving & Investing." Under the "Actual" column, calculate the amount you save every paycheck. Be sure to include any saving "expenses" for investments, TSP, etc. After that, total the "Actual" amount of your savings expenses.

Here are some ways to help you prioritize saving and investing:

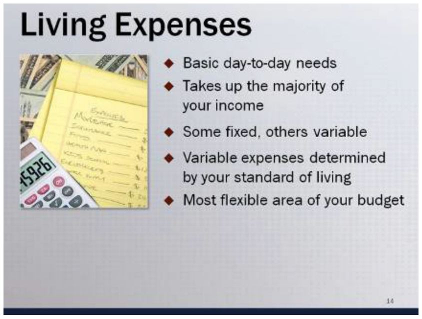
Pay yourself first: When it comes to spending, the primary "golden rule" in budgeting is to pay yourself 10 percent of your income ***first.***

That's right! List all your fixed expenses such as mortgage or rent, water and electric bill, cable, car payment, etc. Then take 10 percent of your income, and put it into a savings account BEFORE you start paying on your listed expenses.

Many Marines might say, *"How am I supposed to pay my bills if I pay myself 10 percent of each pay check?"* You may find that you cannot dine out as often or that you must limit yourself to only one movie per month! These types of expense cuts will involve evaluating basic needs vs. wants. However, this practice allows you to pay yourself first.

An easy way to pay yourself first is to have your contribution to your savings taken directly from your paycheck. You can do this for the Thrift Savings Plan (TSP) and civilian retirement plans such as a 401(k), 403(b), Savings Incentive Match Plan for Employees (SIMPLE) IRA. Not only are you saving but an immediate benefit of these accounts is that contributions made to them are deducted from your paycheck before income taxes are calculated, so your taxable pay is reduced today.

SLIDE 14: LIVING EXPENSES



INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

Living expenses are your basic day-to-day needs that help you maintain your standard of living. The living expense portion of your budget takes up the majority of your income.

Calculate living expenses: Under "Living Expenses," you will calculate the dollar amounts of all of your monthly "Actual" expenses. If it is helpful to split up your expenses according to pay periods instead of months, record all of your expenses in both "Actual" columns. Otherwise, you may record all of your monthly expenses in one "Actual" column.

Living expenses can include:

- Housing (rent or mortgage)
- Utilities (electricity, cable, water, sewer, trash)
- Food (groceries, dining out)
- Transportation costs (car repair, gas, etc.)
- Entertainment (movies, concerts, sporting events, etc.)
- Child care
- Clothing
- Medical expenses
- Phone (home and/or cell)
- Internet

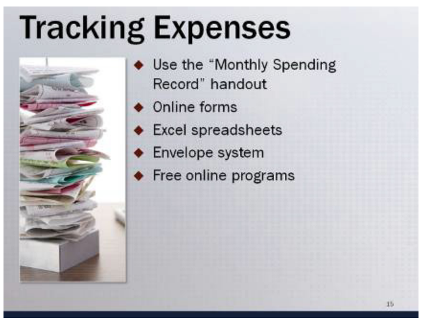
Some of these living expenses are fixed, such as rent and insurance. Others will vary from month to month, such as entertainment, food, and clothing. Living expenses are the most flexible area of any budget, as they are determined by your standard of living. You can control variable expenses and adjust the amounts you spend in these categories to have more to use somewhere else.

It is important point out that categories listed in this area are not only housing and utilities but entertainment and child care, medical expenses, etc.

According to financial experts, Americans lose 10 percent to 30 percent of their income from this area. This is sometimes called the "latte factor." Consider for a moment what your own latte factor might be. Home repair, clothes, nails, toys or clothes for kids, etc. are all examples of the latte factor.

If you know you spend money on an item but do not know how much, you may need to track your spending for one or two pay periods.

SLIDE 15: TRACKING EXPENSES



INSTRUCTOR NOTES:

1. Use the information in the column to the right to guide your discussion.
2. Distribute the "Monthly Spending Record" handout to participants.

SECTION BACKGROUND INFORMATION

How do you spend the money from your paycheck each month?

Most people who are building their first budget cannot account for 10 percent of their income – they simply do not know where their money goes.

There are a lot of ways to track expenses.

"Monthly Spending Record" handout: This form allows you to record and track the money you spend. Be sure to include everything: $1 for a soda, $4 for cookies sold by your neighbor's child, $5 you lend to a co-worker, and all the living expenses we discussed earlier such as home utilities, etc. You can also try keeping receipts from every purchase you make and transfer the amounts at the end of each day onto the handout.

After you have written everything down for two weeks, group your expenditures into categories similar to those listed in the "Living Expenses" section of the FPW and enter the amounts spent in the appropriate categories. Another suggestion to categorize your expenditures is by using your banking statement.

Another way to keep track of income and expenses is with some sort of a ledger or log. Categories can be set up to work for your particular situation. For example, if you are setting up a logbook for paying your bills, you might have "Company Name," "Date Due," "Amount Paid," "Date Paid," and "Received" as your categories. A ledger can be set up with debits and credits. This type of method is usually very detailed.

Online forms: There are various forms online that will allow you to manage your income and expenses. Some programs allow you to create a form for your records, while other programs already have the templates built into them. Software programs such as Quicken, QuickBooks, etc., allow you to simply plug your numbers directly into their templates. These programs can be purchased to keep track of your budgeting and bill paying, and they are generally easy to use and self-explanatory.

Excel spreadsheets: Spreadsheets can make record keeping a breeze if you are familiar with how to set one up. Excel allows for columns to be constructed that will automatically add or subtract, multiply, divide, create percentages and track changes both positive and negative. Once the initial work to set the spreadsheets up is done, the recording becomes swift and easy.

Envelope system: This is a basic system that uses cash and envelopes. Spending categories are divided up into envelopes, and a set amount of cash is added for a set amount of time. This method helps to control spending because you are physically able to see the amount of money that has been spent and the amount of money left. It also cuts down on the use of credit because all that is spent is the "cash in the envelope."

Free online programs: There are numerous free online programs that can assist you with your income and expense management. Here are a few of the more common ones:

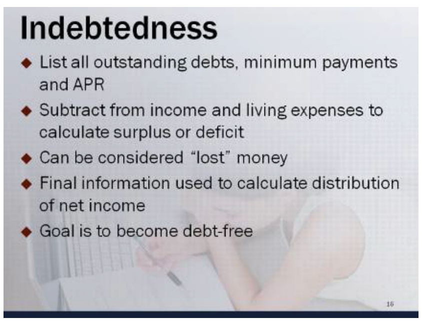
- Mint.com
- Budgettracker.com
- Quicken.intuit.com

As with any on-line financial program, evaluate them carefully and understand that hackers aim for companies that will give them the most information. Therefore, if a website has all your financial data in one location there is always the risk of a hacker obtaining a lot more information on you through one event/one financial site.

Tracking your finances is a very important process that needs to be maintained throughout your life. Even when you are debt free you do not want to lose track of your spending or your savings could suffer and debt may re-appear.

For Marine's and their families, the important thing to remember is that there are a few basic financial management tools that are important: (1) monthly income and expenses record, (2) the monthly budget, and (3) the statement of net worth (balance sheet).

SLIDE 16: INDEBTEDNESS



INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

The last element included in a budget is the indebtedness section. In the section titled "Debt" of the FPW is where you list all of your outstanding debts along with the minimum payment required for each and the annual percentage rate (APR) charged. Include:

- Credit cards (bank, department store, gas, etc.)
- Car loans
- Personal loans
- Consolidation loans
- Student loans
- Advanced payments
- Overpayments
- Indebtedness to NMCRS, Navy Exchange, family and friends.

DO NOT include your mortgage. For our purposes, your mortgage is a living expense. DO include any rental property you have that is not your primary residence. When you total your minimum monthly debt payments, copy the amount on the appropriate line at the bottom of the worksheet.

Determine surplus or deficit: With the numbers you input at the bottom of the page, you can determine whether you have a surplus (money left over) or a deficit (a negative amount) at the end of the month.

Calculate your cash flow: Calculate your monthly cash flow or "Actual" expenses. This is done by subtracting your monthly expenses from your monthly income that we calculated on "Monthly Income" of the FPW.

Income minus living expenses determines what you have left to pay debts. This number minus debt payments is what you have at the end of the month (this is also considered lost money or money that is unaccounted for, otherwise it would already be listed somewhere on the budget worksheet). This final information can also be used to calculate what percentage of your net income goes to expenses, to indebtedness, and to savings.

Projection totals: After you have filled in the projected amounts of your spending plan, total them. Then take the estimated amount of expenses (including savings from "Monthly Saving & Investing" on the FPW) and the total amount of debt and subtract this number from your estimated amount of income. You should have a positive number. If not, in the future you will need to cut expenses and debt or find ways to increase your monthly income.

Your goal should be to become debt-free. Consider these actions to help you achieve this goal:

Use a power payment plan: After budgeting to get a positive cash flow, ensure that minimum payments are made on all monthly bills and then apply all remaining available funds to whichever debt has the smallest balance. When the smallest balance is paid off, apply the money used for that payment to the next bill on your list and keep the others the same. Again, when that bill is paid off, apply all the money used for the payment to the next bill on your list. In this manner, you will "power pay" down your debt. Your PFM or CFS can help evaluate this method and possibly offer other solutions and methods.

Talk to your creditors: Stay in contact with your creditors; let them know if there is a problem. Once you have determined how much you can pay to a creditor, approach them with a plan. Be careful about promising more than you can deliver.

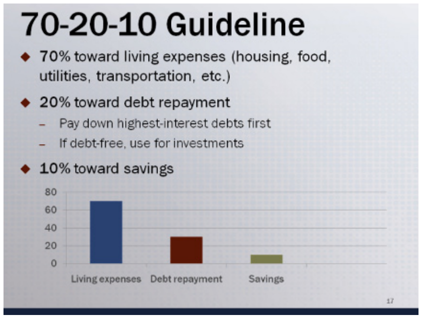
Change your behavior: Spend time thinking about how you got into debt to begin with. … Are you living beyond your means? Are you satisfying all your wants and sacrificing all your needs? Are you an emotional spender or an impulse shopper? Should you not use credit at all?

Becoming and staying debt-free is achievable with a bit of effort and self-discipline. The careful examination of spending coupled with a power payment plan can get you to that debt-free status. Once debt-free, there are several practical alternatives to using credit and acquiring debt, including planning your spending carefully and purposeful saving for specific events, wants and needs.

Here are some ideas that people with a debt free attitude use to manage their thoughts:

- Live by this powerful rule: if you can't afford it, don't buy it.
- Know the difference between a "need" vs. a "want."
- Save up for big purchases.
- Pay off existing debt.
- Change your attitude. Don't think of it as going without. Realize that you are empowering yourself to have what you really want tomorrow.
- Find out if anyone you know lives by this philosophy and get examples and advice from them. Seek out a friend or family member whose money management allows them to live debt free.
- Instant gratification is what gets people into trouble with debt. Patience and persistence is what gets you out.

SLIDE 17: 70-20-10 GUIDELINE



INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

According to many financial experts, the ideal distribution of your net income should follow the 70-20-10 guideline:

70: 70 percent of your budget should be used for living expenses. This includes housing, food, utilities and transportation.

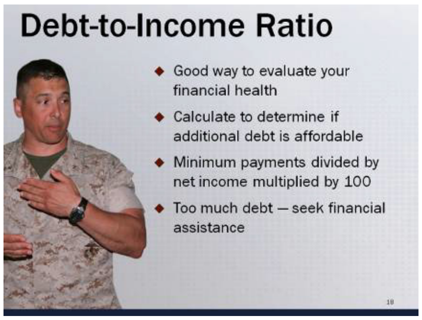
20: 20 percent of your budget should be allocated toward debt repayment. You can begin by paying down the highest-interest debts first or if you are a person that needs to see immediate results for encouragement you may decide to pay off the smallest debt first and then roll the extra payment to the next smallest debt or to the highest interest debt. If you do not have any debt, use that final 20 percent for savings and investments.

10: The last 10 percent of your budget should be used for savings. If you like, as an option you can split this amount in half, with 5 percent set aside for building up an emergency fund and the remaining 5 percent going toward an interest-bearing savings account or CDs, IRAs, etc.

Percentages will vary by the lifestyle of each household, but these guidelines still prove effective in helping build wealth and keeping debt to a reasonable level.

Don’t worry if you do not know how to do this! You can always consult your CFS, MCCS PFM Specialist, accountant or financial advisor to make sure you are choosing what is best for you and your family’s financial situation.

SLIDE 18: DEBT-TO-INCOME RATIO



INSTRUCTOR NOTES:

1. Use the information in the column to the right to guide your discussion.
2. Distribute the "Debt-to-Income Ratio" handout to participants and tell them they can mark items they may need to review or do, now or in the future. This handout can serve as a guide when determining if additional credit is affordable.

SECTION BACKGROUND INFORMATION

Monitoring your debt-to-income ratio is a good way to get a quick check of your financial health. In the 70-20-10 guidelines, the "20" is the debt-to-income ratio. Calculate your debt-to-income ratio as a means of measuring whether or not additional credit is affordable.

- First determine your net monthly income by identifying everything you make in one month.
- Then total all monthly payments which includes loan and credit card balances. Remember not to include mortgage payments as housing is a fundamental need and therefore is not included in the Debt-to-Income ratio.
- Divide the monthly debt payments by the total net monthly income to determine your debt-to-income ratio.
- Minimum payments divided by net income multiplied by 100 is your ratio.

This written formula is included on your "Debt-to-Income Ratio" handout. Once you calculate your debt-to-income ratio, check the credit use guidelines to determine if additional credit is affordable.

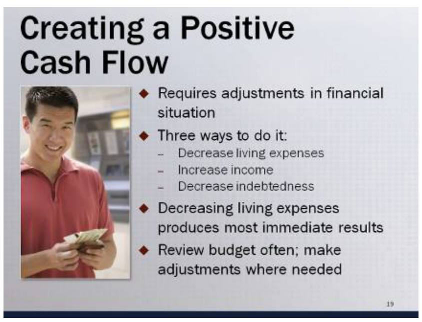
Credit use guidelines:

- Less than 15 percent — Use with caution.
- 15-20 percent — Fully extended. Start seeking financial coaching to be proactive.
- 21-30 percent — Overextended. Strongly suggest seeking financial coaching.
- Greater than 30 percent — Seek financial coaching.

It is important to point out that large families sometimes find a debt-to-income ratio of as little as 16 percent difficult and therefore refrain from taking on further debt.

The use of credit has evolved from a luxury to almost a necessity if proper planning and budgeting for the future hasn't been done to prepare for layoffs and other unexpected financial situations. It all depends on how you use it. Credit cards are often used for wants and needs that were not planned for in advance. This, along with impulse spending, gets many people into the overextended debt range. If you find yourself with too much debt, there are resources available to assist you. These resources will be discussed at the end of this program.

SLIDE 19: CREATING A POSITIVE CASH FLOW



INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

If you are accounting for all your money there should be no surplus or deficit in your monthly budget. If there is a surplus, put it away into savings or use it to pay off debts. If there is a deficit, double check all your numbers and math to ensure there are no mistakes.

If, after checking your numbers, you still find you have a deficit, you will need to make some adjustments in your financial situation to create a more positive cash flow.

There are three ways you can do this:

- Decrease living expenses
- Increase income
- Decrease indebtedness

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

Ways to decrease living expenses:

- Cut back to basic cable.
- Research packages deals for cable, Internet and cell phone vs. individual plans to see which is the better option.
- Eliminate telephone land line if you have a cell phone.
- Check books out from library rather than buying.
- Use public transportation or carpool rather than drive.

- Turn off lights when not in a room and set your thermostat to an energy saving temperature when you are away at work, on vacation or not using that level of the house.
- Ask for military and other discounts.
- Send e-mail rather than calling if it will save money.
- Trade child care duty or meal duties with another couple.
- Cook at home and pack your lunch.
- Shop at thrift stores.

Ways to increase income:

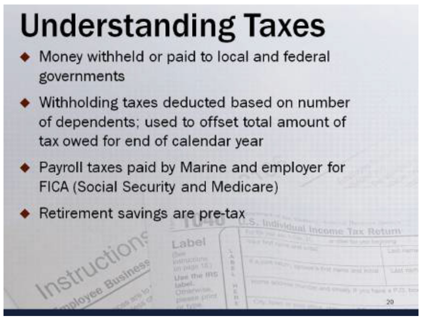
- Spouse gets a job.
- Active-duty Marine gets a part-time civilian job.
- Review and change tax filing status and exemptions.
- Enroll in any federal or state programs you may qualify for such as Women, Infants and Children (WIC) or Supplemental Security Income (SSI).
- Consign items that you no longer use at consignment stores, on craigslist, eBay or similar methods.

Ways to decrease indebtedness:

- Learn the difference between a need and a want.
- Seek assistance from CFS or MCCS PFM Specialists.
- Pay off debts.
- Stop using credit cards.
- Pay down debt using a power pay plan.
- Shop for the lowest interest rates. Make sure you look at total cost depending on interest rate and other pay off terms (length, etc).
- Consider consolidating loans or talk to your creditors about a payment plan.

After you have decided what changes and improvements to make, go back and recalculate your surplus or deficit. Do not forget: Your budget is a working document, so it is important to review your monthly budget often and make adjustments where needed.

SLIDE 20: UNDERSTANDING TAXES



INSTRUCTOR NOTES:

1. Use the information in the column to the right to guide your discussion.
2. If needed, refer to the Key Terms section for more information on FICA.

SECTION BACKGROUND INFORMATION

Taxes are an important part of your financial picture. Because they directly affect your income, it is necessary to have a good understanding of their purpose. Although there are many different types of taxes, this section will only discuss those that are associated with your income.

Defining what tax is:

- Tax is an amount of money either withheld or paid to local and federal governments.
- Taxes can be imposed (but not limited to) property, sales, imports, payroll, estates and gifts, and some fees.
- Taxes help pay for many things in our country and in your home state. They pay for roads and highways, federal and state parks, police and fire departments and wars, just to name a few things.

Withholding taxes: Your withholding taxes are deducted from each pay period (based on your number of dependents) for local and federal governments. This amount is used to offset the total amount of tax owed to these entities for the end of a calendar year. When taxes are filed, the Marine may find that he or she either owes additional tax to either government, or that one or both governments may owe the Marine a refund. This is why, when you file a tax return, you will either write a check to them or they will write you a check or deposit it electronically.

Payroll taxes: Money paid by the Marine and their employer to cover items such as Federal Insurance Contribution Act (FICA), which is comprised of Social Security and Medicare. The total FICA payroll tax is 15.3 percent, of which the employee and employer each pay 7.65 percent (employees pay 5.65 percent in 2011.) Of each portion, 6.2 percent (employees pay 4.20 percent in 2011) goes to Social Security — also known as the Old Age Survivors and Disability Insurance (OASDI). The remaining 1.45 percent is allocated to Medicare Hospital

Insurance Program. In 2011, the Social Security portion is paid on wages up to $106,800. The Medicare taxes are paid on all wages. Self-employed individuals must pay the entire 15.3 percent FICA tax.

Retirement savings can be taken from your pay check "pre-tax" or before taxes are calculated on the remaining gross pay. This lowers your taxable income and increases the amount you are saving toward your retirement at the same time.

This is an important financial benefit regarding investing that you should consider. It offers you an opportunity to reduce your tax liability, save towards your future and increase your overall net worth. If you can afford to do so, it is a good idea to invest as much as allowable by law if you and your family can comfortably do so. The benefit of maximizing your retirement savings cannot be stressed enough. Retirement may seem a long way off, but you can never begin saving for your family's future too soon.

The maximum amount you can contribute to your 401(k) in 2011 is $16,500 and for individuals over the age of 50, the catch-up contribution is an additional $5,500. The federal government's Thrift Savings Plan and other retirement-savings plans – like 403(b) and 457(b) plans are subject to these limits.

It is important to remember that any time you have questions regarding your finances you should consult with your CFS or PFM. You can also receive tax guidance from IRS.gov or Military OneSource.

SLIDE 21: RECORD KEEPING

SECTION BACKGROUND INFORMATION

Good financial record keeping is essential to maintaining a healthy financial lifestyle!

Staying organized with your finances enables you to save money, budget for the unknown, and keep from going into debt. It can pay big dividends when you need immediate access to important financial information, and provide you with a resource for checking errors, discrepancies or product purchases.

INSTRUCTOR NOTES:

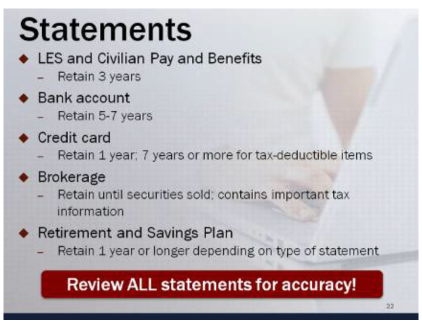
1. Use the information in the column to the right to guide your discussion.
2. If asked, let participants know that disposal guidelines for financial records will be discussed later in the program.

Manual record keeping allows you to physically keep papers filed and organized. There are many ways to manually keep paperwork organized. You can use a filing cabinet, a file box or even a file "tote." The important point is to make sure you have the proper labels attached to the system you choose and that you are consistent in your filing. Do not let your paperwork pile up and overwhelm you — stay on top of it!

In this age of paperless transactions and electronic record keeping you may decide to keep your records electronically. If you store your financial records on your computer, make sure you back up the information often!

There are many different ways to maintain good records for various financial items. This section will discuss record retention guidelines.

SLIDE 22: STATEMENTS



INSTRUCTOR NOTES:

Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

Leave and Earnings Statement (LES): As previously discussed, your LES is a great source of information for developing your monthly budget. It will show you exactly how your pay is being dispersed. All Marines are responsible for ensuring their LES is correct. Be sure to review it regularly for accuracy, and have errors in pay corrected in a timely manner. This includes questioning overpayments as well, as paying the amount back later on can put a severe dent in your budget. It is recommended that you retain your LES for at least three years.

Civilian pay and benefits statement: If you also receive a civilian pay and benefit statement, it will contain almost the same information as your LES. Both of these documents not only list your monthly and annual income but also state and federal tax deductions, any retirement deductions, allotments and direct deposit payments. Like your LES, you should review this statement for accuracy as well and retain for at least three years.

Bank account statements: If you have a checking or savings account in a bank, more than likely you receive a bank account statement every month. When you receive this, always review it for accuracy, contact the bank if you find errors and make sure these errors to not indicate identity theft, and then discard any unnecessary or blank pages. If you have more than one bank account, organize your statements according to each separate account. For quick access to your information, place each account's statements in chronological order and put them in a file folder or binder. Label the file folder or binder with the account name, account number and year for the statements. Bank statements should be retained for approximately five to seven years.

Credit card statements: Like the previous statements, credit card statements should also be checked for accuracy, especially to ensure you are not a victim of identity theft or fraud. If there are errors, report these errors or concerns to your creditor immediately. Place your statements in a file or binder and label it with the name of the credit card. Keep all credit cards statements for one year, unless they contain large purchases that will require proof of cost, or if there are tax-deductible items on your statement. In these cases, it is recommended that you keep these statements up to seven years or longer. As a reminder, always pay your credit cards on time. This is one of the key elements to maintaining good credit.

Brokerage statements: Keep these records until you sell the securities, because you will need to prove whether you have capital gains or losses at tax time.

Retirement and Thrift Savings Plan statements: These records should be retained at a minimum of one year to permanently, depending on the type of statement you receive. Keep quarterly statements from your 401(k) until you receive an annual summary. At that time, you should ensure that the monthly statement and annual summary match. Keep the annual summaries on all retirement and savings plans until you retire or still have an account.

SLIDE 23: CHECKS AND DEBIT CARDS

INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

Check and debit card register: When you write a check or make a purchase with your debit card, do you write down the amount you spend, who you paid, and what date? Do you subtract that amount from your account balance? Maintaining an accurate record of your payments in a check and credit card register ensures you know exactly what your balance is at any given time. It helps you follow your budget, avoids overdrawing a checking account (banks charge overdraft fees), and helps you maintain a good credit history.

You can get these registers at your bank. If necessary, you can also create your own check/debit register by printing a document with the following information:

- Date of transaction or check payment.
- To whom the payment was made.
- Amount paid. (Subtracted from your balance).

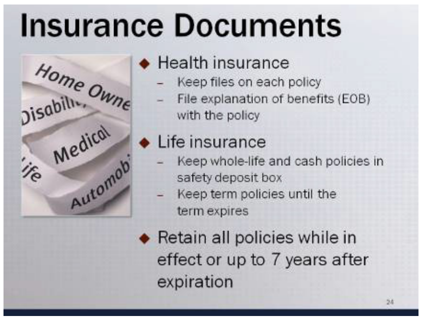
Other information to add: You should also document deposits and ATM withdrawals in your register. Keep these slips/receipts and add them to your immediately or by the end of the day.

Use for reconciliation: Along with tracking your expenditures, you should also use the register to compare and reconcile your balance information with your bank transactions. Check off each item from your register as you see that the funds have cleared your bank account.

Register retention: Retain these registers for as long as you decide to keep your bank statements (five to seven years).

Paper checks: Paper checks written on your checking account are hard proof of payment. Like your bank statements, organize your checks per checking account and year and file them. Checks related to large purchases, taxes, home repairs or improvements, mortgage or rent payments, or business expenses should be kept from one year to permanently. Shred those that have no long-term importance.

SLIDE 24: INSURANCE DOCUMENTS



INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

Insurance: Proof of coverage is important to keep on file, especially when it comes to filing a claim for an illness, or on your home, vehicle, etc. It is never advisable to rely solely on your insurance agent or company to have the correct information you need. As a common practice, whenever you receive new policies file the new policy and shred the old one unless you feel it is necessary to keep.

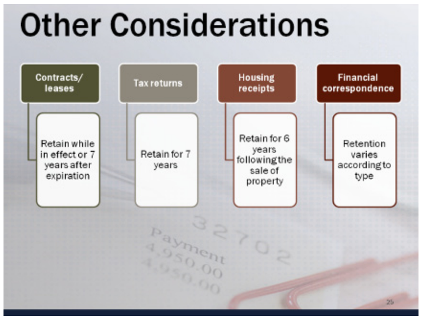
Some additional guidelines apply to the following specific types of insurance:

Health insurance: If you have a primary and secondary health insurance, keep files on each policy. File your explanation of benefits (EOB), when they are received, under the proper policy. Some hospitals and medical providers are slow to bill and/or credit your account when payment is received from your insurance company. Accurate and up-to-date records will ensure that you are getting the most from the insurance coverage you purchased.

Life insurance: Keep whole-life or cash policies in your safety deposit box. Keep term policies until the term expires.

All other insurance policies should be kept as long as they are in effect or for seven years after the expiration date.

SLIDE 25: OTHER CONSIDERATIONS



INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

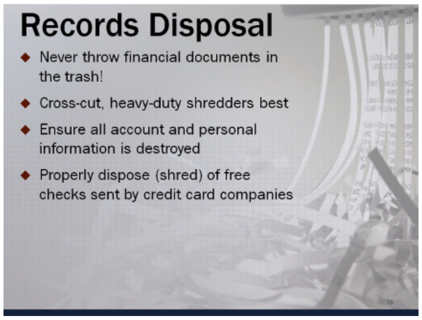
Contracts/leases: Keep these permanently or as long as they are still in effect. If they have expired, keep them for seven years following the expiration date.

Tax returns: As a general rule, tax returns should be kept for seven years. The IRS has three years from your filing date to audit your return, and you have three years to amend your return to file a claim for a refund. The IRS has six years to challenge your return if they feel you have underreported your income by 25 percent or more. Proof of your deductions also should be kept.

Housing receipts: Keep proof of costs for all permanent improvements throughout the ownership of the home. This is important because permanent improvements will be added to the original cost of your home and may increase your profit when you sell your home. Keep records for all expenses of buying and selling your home, such as real estate commission and legal fees, for six years following the sale of the property.

Financial correspondence: Retention for these records will vary according to the type of correspondence. On an average, retain correspondence with customers and vendors for one year, general financial correspondence for three years, and legal and other important matters permanently.

SLIDE 26: RECORDS DISPOSAL



INSTRUCTOR NOTES:
Use the information in the column to the right to guide your discussion.

SECTION BACKGROUND INFORMATION

Have you ever considered how much someone can find out about you by looking at your financial records?

Identity theft does occur, and credit thieves have been known to look through garbage to locate information to steal an individual's credit and identity. To protect yourself, you need to ensure you are disposing of your financial records correctly.

NEVER throw financial statements (or any important documents) in the trash! When the time comes to dispose of the financial paperwork you have saved so carefully, follow these recommended guidelines:

- **Shredders:** The best way to dispose of financial paperwork is with a paper shredder. Some paper shredders are better than others. Choose one that is a cross-cut version, where it cuts the paper into many small pieces. If you can, avoid the older style that only cuts the paper into long strips. Those are too easy to put back together. Get a medium- or heavy-duty shredder, even if you are just using it a little. The light-duty shredders tend not to take many sheets at a time and often are not suited for shredding credit cards. Check locally for libraries, county agencies, and non-profits that typically have days when they promote shredding of the documents for the neighborhood.
- **Manually cutting:** Manually cutting through your name and account numbers is another option. However, if this is your choice, make sure to put the pieces in separate trash bags so the pieces cannot be reassembled and even better -- separate them into different trash pickup days.

Destroy ALL information: Whatever method you chose, it is vital that you destroy any evidence of your name, address, account number, and other personal information on all documents. Be thorough! Many statements can have your account information listed in as many as five different places on the statement. Finally, make sure you destroy free checks sent by credit card companies.

SLIDE 27: RESOURCES

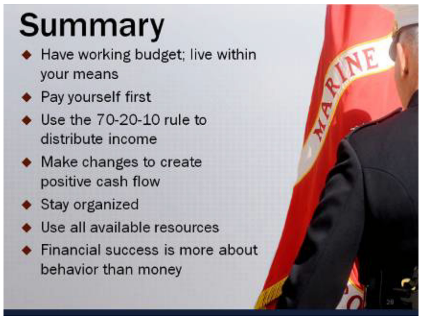
INSTRUCTOR NOTES:
Discuss the points on the slide using the information in the column to the right.

SECTION BACKGROUND INFORMATION

For help with your financial-related questions or concerns, you have a variety of resources at your disposal. Often, when you first start learning everything about your financial picture, it is helpful to have someone who is familiar with the process assist you.

- **Command Financial Specialist (CFS):** Your CFS is great first stop as a resource. This trained individual is able to help you stay on track with your finances by providing you with personal financial education, training, information and referral, and counseling.
- **MCCS:** Personal Financial Management (PFM) Specialist can provide personal financial education, training, counseling, and information and referral. They are available to assist you in developing a monthly budget, as well as to provide one-on-one assistance with any questions or concerns you may have about your current financial situation.
- **Military OneSource:** Marines and their families can access up to 12 sessions of free, face-to-face counseling with a counselor in their area. Options for telephonic and online counseling are also available. Other resources available on the website to assist are personal financial management materials which include financial counseling checklist, articles, and tips on topics such as budgeting, credit and collections, and taxes. To contact Military OneSource by phone, 24 hours a day, seven days a week, call (800) 342-9647 or visit http://www.militaryonesource.com/MOS.aspx.

SLIDE 28: SUMMARY



INSTRUCTOR NOTES:

1. Distribute the "Session Evaluation" handout to participants. Ask that they complete it and return it to you before they leave.
2. Recap the discussion you have had during the session.
3. Answer any remaining questions the participants may have.

SECTION BACKGROUND INFORMATION

Managing your income, expenses, savings and credit may seem overwhelming at first. However, once the terms and basic phrases are learned and you have chosen a system that works for you and your family, it can become a great source of confidence. When your finances are managed correctly, you will feel more in control of your financial situation and your future.

Keep in mind these healthy tips for managing income, expenses, savings, and credit wisely:

- Have a working budget or spending plan, keep it up to date and live within your means.
- Pay yourself first! Take 10 percent of your income and deposit it into a savings account before paying fixed expenses.
- Use the 70-20-10 percentage guideline to determine the best way to distribute your income.
- Be willing to make adjustments in your financial situation to create a positive cash flow if needed.
- Stay organized with your financial records. Good record keeping is essential for maintaining a healthy financial lifestyle.
- Use all of your available resources to help you plan and to help you manage your finances effectively.
- Remember, financial success is more about behavior than it is about money. If you are in financial distress, figure out why and change your behavior so you can build wealth, not debt.

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