Command Financial Specialist Training
Student Manual

Marine & Family Programs – Resources

*Personal Financial Management Program*
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Introduction to the Command Financial Specialist Training

Purpose of the Training

To support mission readiness, and in accordance with DoD INST 1342.27, PFM policy, OPNAVINST 1740.5B mandates that each installation provide a Personal Financial Management (PFM) education, training and counseling program that provides the basic principles and practices of sound money management, counseling tools and referral services via a comprehensive education and training program. The program emphasizes a proactive, career life-cycle approach to personal financial responsibility.

The Command Financial Specialist, as the officially designated command unit-level representative, is the core of the PFM program. At the local command level, the three elements of the PFM program are:

1. Financial education and training
2. Financial information and referral
3. Financial counseling

All Navy active-duty and reserve personnel, regular and reserve commands, permanent detachments, and departments having at least 25 active-duty personnel are required to have one (1) trained Command Financial Specialist to coordinate the Personal Financial Management program and to assist the CO by providing financial training, information and counseling to its members.

Commands shall maintain a ratio of one CFS to every 75 active-duty members including those assigned temporary duty (TEMPDU), temporary duty under instruction (TEMDUINS), and members from other services. Command Financial Specialists receive certification by completing the Command Financial Specialist Training Course.

The Fleet and Family Support Center provides support to all elements of the Personal Financial Management program, and in particular, assistance to the Command Financial Specialist by providing additional continuing-education opportunities, information updates, back-up counseling, and assistance with PFM training at their level.
Overview of the Command Financial Specialist Training

Course Terminal Objectives

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

- Construct, organize and/or manage a comprehensive, proactive PFM program at the command level as measured by quarterly reporting requirements.
- Conduct effective PFM education and training using the PFM Standardized Curriculum.
- Provide appropriate information and referral resources for clients evidenced by participation in class role-play scenarios and group case studies.
- Conduct effective one-on-one counseling for clients using Solution-Focused Financial Counseling tools and techniques.

Financial Training Topics

The specific financial topics covered during the week of CFST are:

- Budgeting and Financial Management
- Military Pay Issues
- Financial Counseling Tools and Techniques
- Record-keeping
- Consumer Awareness
- Legal Issues of Personal Financial Management
- Financial Referral Resources
- Credit Management
- The Two LOIs: Letters of Indebtedness and Letters of Intent
- Insurance and Survivor Benefits
- Saving and Investing
- Retirement Planning
- Car-Buying Strategies
- Developing Your Program

Financial Topics not covered but provided on the PFM Standardized Curriculum (PFMSC) CD include:

- Banking and Financial Services (including Checking Account Management Exercise)
- Financial Planning for Deployment
- Home-Buying and Renting
Money and the Move
Paying for College
Raising Financially Fit Kids
How to Survive the Holidays Financially
Don’t Bet Your Life on It: Gambling Awareness (2009)

CFS Task Areas
The Personal Financial Management program contains three main task areas: education and training, information and referral, and counseling. These are woven throughout the course, with each day having a specific area of focus:

- **Education and Training:** This topic is covered both through modeling and direct training on the topic. PFMSC modules either are used directly or adapted for use throughout the course, and the PFMSC CD will be provided to you to use both as a resource for content and for program development. Although training techniques are modeled, the PFMSC modules are not all strictly modeled. However, you are provided with all the training materials you need to conduct successful PFM education and training in accordance with the OPNAVINST 1740.5B. Instructional techniques are reviewed at the end of each day during the daily wrap-up to reinforce the techniques that have been modeled.

- **Information and Referral:** This topic is woven throughout the course, as most topics end with a list of sources of help. Day two focuses specifically on resources with guest speakers invited from common referral resources such as the Navy-Marine Corps Relief Society and the Fleet and Family Support Center. The topic is supplemented with dedicated resource training where students are given mini-case studies. Other resources presented during the course can include speakers from the local disbursing office, Navy Legal Services Office, non-profit debt-management counseling agencies, NEX, credit-reporting agencies, Tricare, base housing, the EFM program, and experienced Command Financial Specialists. Referral resources also are presented via the six group case studies that are used during the week. By the end of the course, you will have had exposure to a wide variety of referral resources either in person or through case study.

- **Counseling:** You will be exposed to counseling tools and techniques throughout the week, starting on Monday and culminating on Thursday with counseling role-plays. Each chapter of the course includes suggestions on counseling clients on the specific topic of the respective chapter. Solution-Focused Financial Counseling and an eight-step counseling cycle are introduced early in the training, and specific skills in Solution-Focused Financial Counseling are practiced via lecture and role-play during the week.
Using of the Command Financial Specialist Student Manual

The Command Financial Specialist Student Manual is designed as a training workbook. You will get the most benefit from this manual by interacting during the training sessions, taking notes on significant information, and using the worksheets provided for class activities.

The first chapter covers course background information. Each succeeding chapter covers an individual topic in the course corresponding to the Course Agenda. Note that the majority of specific topic content is not in this manual but is on your PFMSC CD-ROM.

To facilitate the use of these training materials, the following terms, abbreviations and acronyms will be used:

Command Financial Specialist Training ............................................................. CFST
Command Financial Specialist ................................................................. CFS
Command Financial Specialist Training Instructor ........................................ Instructor
Command Financial Specialist Training Participants ....................................... Students
Command Financial Specialist Training Student Manual ............................... SM
Financial Planning Worksheet ...................................................................... FPW
Fleet and Family Support Centers ......................................................... FFSC
Personal Financial Management Standardized Curriculum ........................ PFMSC
Personal Financial Management ............................................................... PFM

Enjoy your training!
Welcome and Administration

I. INTRODUCTION

In this first training chapter, we will have participant introductions; review course administration, the purpose of the training and the course agenda; and complete the course pre-test. As we proceed through today’s topics, you will become familiar with the Command Financial Specialist Program and understand more fully why you are here and why your command has chosen you to be one of its representatives.

Chapter correlation to Major OPNAVINST task areas:

1. Education and Training: Introduces you to major topic areas via agenda review. Training techniques include active participation, chapter review, lecture and student introductions.

2. Information and Referral: Introduces you to major topic areas via agenda review and the pre-test. Introduces students to each other as possible referral resources.

3. Counseling: Introduces you to major topic areas via agenda review. Counseling technique practice begins with introductions.

II. LEARNING OBJECTIVES

N/A (this is an administrative chapter.)

III. REFERENCES

OPNAVINST 1740.5B
IV. CONTENT

Learner Introductions

Pair up with another class member and interview them for answers to the following questions:

1. Name:

2. Command:

3. Job or position at command:

4. Why are you attending CFS training?

5. How will you use what you learn this week?

6. What prior financial experience do you bring to the classroom?

Training Guidelines

Command Financial Specialist Training is conducted using many different training techniques. As adult learners, you will participate in all aspects of the training. You are encouraged to speak openly and to respect each other’s opinions. Your full participation in all class activities, including practical applications to be done after class, is vital to the success of this training.

Student Manuals

Your manual is separated into chapters that follow course topics. This is your workbook for the class, and it is yours to keep. We will be actively using the pages in this workbook to complete both in-class activities and after-class homework. Please make notes as we proceed through the information on each topic so that you can refer to them later as needed.

Each chapter will be organized as follows:

I. Introduction

II. Learning Objectives
III. References

IV. Content

The student manual has been developed as a standardized workbook and companion to the CFS training class. Some of the material is generic in nature. You should use this workbook to make notes on local information and include any updated or area-specific materials provided to you during the course of the training.

**Dot.com Disclaimer**

During the course, you will hear references to a variety of Web sites. These sites are for educational purposes only. No warranty is made regarding their accuracy or quality, nor does using the information on these sites constitute an endorsement of the site, its products or its services. Other sites with similar information may be available and may prove equally useful.

**Other Materials**

You will be provided a variety of materials to assist you in your job as a CFS. These items are yours to keep at your command. They will provide you with additional reference information and training materials, as well as forms used for the CFS Program.

1. Command Financial Specialist Training Student Materials CD
2. Personal Financial Management Standardized Curriculum CD
Command Financial Specialist
Student Data Card

Name: ____________________________________  Rate/Rank: _________________________________

SSN: _________________________ Branch of Service: _________________  UIC: __________________

Command (do not abbreviate): ______________________________________________________________

Command Mailing Address: ________________________________________________________________

Work E-mail: ____________________________________________________________________________

Work Phone: _______________________________ Rotation Date (PRD): _________________________

Present Position: _________________________________________________________________________

Date Attended Training: ______________________ Location: ___________________________________

DATA REQUIRED BY THE PRIVACY ACT OF 1974

AUTHORITY: 5 USC Sec 3301, which allows the Secretary of the Navy to make regulations for the Department of the Navy. One of these regulations, SECNAVINST 1754.1B, establishes the Navy Family Services Center Program.

PRINCIPAL PURPOSE: To enable the Chief of Naval Education and Training to record and track graduates of the Command Financial Specialist Training Course. Social Security number (SSN) will be used to provide positive identification.

ROUTINE USES: The information obtained will become part of the Navy Integrated Training Resources Administration System (NITRAS) and may be disclosed to routine users of such system. Unauthorized users will not have access to this protected information.

DISCLOSURE: Disclosure, including SSN, is voluntary. Failure to complete this form will result in incomplete documentation and withholding of reporting attendance at this course within NITRAS. To avoid erroneous application of your course records to another member, this data card will not be processed without your SSN.

I have read and understand the above information.

Signature/Date: ____________________________________           ____________________

Welcome and Administration 2.5
Command Financial Specialist Course Evaluation

Command Financial Specialist Training Course       DATES _________________________________

Please indicate your responses by circling SD—Strongly Disagree; D—Disagree; A—Agree; AS—Strongly Agree.”

1. I found the training well-organized.                      SD D A SA
2. I was well-engaged during the course.                    SD D A SA
3. The instructor met my needs.                             SD D A SA
4. I understood the objectives that were outlined during the course. SD D A SA
5. I will be able to apply what I learned during this course. SD D A SA
6. I found the room atmosphere to be comfortable.          SD D A SA
7. The Student Manual enhanced my learning.                SD D A SA
8. I am clear about what is expected of me as a result of going through this training. SD D A SA
9. I do not anticipate any barriers to applying what I learned. SD D A SA

Please indicate the usefulness of these individual chapters to you—1 indicating “LOW” and 5 indicating “HIGH.”

1. The Need for Personal Financial Management 1 2 3 4 5
2. Intro to Personal Financial Management and the Financial Planning Worksheet 1 2 3 4 5
3. Military Pay Issues 1 2 3 4 5
4. Introduction to Financial Counseling 1 2 3 4 5
5. Record Keeping /Instructor Training 1 2 3 4 5
6. Consumer Awareness 1 2 3 4 5
7. Navy-Marine Corps Relief Society 1 2 3 4 5
8. What FFSC Can Do for You 1 2 3 4 5
9. Resource Training 1 2 3 4 5
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11. Credit Management 1 2 3 4 5
12. Credit Reports and Scores 1 2 3 4 5
13. Debt-Management Programs 1 2 3 4 5
14. Letters of Indebtedness and Letters of Intent 1 2 3 4 5
15. The eFPW Computer Demo 1 2 3 4 5
16. Insurance and Survivor Benefits 1 2 3 4 5
17. Financial Counseling Seminar 1 2 3 4 5
18. Wealth-Building Seminar — Saving and Investing 1 2 3 4 5
19. Wealth-Building Seminar — Retirement Planning 1 2 3 4 5
20. Group Case Studies 1 2 3 4 5
21. Car-Buying Strategies 1 2 3 4 5
22. Developing Your Program 1 2 3 4 5
How would you improve this course?

What kind of help might you need to apply what you learned?

What barriers do you anticipate you might encounter as you attempt to put new CFS skills into practice?

What ideas do you have for overcoming the barriers?

What ultimate impact do you think you might contribute to the Navy as you successfully apply what you learned?

Additional comments:
Day One
a. Completely read OPNAVINST 1740.5B and answer the questions on page 3.36 in the Student Manual.
b. Complete any Income Case Studies not done in class.
c. Complete How Do You Rate as a Money Manager? and the Financial Values Clarification sheets on pages 6.10 and 6.11 of the Student Manual.
d. Begin the personal Financial Planning Worksheet, to be handed in Wednesday morning.
e. Review the Instructional Techniques material in Chapter 7.

Day Two
a. FPW: Complete your Financial Planning Worksheet, to be handed in first thing in the morning.
b. Bring a current (within the past 12 months) credit report to class on Wednesday. If you do not have one, download it from www.annualcreditreport.com. Complete the Personal Credit Report Review on page 13.2 of the Student Manual. Your credit report and personal information will not be shared with the class or instructor.
c. Use the Brightscore promotional code provided by your instructor to access your Brightscore (www.brightscore.com). Print your Brightscore Action Plan and bring it to class on Wednesday. Your Action Plan and personal information will not be shared with the class or instructor.
d. If you have a laptop with Excel available, please bring it to class on Wednesday and Thursday.

Day Three
a. Read Chapter 18, Role-Play Instructions in preparation for the counseling Role-Play.
c. Analyzing an FPW: Using the completed Financial Planning Worksheet on pages 4.12–4.17 of your Student Manual, analyze this budget to determine if the sailor is ready and able to move from the barracks to off-base shared housing. Double check all entries, and fully complete the Action Plan page with your recommendations for ways to improve the budget and/or make more realistic projections. Be ready to state whether you think this sailor is ready to make the move off-base.

Day Four
a. Group Case Studies must be complete and ready for presentation first thing Friday morning. In preparation, review the Case Study Presentation Guide, and read all case study scenarios in Chapter 11.
b. Complete the Plan of Action and Milestones on page 22.11 of your Student Manual. This should reflect your plans for functioning as a CFS when you return to the command.
c. Reminder: A completed Course Evaluation Form is your ticket out of class at the end of training, so feel free to begin completing it tonight (page 2.7 of your Student Manual).
## CFS Course Agenda

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<td>Debt-Management Programs (14)</td>
</tr>
<tr>
<td>1230–1300</td>
<td>The Two LOIs (15)</td>
</tr>
<tr>
<td>1310–1410</td>
<td>Insurance and Survivor Benefits (16)</td>
</tr>
<tr>
<td>1420–1445</td>
<td>FPW Computer Demo (17)</td>
</tr>
<tr>
<td>1445–1545</td>
<td>Group Case Studies (11)</td>
</tr>
<tr>
<td>1545–1600</td>
<td>Daily Wrap-up</td>
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<thead>
<tr>
<th>Thursday</th>
<th>Counseling and Wealth-Building</th>
</tr>
</thead>
<tbody>
<tr>
<td>0730–0950</td>
<td>Counseling and Communication Seminar (18)</td>
</tr>
<tr>
<td>1000–1100</td>
<td>Wealth-Building Part I: Saving and Investing (19)</td>
</tr>
<tr>
<td>1200–1430</td>
<td>Wealth-Building Part II: Retirement Planning (20)</td>
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<tr>
<td>1440–1545</td>
<td>Group Case Study Preparation (11)</td>
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<td>1545–1600</td>
<td>Daily Wrap-up</td>
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<th>Program Development</th>
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<tr>
<td>0730–0920</td>
<td>Group Case Study Presentations (11)</td>
</tr>
<tr>
<td>0930–1020</td>
<td>Car-Buying Strategies (21)</td>
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<tr>
<td>1030–1120</td>
<td>Developing Your Program (22)</td>
</tr>
<tr>
<td>1130–1200</td>
<td>Post-Test; Course Evaluation; Presentation of Certificates</td>
</tr>
</tbody>
</table>

### Notes:

1. Homework is due first thing each morning.

2. Fully completed Financial Planning Worksheets are due first thing Wednesday morning.

3. Bring in your credit report for Wednesday. If you don’t have one from the past 12 months, download one report at [www.annualcreditreport.com](http://www.annualcreditreport.com).

4. The Ballpark Estimate is due Thursday morning and is available at (www.chosetosave.org/ballpark).
Command Financial Specialist
Pre/Post Test

Identifier: ________________________________

Check all that apply:

<table>
<thead>
<tr>
<th>Status</th>
<th>Gender</th>
<th>Rate/Rank</th>
<th>Time in Service</th>
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<tr>
<td>Active Duty</td>
<td>Male</td>
<td>E-5 – E-6</td>
<td>Less than one year</td>
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<tr>
<td>Retiree</td>
<td>Female</td>
<td>E-7 – E-9</td>
<td>1 – 5 years</td>
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<tr>
<td>Family Member</td>
<td></td>
<td>O-1 – O-3</td>
<td>6 – 10 years</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>O-4 or above</td>
<td>11 years or more</td>
</tr>
</tbody>
</table>

Please circle the correct answer. If you do not know the answer, please do not guess; select “E.”

1. An effective financial counselor:
   A. Helps the client create solutions to identified problems
   B. Does as much for the client as possible to relieve stress
   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. Unknown

2. If a client cannot make payments on a car loan “secured” by the car, what can happen?
   A. Lenders generally will give three months to catch up
   B. They will only be sued for payments owed on the car even if it’s been repossessed
   C. They will only be sued for the “Blue Book” retail value of the car
   D. Lenders generally do not repossess the physical object because of wear and tear
   E. Unknown

3. If a client gets into serious financial trouble, what is the strongest action the military can take?
   A. Require counseling; require financial-management classes
   B. Take away privileges; take away a rank
   C. Stop a promotion; take away duty assignment; remove a security clearance; or even discharge
   D. Report the information to all credit bureaus and affect the member’s credit
   E. Unknown

4. What is the purpose of a spending plan?
   A. To show all monthly budget items
   B. To provide a paycheck-by-paycheck plan for paying expenses
   C. To predict ahead of time when more credit will be needed
   D. To show when too much is being paid for loans
   E. Unknown

5. What are the first steps to effective personal financial management?
   A. Saving enough money to invest, getting expert advice, and writing a will
   B. Deciding if you will have a child, saving for retirement, and writing a will
   C. Planning, buying a home, and getting insurance
   D. Setting goals, planning, making a budget
   E. Unknown

6. According to OPNAVINST 1740.5B, the three major tasks of the CFS 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 referral, resource library maintenance, and debt-management assistance
   E. Unknown

Welcome and Administration 2.11
7. 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 only subject to Social Security deductions
   C. Pay and allowances are both 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 deductions
   E. Unknown

8. What does a high interest rate do to the actual price of any item bought on credit?
   A. It can raise the payment, which is the most important factor
   B. On loans for less than $1,000, it doesn’t make much difference
   C. It only matters on credit cards, since their rates are so high
   D. It makes the item cost substantially more in total price
   E. Unknown

9. Which saver will have more in an Individual Retirement Account (IRA) at age 65, assuming they all earn the same interest rate?
   A. Saver who puts in a $30,000 lump sum at age 35 and no more
   B. Saver who put in $3,000 every year from age 31 to age 36 and no more
   C. Saver who puts in $3,000 every year from age 30 to age 65
   D. Saver who put in $3,000 every year from age 18 to age 25 and no more
   E. Unknown

10. Which of the following steps should be taken before entering into a sales contract?
    A. Just skim the contract, because most are standard legalese and say the same things
    B. Read the headings and the part above where you sign, and you’ll know most of it
    C. Take it home before you sign, read every word, use Navy Legal Services for advice
    D. Ask the salesperson if there are any parts that could get you in trouble
    E. Unknown

11. What is the difference between a scam and fraud?
    A. Fraud concerns things that cost over $1,000
    B. Scams usually are legal but bad deals; fraud involves something illegal
    C. Scams usually are illegal, fraud is legal but a bad deal
    D. They really are two words that mean the same thing
    E. Unknown

12. For military service members, what is the difference between a Letter of Indebtedness and a Letter of Intent?
    A. The Letter of Indebtedness expresses a creditor's notification of a debt; the Letter of Intent expresses the debtor's intent to pay it
    B. A collection agency sends a Letter of Indebtedness; a bank sends a Letter of Intent
    C. A Letter of Indebtedness is bad news; a Letter of Intent is good news
    D. A creditor sends a Letter of Indebtedness; DoN CAF sends a Letter of Intent
    E. Unknown

13. What is the total number of days the law allows for you to cancel a contract signed at the merchant's place of business?
    A. Zero days
    B. Three days
    C. Ten days
    D. Seven days
    E. Unknown

14. The law that may allow service members to reduce interest rates to 6 percent on debts incurred before entering the service, maintain state of residency, require a court hearing before evicting, etc.
    A. Federal Truth in Lending Law
    B. There is no such law
    C. Servicemembers Civil Relief Act
    D. These issues are governed only by state law
    E. Unknown
15. Which type of bankruptcy relieves the debtor of all payments and obligations including taxes, alimony, government debts and child support?
   A. Only a Chapter 7 bankruptcy, which “forgives” most debts
   B. Only a Chapter 13 bankruptcy, which reorganizes debt payment
   C. No bankruptcy relieves a person of government debts or family support
   D. Both a Chapter 7 and a Chapter 13 let the debtor walk away from all debts
   E. Unknown

16. How long does the record of a bankruptcy remain on one's credit record?
   A. Two years for Chapter 7 and three years for Chapter 13
   B. 10 years for any type of bankruptcy
   C. 15 years for any type of bankruptcy
   D. It remains on your credit record forever
   E. Unknown

17. What can an individual do in their own defense if their credit report does not explain their side of a complicated credit problem?
   A. Insist the creditor remove the item
   B. Sue the credit bureau to add their side of the story
   C. There is nothing a consumer can do once a negative item is listed
   D. Add a 100-word statement telling their side of the story
   E. Unknown

18. All types of life insurance provide:
   A. Cash benefi ts should the policyholder die
   B. Cash-surrender value should the policyholder live
   C. Coverage for a specifi c amount of time
   D. Low-interest loan and conversion rights
   E. Unknown

19. Which statement is NOT true about credit reports?
   A. Every American gets a free credit report every two years
   B. Anyone with a legitimate business interest can obtain your credit report
   C. Credit reports are used when a security clearance is in question
   D. Too many trade lines is not necessarily a good thing
   E. Unknown

20. Who is the beneficiary of a service member’s SGLI (Servicemen’s Group Life Insurance) policy?
   A. Any children of the service member
   B. Whomever the service member is married to
   C. The parents of the service member
   D. Whomever the service member names on the policy
   E. Unknown

21. What type of program will allow you to pay less on your income taxes and create a retirement fund?
   A. CSB
   B. TSP
   C. Social Security
   D. Medicare Savings Plan
   E. Unknown

22. The Fleet and Family Support Centers:
   A. May provide emergency money to clients when they need it
   B. Are available only for use by spouses and other family members
   C. Refer all fi nancial clients to outside resources after an initial assessment
   D. May provide fi nancial education and counseling when the CFS is unable or unavailable
   E. Unknown

23. When you purchase stock, what are you buying?
   A. A share in the assets, earnings and losses of a company
   B. A seat on the board of directors of a company
   C. A chance to share in the increases of a stock but not the decreases
   D. A share of a company’s stock that has no value until you sell
   E. Unknown

24. Which of the following types of insurance will protect your future earnings if your dog bites your neighbor and you’re sued?
   A. Rider
   B. Replacement cost
   C. Umbrella
   D. Comprehensive
   E. Unknown
25. You have charged goods from a catalog, which billed your credit card but never sent the items. What does the Fair Credit Billing Act let you do?
   A. You have the right to receive the goods or double your money back
   B. You can force the seller to give you the goods for free after 60 days
   C. You can ignore the issue until you receive the goods or a refund
   D. You can refuse, in writing, to pay that part of your bill until the matter is settled
   E. Unknown

26. 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. Unknown

27. What are the three ways to create a positive cash flow?
   A. Increase income, decrease living expenses, increase credit use
   B. Decrease living expenses, increase income, decrease indebtedness
   C. Increase income, increase credit use, decrease indebtedness
   D. Increase income, increase credit use, decrease indebtedness
   E. Unknown

28. Good financial management states your indebtedness should not exceed what percentage of your net income?
   A. 15
   B. 20
   C. 35
   D. 38
   E. Unknown

29. 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. Unknown

30. What is the name of the monthly compensation your spouse and any children will receive from the government if you pass away on active duty?
   A. DIC
   B. SDEA
   C. TSP
   D. SSA
   E. Unknown

31. Which of the following is a premise of Solution-Focused Financial Counseling?
   A. It is long-term
   B. It requires the counselor to take responsibility for solving the problem
   C. It maintains a task-centered focus
   D. It focuses on the past to correct the future
   E. Unknown

32. Final Pay, High Three and REDUX military retirement pay plans are all examples of what?
   A. A defined-benefit retirement plan
   B. Voluntary retirement programs
   C. A defined-contribution retirement plan
   D. Tax-advantaged retirement plans
   E. Unknown
The Need for PFM

I. INTRODUCTION

- The goal of this training topic is to provide an introduction to the Navy’s PFM program, an overview of typical financial problems and concerns experienced by service members, and a review of OPNAVINST 1740.5B (which details your role and responsibilities as a CFS). This topic will begin the discussion of how you as the CFS can use your skills to help fellow sailors. We will discuss the “presenting” financial concerns that may bring Sailors to come to see you, as well as the real reasons, emotional fallout and implications of various financial issues.

- Chapter correlation to major OPNAVINST task areas:
  1. Education and Training: Introduces tasks. Introduces you to specific topic areas of training via review of the OPNAVINST. Provides current trends and statistics that can be used in future training. Models lecture, class participation, and critical video review training techniques.
  2. Information and Referral: Introduces tasks.
  3. Counseling: Introduces tasks. Introduces you to the types of presenting financial problems you will encounter while working with clients, the real reasons financial problems occur, typical emotional fallout from financial problems, and the civilian and military implications of financial problems.

II. LEARNING OBJECTIVES

Using OPNAVINST 1740.5B, learners will locate nine key areas directly impacting their role as a CFS.

Participating in a group activity, learners will distinguish among and list at least four presenting problems, real reasons, emotional fallout, and implications of financial problems.

III. REFERENCES


IV. CONTENT

Financial Risk Factors for Military Members

- Youth/Immaturity
- Early Independence
- Earlier Family Responsibilities
- Unemployed Spouse
- Having Children Earlier
- Better-Educated
- Deployments
- Frequent Moves
- Separation From Extended Family
- High Cost of Living
- Stability of Employment
- Availability of Easy Credit
- Falling National Savings Rate
# Financial Problems and Concerns

"**Presenting Financial Concerns**" are the types of issues that will motivate a client to come and see you as the Command Financial Specialist.

1. _____________________________________________________________________________________________
2. _____________________________________________________________________________________________
3. _____________________________________________________________________________________________
4. _____________________________________________________________________________________________
5. _____________________________________________________________________________________________
6. _____________________________________________________________________________________________
7. _____________________________________________________________________________________________
8. _____________________________________________________________________________________________
9. _____________________________________________________________________________________________
10. _____________________________________________________________________________________________

"**Real Reasons**" the client might be coming to see you. This is some of the meat of your job as a CFS — listening to the Presenting Financial Concerns while trying to discern the Real Reasons for the problems.

1. _____________________________________________________________________________________________
2. _____________________________________________________________________________________________
3. _____________________________________________________________________________________________
4. _____________________________________________________________________________________________
5. _____________________________________________________________________________________________
6. _____________________________________________________________________________________________
7. _____________________________________________________________________________________________
8. _____________________________________________________________________________________________
Financial Problems and Concerns

“Emotional Fallout” a client may be experiencing. These are the personal issues that can be linked directly to the client’s financial problems. Your job as a CFS is to recognize that there is emotional fallout and make a referral to the proper resource.

1. _____________________________________________________________________________________________
2. _____________________________________________________________________________________________
3. _____________________________________________________________________________________________
4. _____________________________________________________________________________________________
5. _____________________________________________________________________________________________

“Implications” of financial problems. These are detrimental impacts of personal financial problems for the service member, the command, and the military.

<table>
<thead>
<tr>
<th>Civilian Implications</th>
<th>Military Implications</th>
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<tbody>
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<td>7. _____________________________________________________________________________________________</td>
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</table>
Optional Video Review

“The Money Tree” video depicts a young civilian couple getting into financial problems. Please make notes on the video for later discussion in the space provided.

What did they do right? ____________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

What did they do wrong? __________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

What could they have done better? ________________________________________________

______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________
OPNAV INSTRUCTION 1740.5B CHANGE TRANSMITTAL 1

From: Chief of Naval Operations

Subj: UNITED STATES NAVY PERSONAL FINANCIAL MANAGEMENT (PFM) EDUCATION, TRAINING, AND COUNSELING PROGRAM

Encl: (1) Revised enclosure (5)

1. Purpose. To revise the Initial/Lifecycle Training Continuum.

2. Action. Remove enclosure (5) of the basic instruction and replace with enclosure (1) of this change transmittal.

M. E. FERGUSON III
Vice Admiral, U.S. Navy
Deputy Chief of Naval Operations (Manpower, Personnel, Training and Education)

Distribution:
Electronic only, via Department of the Navy Issuances Web site http://doni.daps.dla.mil/
OPNAV INSTRUCTION 1740.5B

From: Chief of Naval Operations

Subj: UNITED STATES NAVY PERSONAL FINANCIAL MANAGEMENT (PFM) EDUCATION, TRAINING, AND COUNSELING PROGRAM

Ref: (a) DOD Instruction 1342.27 of 12 Nov 04
(b) DOD Instruction 1344.07 of 30 Mar 06
(c) OPNAVINST 1500.22F
(d) DOD Instruction 1342.22 of 30 Dec 92
(e) OPNAVINST 1740.4B
(f) SECNAVINST 1754.1B
(g) SECNAVINST 5211.5E
(h) SECNAV M-5210.1
(i) SECNAVINST 1740.2D
(j) SECNAVINST 5040.3A
(k) DOD 7000.14-R, Volume 5, Chapter 34 of Dec 01
(l) MILPERSMAN 7000-020

Encl: (1) Terms and Definitions
(2) Command Financial Specialist (CFS) Qualifications, Functions, and Training
(3) Fleet and Family Support Center and/or Regional Personal Financial Management Program Responsibilities
(4) Core Personal Financial Management Training Subjects
(5) Initial/Lifecycle Training Continuum
(6) Department of Defense Financial Education Partner List
(7) Command and Staff Responsibilities
(8) Sample Command Financial Specialist Letter of Designation
(9) Sample Command Special Assistant for Personal Finances Letter of Designation

1. Purpose. To promulgate United States Navy policy and assign responsibilities for the implementation of the Personal Financial Management (PFM) education, training, and counseling program. Recent Navy community needs assessment data clearly identifies PFM as a top concern for Navy families. Operational commanders have identified financial decision making and
resultant financial problems as having a serious negative impact on the stability of servicemembers and families, as well as a debilitating effect on operational readiness, morale, and retention. This policy implements specific requirements that establish a systemic approach to address PFM issues for Sailors, families, and the Navy. This instruction is a complete revision and should be reviewed in its entirety.

2. **Cancellation.** OPNAVINST 1740.5A.

3. **Applicability and Scope.** Provisions of this instruction apply to all Navy active duty and reserve personnel, regular and reserve commands, permanent detachments, and departments. Navy civilian employees serving at duty stations outside the continental United States (OCONUS) are also included under some provisions of this instruction. Active duty and reserve personnel of other Department of Defense (DOD) components and United States Coast Guard are included when assigned to Navy commands.

4. **Definitions.** Terms used in this instruction are defined in enclosure (1).

5. **Background**

   a. Reference (a) establishes PFM policy for all DOD components. The Navy hereby provides amplification of that policy.

   b. Management of personal finances presents an increasing challenge to Sailors and their families. For some, the lack of basic consumer skills and training in how to prudently manage finances sets the stage for financial difficulty. Other contributing factors that magnify the impact on the military lifestyle are:

      1. High cost of living in some areas in the United States and overseas.
      2. Prevalence of easy credit and predatory lenders.
      3. High-pressure sales tactics.
(4) Clever and deceptive advertising techniques that include internet ads.

(5) Undisciplined buying and the tendency to live beyond one's means.

(6) Consumer rip-off schemes.

c. In many cases, resultant financial problems have a serious negative impact on Sailors and their families, as well as a debilitating effect on operational readiness, morale, and retention.

6. Mission

a. The Navy PFM program exists to provide education, counseling, information and referral to Navy personnel and commands in order to increase personal, family, and operational readiness. Locally, the PFM program assists commands in achieving a higher state of mission readiness, thereby improving servicemember performance and retention through personal financial readiness.

b. Although the PFM program has a counseling mission, its primary focus is on prevention of financial difficulties and mismanagement through education of Sailors and their legal dependents (hereafter referred to as family members).

7. Policy

a. References (a) through (l) mandate specific programs, actions, or requirements that are relevant to the PFM program.

b. PFM is a key Quality of Life (QOL), readiness and retention program. As detailed in references (a) and (l), servicemen and the Navy have a joint responsibility to address personal financial obligations. Members have an obligation to meet the financial needs of their families and discharge their just financial debts in a timely fashion. Commanding Officers (COs) have a responsibility to encourage financial responsibility and sound financial planning. The Navy promotes sound financial practices, personal integrity, and responsibility among its members.
c. All Sailors shall become familiar with PFM program policies and objectives, use prudent PFM practices in pursuit of personal excellence and support their shipmates by sharing their PFM knowledge.

d. The PFM program consists of three major elements:

(1) Financial education and training

(2) Financial information and referral

(3) Financial counseling

e. Active and Reserve commands, permanent detachments, and departments having at least 25 personnel assigned shall have a trained Command Financial Specialist (CFS) to coordinate the program and to assist the CO/Officer-In-Charge (CIC) in providing financial training, information, and counseling to command members. Commands shall maintain a ratio of one CFS to every 75 members assigned, including those assigned temporary duty (TEMDU), temporary duty under instruction (TEMDUINS), and members from other services. Personnel assigned as a CFS must meet the criteria establishment in enclosure (2). Commands, permanent detachments and departments having fewer than 25 personnel are encouraged to have a trained CFS. Alternatively, those with fewer than 25 may arrange for another command to provide CFS services by written agreement. All commands and permanent detachments shall conduct annual PFM training per reference (c) and provide counseling via a trained and qualified CFS.

f. At the individual command level, the three elements of the program are under the control of a qualified CFS. General duties and responsibilities of the CFS are detailed in enclosure (2).

g. As described in references (a), (b), (f), and (i), Fleet and Family Support Centers (FFSC) provide support to all elements of the PFM program. Each FFSC shall provide at least one trained and qualified staff member to function as a financial educator and counselor (FEC) as detailed in enclosure (3).
h. Core PFM training subjects, listed in enclosure (4), will be delivered in a continuum of learning beginning with Recruit Training and continuing throughout a Sailor’s career and transition to civilian life, as detailed in enclosure (5). Financial education, training, and counseling will be provided as a collaborative effort between the CFS and the FFSC PFM personnel. If these two resources are not available, commands should refer to enclosure (6) and/or consult the FFSC to obtain names of other local authorized resources.

i. Providing current PFM information to military personnel is an integral part of the program. Relevant PFM information will be issued or published regularly in Navy internal media. The United States’ financial world and consumer markets are very dynamic; therefore, it is incumbent upon commands, CFS, and PFM staff to raise awareness of PFM concerns and assistance available to Sailors and their families.

j. A qualified CFS or FEC will counsel Navy personnel, family members, and other DOD personnel experiencing financial difficulties or seeking information on PFM concerns. If the CFS or FFSC cannot provide assistance, referrals shall be made to other authorized agencies (e.g., Navy Marine Corps Relief Society (NMCRS); Navy Legal Service Office (NLSO); National Foundation of Credit Counseling affiliated, non-profit Consumer Credit Counseling Services (CCCS); Navy Mutual Aid; or other resources detailed in enclosure (6)). Navy Mutual Aid Association will be a primary referral and educational resource where Survivor Benefit Plans are concerned.

k. Fleet and Family Support Centers support all elements of the PFM program by conducting a CFS Training Course and providing qualified FECs to function in all other areas of the PFM program as needed. Enclosure (3) provides amplification on the qualifications of the FEC.

8. Action and General Responsibilities

a. Specific responsibilities and duties in support of the PFM program are delineated in enclosures (2), (3), and (7). It is of critical importance to the readiness of Sailors and the
Navy that all Navy leaders, at all levels, engage on this issue and serve as mentors to those in their charge. The Chief Petty Officer’s Mess shall exercise proactive leadership and mentorship in PFM.

b. Per references (a) and (1), servicemembers are responsible for prudently maintaining their day-to-day personal financial matters and to adequately prepare for the management of personal responsibilities prior to departing on an extended absence.

9. Command Inspection Program. The Immediate Superior in Command (ISIC) shall inspect the command’s PFM program. The following minimum requirements shall be reviewed:

a. CFS identified in writing using enclosure (8).

b. CFS must receive appropriate training per enclosure (2).

c. Appropriate ratio of CFS to crew per paragraph 7.e. of this instruction.

d. Each command will appoint one CFS assigned as a Command Special Assistant for Personal Finances (CSAPF) using enclosure (9). Commanding Officers and Command Master Chiefs (CMCs) shall meet with the CSAPF at least quarterly to discuss PFM issues at their command. The CSAPF and their contact information shall appear on the masthead of the command plan of the week/plan of the day (POW/POD).

e. CFS will be included in Command Indoctration Program(s), and pre and post-deployment programs, as applicable.

f. Per references (f) and (g), PFM counseling records are maintained to ensure confidentiality and compliance with applicable Privacy Act regulations.

g. CFS identified in appropriate locations (POD, POW, etc.).
h. Consultation with the CFS will appear on the command check-in/check-out sheets.

J. C. HARVEY, JR.
Vice Admiral, U.S. Navy
Deputy Chief of Naval Operations
(Manpower, Personnel, Training and Education)

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http://doni.daps.dla.mil
TERMS AND DEFINITIONS

**BASIC UNDERSTANDING.** To comprehend the underlying principles of the subject matter in order to apply them to everyday life situations.

**DOD PERSONNEL.** Active Duty, Guard, and Reserve Component members of the Sea Services, family members, and civilian employees including non-appropriated fund employees and special Government employees of all offices, agencies, and departments carrying out a function on a Defense installation.

**EXTENDED ABSENCE FINANCIAL PLAN.** A plan developed by a servicemember prior to deployment, specifying the following for the period of the absence: legal power of attorney to accomplish personal and financial requirements, plan for covering financial obligations, disposition of car and auto insurance, allotments for appropriate monthly expenditures, and disposition of other financial issues that might occur during the period of absence.

**FINANCIAL PLANNING AND COUNSELING.** The act of evaluating an individual or family’s income and expenditures and recommending short-term and long-term actions to achieve financial goals and ensure individual, family, and mission readiness.

**PERSONAL FINANCIAL MANAGEMENT.** The process (or steps) involved in managing one’s personal finances, including income, expenses, and investments for an individual or family.

**PERSONAL FINANCIAL READINESS.** Adequately preparing for the management of personal responsibilities prior to departure on an extended absence, including: family matters and potential family contingencies; personal finances; personal property; and other personal obligations that can and do arise during one’s career lifecycle. Also includes prudent day-to-day management of personal finances, including financial planning (budgeting), saving and investing (including Thrift Savings Plan (TSP)), consumer awareness, and credit management. Considerations include career and transition planning, spouse employment, and relocation entitlements and expenses.

Enclosure (1)
SERVICE MEMBERS. Active Duty, Guard, and Reserve component members of the military Services whether permanently assigned or Temporary Duty (TEMU) or Temporary Duty Under Instruction (TEMDUINS).
COMMAND FINANCIAL SPECIALIST (CFS) QUALIFICATIONS, FUNCTIONS, AND TRAINING

1. Qualifications of the Command Financial Specialist (CFS). The CFS shall function as the command’s principal advisor on policies and matters related to PFM. The following qualifications apply:

   a. Military members in pay grade E6 and above (including officers) may be appointed a CFS. Medium and large commands are strongly encouraged to have an officer(s) serve as and lead their CFS program. Commander, Navy Installations Command (CNIC) Program Manager is established as the single point waiver authority for commands seeking to appoint a CFS at the E5 level. Waivers will not be granted below E5. Such request shall contain, at a minimum:

      (1) Command rank demographics (e.g., indicating the absence of senior personnel meeting established criteria).

      (2) Certification of the designated member’s qualifications.

   b. CFSs must be highly motivated and financially stable (must meet the financial overseas screening standards, paragraph 2i below). For assistance with the CFS screening process, COs may refer to the PPSC PEC staff for guidance. Screening shall be completed prior to training.

   c. Successfully complete the authorized CFS training course provided by a PPSC.

   d. Have at least one year remaining in the command at time of CFS course completion.

   e. Participation in continuing education (i.e., periodic CFS forums).

   f. CFS refresher training at least every three years.

2. Functions of the CFS. At the completion of formal training, the CFS shall be able to perform the following functions:

Enclosure (2)
The Need for PFM 3.17

a. Assist the command to establish, organize, and administer the command PFM program including a thorough pass down to the incoming CFS.

b. Disseminate financial management information within the command through General Military Training (GMT), POD notes, newsletters, e-mail, etc.

c. Maintain current PFM resource books, directories, references, and training materials for use in GMT, divisional training, and counseling. In addition, CFSSs shall maintain close liaison with the FFSC PFM staff, where possible.

d. Present PFM training as part of the command GMT program (under reference (c) and provide divisional/departmental/branch PFM training as required under enclosure (5)).

e. Provide basic PFM counseling to individual members of the command, upon request.

f. Maintain individual records of counseling conducted and counseling referrals. Per reference (g), those records shall be maintained to ensure confidentiality and compliance with the Privacy Act.

g. Refer members with serious financial problems to the appropriate resource or agency capable of providing necessary assistance/counseling, such as FFSC PFM staff, NMCRS, non-profit CCCS, and per references (a), (b), (i), and (k). Ensure the individual is seen and counseled. Follow up on referred individuals by maintaining contact with the individual and the resource/counseling agency to monitor progress.

h. Assist members with the development of their Extended Absence Financial Plan per reference (a) and coordinate the administrative responsibilities for the command.

i. Perform financial screenings, as needed, for members of the command. In the absence of a CFS, or in a complicated case, the FFSC PFM staff can perform the screenings. For Overseas Duty Screening, the following guidance applies:
(1) Members will be approved for overseas orders if:

   (a) E4 and below, Debt to Income Ratio does not exceed 30 percent (monthly debt payments (not including primary residence mortgage) divided by net monthly income).

   (b) E5, W2, and O1 and above, the member does not have any outstanding or unresolved Letters of Indebtedness or outstanding returned checks for insufficient funds.

   (c) Such screening shall be documented by an administrative remarks page entry (page 13) into the member's service record.

(2) The CFS will ensure the member completes a Financial Planning Worksheet (FPW). The FPW is available at https://www.nffsp.org/skins/nffsp/home.aspx.

(3) The CFS will counsel the member on the projected living expenses at the overseas location and on the need for the member to fully understand their expenses, entitlements, and pay and allowance changes related to the OCONUS Permanent Change of Station (PCS) move.

j. Report quarterly to the CO the CFS activity (education and counseling) conducted at their command. Individual command data shall be tracked by using the CFS reporting Web site at https://donsir.persnet.navy.mil/cfs/.
FLEET AND FAMILY SUPPORT CENTER AND/OR REGIONAL PERSONAL
FINANCIAL MANAGEMENT PROGRAM RESPONSIBILITIES

1. FFSC PEC shall support local commands and area CFSSs by serving as the primary resource and subject matter expert in tailoring PFM information, materials, and education programs to the local area. FFSCs will also:

   a. Provide financial education/training, information, and referral assistance to military personnel and their family members. Provide financial counseling to Sailors and other DOD personnel, as defined in reference (a), when assigned aboard a Navy installation. Under reference (a), paragraph 3.1.6, programs shall be established by FFSCs to encourage spouses to participate in the PFM program.

   b. Maintain records and ensure privacy and confidentiality of all records and information regarding PFM counseling conducted, per references (f) and (g).

   c. Maintain ongoing liaison with financial institutions located on base to encourage military and family member awareness and use of their PFM counseling and information services as detailed in reference (a).

   d. Foster and establish working relationships with the local representatives of the DOD partners listed in enclosure (6) or as updated on the DOD Military Home Front Web site (http://www.militaryhomefront.dod.mil).

   e. Ensure compliance with reference (a), paragraph 3.1.9. Individuals assigned to provide PFM services at FFSCs shall:

      (1) Obtain Accredited Financial Counselor (AFC) certification within two years of their assignment.

      (2) Possess a baccalaureate degree from an accredited college or a combination of education and experience which equips them to serve as an AFC.

      (3) Receive continuing education on personal financial management on an annual basis and maintain professional certification, once acquired.

Enclosure (3)
(4) Read and understand references indicated within this instruction.

f. Hold an area-wide PFM awareness forum/meeting at least quarterly to discuss PFM issues. At a minimum, the following personnel should be invited: Senior Enlisted Advisors, CFSS, and Command Career Counselors/Career Planners. Meeting reports (minutes) shall be provided to the cognizant CO.

g. Conduct, at least semi-annually, an informational seminar for area command leaders that provides an introduction and overview of PFM program services, assistance, and initiatives.

h. When training CPSSs by any method, at a minimum, provide two on-site individuals (one instructor must be from the FFSC PFM staff and others may be a CPS or other qualified Navy civilian employee and/or contractor), capable and trained as instructors of the CFS course. An additional person capable of acting as an alternate instructor should also be available.

i. FFSCs shall report to the CNIC program manager on a quarterly basis. Reporting criteria and format must contain, at a minimum, the type and number of PFM related classes/workshops/seminars held; number of participants in each, CFS training sessions and student loads, number of personnel receiving individualized counseling or assistance, and reason(s) individual counseled.

j. Make available, the CFS Training Course with sufficient periodicity and locations to meet demands and optimally offer 25-30 student quotas per class, using CNIC (lead) and Naval Education and Training Command (NETC) (Center for Personal and Professional Development (CPPD)) (assist) developed CFS Instructor Guide and CFS Training Manual. CFS training locations shall serve as quota control for CFS training.

k. Ensure data from CFS training is entered into the Corporate Enterprise Training Activity Resource Systems (CETARS): Standard Training Activity Support System (STASS), Navy Integrated Training Resource Administration System (NITRAS) II systems, as applicable.
1. Maintain records for at least two years of the name, rate/rank, SSN, member’s assigned command, and Unit Identification Code (UIC) of all trainees who successfully complete the CFS course. Provide documentation (course completion certificate) to the trainees’ command.

m. Submit annually by 30 June, to the CNIC program manager and NETC via the Echelon 2 commander/area coordinator, a schedule of CFS classes for the upcoming fiscal year.

n. Function with NMCRS as agreed in Memorandum of Agreement (MOA) between NMCRS/DON of 5 February 2001 (NOTAL) or current MOA.

o. Ensure only CFS and PFM course materials approved by CNIC program manager and NETC (CPPD) referred to in this instruction are used in all training and counseling activities.

p. Assist servicemembers with the development of the financial portions of the Family Care Plan described in reference (e).
CORE PERSONAL FINANCIAL MANAGEMENT TRAINING SUBJECTS

1. Military Pay Issues
2. Banking and Financial Services
3. Developing Your Spending Plan
4. Credit Management
5. Car Buying Strategies
6. Introduction to Saving and Investing
7. Consumer Awareness (includes predatory lending)
8. Insurance/Risk Management
9. Legal Issues
10. Home Purchase/Housing
11. Financial Planning for Deployment
12. Money and the Move
13. Savings and Investments
14. The Basics of Retirement Planning
15. College Savings
16. Retirement Resources

NOTE: Additional Core Educational Programs can be added as necessary by Chief of Naval Operations (CNO) (N135) and/or CNIC Program Manager to keep curriculum current.

Enclosure (4)
<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TYPE TRAINING</th>
<th>TRAINING SOURCE/VENUE</th>
<th>LEARNING ENVIRONMENT</th>
<th>PFM TOPICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officer</td>
<td>Personal and Leadership</td>
<td>United States Naval Academy; Officer Candidate School; Officer Induction School; Basic Reserve Officer Training Corps</td>
<td>Instructor Lead (not less than 4 hrs)</td>
<td>Pre-commissioning PFM education (appropriate training materials TBD by Navy PFM Program Manager)</td>
</tr>
<tr>
<td>Personal</td>
<td>Annual General Military Training</td>
<td></td>
<td>Instructor Lead (CFS)</td>
<td>Hot Topics</td>
</tr>
<tr>
<td>Personal</td>
<td>Transition Assistance/Pre- Separation</td>
<td></td>
<td>Instructor Lead</td>
<td>PFM for Transitioners (appropriate training materials TBD by Navy PFM Program Manager)</td>
</tr>
<tr>
<td>Leadership</td>
<td>Division Officer</td>
<td></td>
<td>Instructor Lead</td>
<td>Division Officer PFM education (appropriate training materials TBD by Navy PFM Program Manager and ***CNL)</td>
</tr>
<tr>
<td>Leadership</td>
<td>Prospective Commanding Executive</td>
<td></td>
<td>Instructor Lead</td>
<td>Leading a command PFM Program (appropriate training materials TBD by Navy PFM Program Manager and ***CNL)</td>
</tr>
<tr>
<td>Enlisted</td>
<td>Personal</td>
<td>Delayed Entry Program</td>
<td>Blended**</td>
<td>Leave and Earnings Statement: Financial Planning; Navy Expectations of Financial Responsibility</td>
</tr>
<tr>
<td>Personal</td>
<td>Recruit Training Command</td>
<td></td>
<td>Instructor Lead (1-2 hrs)</td>
<td>Leave and Earnings Statement: Banking Basics; Direct Deposit; Hot Topics; Thrift Savings Plan; MyPay; Navy Expectations of Financial Responsibility</td>
</tr>
<tr>
<td>Personal</td>
<td>A School</td>
<td></td>
<td>Instructor Lead (16 hrs)</td>
<td>Military Pay; Banking and Financial Services; Developing your Spending Plan; Credit Management; Consumer Awareness; Car Buying Strategies; Insurance; Savings and Investments/Thrift Savings Plan; Government Travel Card; Financial Planning for Deployment</td>
</tr>
</tbody>
</table>

Enclosure (5)
# INITIAL/LIFECYCLE TRAINING CONTINUUM

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TYPE TRAINING</th>
<th>TRAINING SOURCE/VENUE</th>
<th>LEARNING ENVIRONMENT</th>
<th>PFM TOPICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal</td>
<td>Annual General Military Training</td>
<td>Instructor Lead (CFS)</td>
<td>Hot Topics</td>
<td></td>
</tr>
<tr>
<td>Personal</td>
<td>Transition Assistance/Pre- Separation Briefing/Counseling</td>
<td>Instructor Lead</td>
<td>PFM for Transitioners (appropriate training materials TBD by Navy PFM Program Manager)</td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td>Recruit Division Commander (RDC) Seminar</td>
<td>Instructor Lead</td>
<td>Specially designed curriculum to augment existing PFM knowledge and skills that will enable the RDCs to serve as quasi PFM mentors to the recruits</td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td>Prospective Petty Officer Leadership Course</td>
<td>Instructor Lead</td>
<td>PFM for Prospective Petty Officers (appropriate training materials TBD by Navy PFM Program Manager and ***CNL)</td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td>Work Center Supervisor Leadership Course</td>
<td>Instructor Lead</td>
<td>PFM for Work Center Supervisors (appropriate training materials TBD by Navy PFM Program Manager and ***CNL)</td>
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<tr>
<td>Leadership</td>
<td>Leading Petty Officer Leadership Officer Leadership Course</td>
<td>Instructor Lead</td>
<td>PFM for Leading Petty Officers (appropriate training materials TBD by Navy PFM Program Manager and ***CNL)</td>
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<tr>
<td>Leadership</td>
<td>Prospective Chief Petty Officer Leadership Course</td>
<td>Instructor Lead</td>
<td>PFM for Prospective Chief Petty Officers (appropriate training materials TBD by Navy PFM Program Manager and ***CNL)</td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td>Leading Chief Petty Officer Leadership Course</td>
<td>Instructor Lead</td>
<td>PFM for Leading Chief Petty Officers (appropriate training materials TBD by Navy PFM Program Manager and ***CNL)</td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td>Command Master Chief/Chief of the Boat Leadership Course</td>
<td>Instructor Lead</td>
<td>&quot;Operating a Successful Command PFM Program&quot; (appropriate training materials TBD by Navy PFM Program Manager and ***CNL)</td>
<td></td>
</tr>
</tbody>
</table>

Enclosure (5)
<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TYPE TRAINING</th>
<th>TRAINING SOURCE/VENUE</th>
<th>LEARNING ENVIRONMENT</th>
<th>PFM TOPICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>All (Available Additional Training)</td>
<td>Personal</td>
<td>Command Financial Specialist; Fleet and Family Support Centers</td>
<td>Instructor Lead</td>
<td>Various PFM topics</td>
</tr>
<tr>
<td>Personal</td>
<td>Career Options and Navy Skills Evaluation Program - First Term</td>
<td>Instructor Lead (6 hrs) (PPSC)</td>
<td>Per CONSEP curriculum</td>
<td></td>
</tr>
<tr>
<td>Personal</td>
<td>Career Options and Navy Skills Evaluation Program - Mid Career</td>
<td>Instructor Lead (6 hrs) (PPSC)</td>
<td>Per CONSEP curriculum</td>
<td></td>
</tr>
<tr>
<td>Personal</td>
<td>Navy Knowledge Online</td>
<td>Web</td>
<td>Various PFM topics</td>
<td></td>
</tr>
<tr>
<td>Personal</td>
<td>Stand Up Training</td>
<td>Instructor Lead (CF5)</td>
<td>Various PFM topics</td>
<td></td>
</tr>
</tbody>
</table>

* Prior enlisted are not required to complete this "personal" PFM training since they would have received it under enlisted personal training.
** Blended learning environment may be any combination of instructor led classes or self-paced learning accomplished via distance learning or CD ROM based training that include appropriate assessments of learning where applicable.
*** Center for Naval Leadership (CNL) will provide appropriate complimentary scenario based training as coordinated with PFM Program Manager (CNIC staff).
DEPARTMENT OF DEFENSE FINANCIAL EDUCATION PARTNER LIST

Air Force Aid Society (AFAS)
American Red Cross (ARC)
Army Emergency Relief Society (AERS)
Association of Military Banks of America (AMBA)
Better Business Bureau (BBB)
Consumer Credit Counseling Services (CCCS)
Consumer Federation of America (CFA)
Defense Credit Union Council (DCUC)
Department of Labor (DOL)
Department of Treasury (DOT)
Employee Benefits Research Institute (EBRI)
American Savings Education Council (ASEC)
Federal Citizen’s Information Center (FCIC)
Federal Deposit Insurance Corporation (FDIC)
Federal Reserve Board (FRB)
Federal Trade Commission (FTC)
Freddie Mac
In-Charge Institute of America
Internal Revenue Service (IRS)
Jumpstart Coalition
National Association of Securities Dealers (NASD) Investor Education Foundation
National Endowment for Financial Education (NEFE)
National Foundation for Credit Counseling (NFCC)
National Military Family Association (NMFA)
Navy and Marine Corps Relief Society (NMCRS)
Navy Exchange/ Marine Corps Exchange/Army and Air Force Exchange Service (NEX/MCEX/AAFES)
North American Securities Administrators Association (NASAA)
Securities and Exchange Commission (SEC)
Small Business Administration (SBA)
Social Security Administration (SSA)
U.S. Department of Agriculture, Cooperative State Research, Education and Extension Service (USDA, CSREES)
TRICARE

NOTE: Updates to this list can be found at http://www.militaryhomefront.dod.mil/

Enclosure (6)
COMMAND AND STAFF RESPONSIBILITIES

1. Deputy Chief of Naval Operations (Manpower, Personnel, Training, and Education) (DCNO) (MPT&E) (N1), as program sponsor, shall establish Navy PFM program policy.

2. CNO, Director, Personal Readiness and Community Support (N135) will establish and maintain policy, monitor program performance, and serve as Navy’s liaison with Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN) (M&RA), DOD and other cognizant agencies on Navy PFM policy matters. CNO (N135) will establish all PFM training requirements and provide program policy interpretation to CNIC and NETC.

3. CNIC shall implement and coordinate the Navy PFM program and as program manager shall:

   a. Coordinate and manage implementation of the PFM training program as determined by CNO (N135) which includes coordinating, developing, and managing training programs, curricula, and materials with NETC (CPPD).

   b. Provide subject matter expertise to NETC (CPPD) for the development, validation, and piloting of NETC (CPPD) provided training and education, to include the development of learning objectives and scenarios for instruction.

   c. Maintain program, program elements, and materials ensuring effectiveness and currency through periodic review and update.

   d. Utilize necessary military and authorized civilian resources in support of the program. Where practical, partner with United States Marine Corps PFM program manager in sharing program materials, curricula, and other resources to maximize efficiency and effectiveness of the Navy PFM program.

   e. Provide guidance to all activities regarding implementation of program policy and plans.

   f. Ensure resources are provided to meet the certification requirements for FECs per reference (a).

Enclosure (7)
3.28 Command Financial Specialist Training Student Manual

CPNAVINST 1740.5B
7 May 07

3.

g. Coordinate and manage Navy CFS training throughout the Navy to meet Fleet needs, including the provision of CFS professional development and CFS Train the Trainer courses.

h. Provide the CFS training course with sufficient frequency and resources to accommodate Navy training needs.

i. Collaborate with the Navy Child and Youth Program Manager to develop curricula, materials, and procedures needed to implement the provisions of reference (a), paragraph E3.1.7, that details development of on-demand PFM education for Navy Child and Youth Programs. Implementation shall be completed within 180 days of promulgation of this instruction.

4. NETC shall designate a PFM program point of contact to liaise with CNO (N11S) staff and CNIC program manager. NETC shall also accomplish the following:

   a. Designate a PFM topic selected by CNIC program manager as an element of the Navy GMT program.

   b. Provide and document, using Five Vector Model (5VM) or other data base, PFM training that will be provided for all enlisted Sailors following recruit training.

   c. Provide and document, using 5VM or other data base, PFM program training using PFM standardized curriculum for all officer candidates, Navy Reserve Officers Training Corps (NROTC), and personnel in other officer accession programs.

   d. Include/maintain the CFS training course in the Corporate enterprise Training Activity Resource Systems (CtTARS), Standard Training Activity Support System (STASS), Navy Integrated Training Resource Administration System II (NITRAS), as applicable.

   e. In concert with CNIC program manager, develop curricula, materials, assessment instruments, and other procedures and systems necessary to implement the requirements of reference (a), paragraph E3.1.1.3, that fulfills the following requirement: "prior to assuming a leadership role as a supervisor, officers and non-commissioned officers shall demonstrate a basic understanding (as defined in reference (a), paragraph E2.1.1) of

Enclosure (7)
PFM policies and practices." Implementation shall be completed within 180 days of promulgation of this instruction.

f. In concert with CNIC program manager, develop curriculum, materials, assessment instruments, and other procedures and systems necessary to implement the requirements of reference (a), paragraph E3.1.1.1., which fulfills the following requirement: "within three months of reporting to first permanent duty station, servicemember must demonstrate a basic understanding (as defined in reference (a), paragraph E2.1.1) of a variety of PFM subjects and skills." Implementation of this assessment requirement shall be completed within 180 days of promulgation of this instruction.

g. Ensure PFM training (as required by enclosure (5)) that would occur in NETC school houses is conducted.

5. Chief of Navy Information (CHINFO) shall, in coordination with the CNIC program manager, review and provide PFM information for frequent inclusion in Navy internal media.

6. U.S. Naval Academy (USNA) shall provide PFM program training as detailed in enclosure (5) to all Naval Academy Midshipmen using PFM standard curriculum. Designate one member of staff to serve as a Financial Advisor and educator for the Midshipmen. This individual is an officer or civilian equivalent and is trained as a CFS.

7. Echelon 2 commands/area coordinators shall:

   a. Monitor timely establishment and ensure continuing effective program implementation. Echelon 2/area coordinators with CFS course training sites shall provide CNIC program manager a consolidated schedule of course training dates, quota availability and other information in the manner required for inclusion in NITRAS and CANTRAC by NETC.

   b. Include PFM in ISIC inspections to ensure program policy compliance follows the guidelines in paragraph 9 of the basic instruction.

   c. Assess requirements for CFS training in area of responsibility coordinating with CNIC program manager to ensure
that the CFS course is provided with sufficient frequency and resources to meet Fleet, training, and policy requirements.

8. Echelon 3 commands/regional coordinators shall:

   a. Monitor timely establishment and continuing effective implementation of the program as it applies to commands under their cognizance.

   b. Establish priorities for quota control for CFS training courses under their cognizance. Quota preference is to be given to commands that do not have a trained CFS. Quota allocations must address both local, out-of-area/isolated and remote, and reserve commands. Course schedules and locations must be readily accessible to Fleet units on demand.

9. Commanders, COs, and OICs shall:

   a. Designate CFS(s) in writing (enclosure (8) provides a sample designation letter). When more than one CFS is assigned, designate one as the lead CFS or as a Command Special Assistant for Personal Finances (enclosure (9) provides a sample designation letter). Meet with the lead CFS on a recurring, but not less than quarterly, basis to discuss PFM. Enclosure (2) provides qualifications criteria, functions, and training for CFSs.

   b. Ensure compliance with the provisions of this instruction and associated references.

   c. Ensure all command inspection items are followed as stated in paragraph 9 of basic instruction.

   d. Per reference (a), ensure that in all cases where personnel are the subject of a bad check report or letter of indebtedness, that a determination be made as to whether or not financial mismanagement by the individual is involved. In all cases of financial mismanagement, individuals should receive mandatory PFM counseling from CFS or FEC.

   e. Establish and maintain records between command inspection cycles of PFM education, training, and counseling conducted.
f. Per reference (g), maintain PFM counseling records so as to ensure confidentiality, including compliance with applicable Privacy Act provisions.

g. Per references (h) and (i), obtain a review and recommendation from the servicing FFSC’s FEC, an opinion from the local representative of the Staff Judge Advocate (SJA), and approval from the installation CO prior to granting authorization for any personal financial management presentation or base offered by a commercial or other entity not specifically authorized under reference (a) of this instruction. DOD personnel shall observe training provided by sources other than those authorized under this instruction as required in reference (a), paragraph E3.1.6.

h. Permit and encourage Command Career Counselors (CCCs) and Command Ombudsman to attend CFS training to raise their awareness of the financial issues and resources available to Sailors and families. This provision in no way intends to make the CCC or Ombudsmen serve as financial counselors or CFSs.

i. Promote among members of the command, maximum utilization of a proactive lifecycle approach to PFM by encouraging attendance at a Career Options and Navy Skills Evaluation Program (CONSEP) workshop.

10. Installation COs/OICs with an FFSC shall also:

a. Be the final approving official with concurrence from the local FFSC PFM staff and the SJA, per references (a), (b), and (i), for all persons and/or entities not referenced in this instruction or on the DOD Military Home Front Web site (www.militaryhomefront.dod.mil) as acceptable resources for PFM.

b. Provide for the FFSC to maintain a library/resource center of current financial information and resources (including current periodicals) to assist servicemembers and their families in successful personal financial readiness.

c. Ensure computer and internet resources are available.

d. Provide support to host and tenant command CFSs, especially to afloat, deployable, or Marine Expeditionary Unit commands.
e. Ensure that, at a minimum, the FPSC staff includes one member who is assigned, trained, and certified per reference (a), paragraph E3.1.9.

11. CFSs shall:

   a. Report directly to the command level (CO/executive officer (XO)) as a special assistant. Enclosure (2) of this instruction lists basic CFS qualifications, functions, and training requirements.

   b. Ensure CFS training or any other PFM course completed is documented.

   c. Provide financial education, counseling, training, and information and referral. When appropriate, refer to the servicing FPSC PFC.

   e. Per references (d) and (g), ensure that client confidentiality and records are maintained.

   f. Upon transfer, notify receiving command that you are a trained CFS. Provide a thorough pass down to your CFS relief.

   g. Schedule meetings with command leadership per paragraph 10a. (above) to ensure that PFM issues and trends are communicated.
SAMPLE COMMAND FINANCIAL SPECIALIST LETTER OF DESIGNATION
FOR OFFICIAL USE ONLY - PRIVACY SENSITIVE

From: Commanding Officer/Officer in Charge
To: Rate/Rank, Name, Last four SSN

Subj: DESIGNATION AS COMMAND FINANCIAL SPECIALIST (CFS)

Ref: (a) OPNAVINST 1740.5B

1. Per reference (a), you are hereby designated as (Command Name) Command Financial Specialist (CFS). You will familiarize yourself with the policies and procedures of reference (a) and other applicable Personal Financial Management program elements in the performance of your duties.

2. In your capacity as CFS, you will report directly to the commanding officer/officer in charge or their representative (e.g., Command Special Assistant for Personal Finances). Complete the information requested below and forward as indicated. This designation remains in effect until rescinded in writing or three years after CFS course completion (unless refresher training is completed and documented), whichever occurs first.

Signature

__________________________
Name/Rate/SSN of CFS:

Date of Designation:
Date Completed CFS Course:
Global Email Address:
DSN Phone Number:
Location of Servicing Fleet and Family Support Center (FFSC):

I accept the designation of (Command Name) CFS.

__________________________
Member Signature

Copy to:
Servicing Fleet and Family Support Center
Service Record

Enclosure (8)
SAMPLE COMMAND SPECIAL ASSISTANT FOR PERSONAL FINANCES
LETTER OF DESIGNATION
FOR OFFICIAL USE ONLY - PRIVACY SENSITIVE

From: Commanding Officer/Officer in Charge
To: Rate/Rank, Name, Last four SSN

Subj: DESIGNATION AS COMMAND SPECIAL ASSISTANT FOR PERSONAL FINANCES (CSAPP)

Ref: (a) OPNAVINST 1740.5B

1. Per reference (a), you are designated as (Command Name) Command Special Assistant for Personal Finances. You will familiarize yourself with the policies and procedures of reference (a) and other applicable Personal Financial Management program elements in the performance of your duties.

2. In your capacity as CSAPP, you will report directly to the commanding officer/officer in charge or their representative. Complete the information requested below and forward as indicated. This designation remains in effect until rescinded in writing.

   Signature

Name/Rate/SSN:

Date of Designation:
Date Completed CFS Course:
Global Email Address:
DSN Phone Number:
Location of Servicing Fleet and Family Support Center (FFSC):

I accept the designation of (Command Name) Command Special Assistant for Personal Finances.

   Member Signature

Copy to:
Servicing Fleet and Family Support Center
Service Record

Enclosure (9)
What five talking points would you use for a 5-minute brief to command leadership on the need for PFM?

1.___________________________________________________________________________________________
   _______________________________________________________________________________________

2.___________________________________________________________________________________________
   _______________________________________________________________________________________

3.___________________________________________________________________________________________
   _______________________________________________________________________________________

4.___________________________________________________________________________________________
   _______________________________________________________________________________________

5.___________________________________________________________________________________________
   _______________________________________________________________________________________
Directions: Use OPNAV 1750.5B to answer the questions. Note the location where you find each answer.

1. What is the primary focus of the PFM program? Location:

2. Who has the responsibility to address personal financial obligations? Location:

3. What is the responsibility of all Sailors as outlined in para 7.c.? Location:

4. Which agency is a primary referral and educational resource for the Survivor Benefit Plan? Location:

5. What is the responsibility of the CPO Mess as outlined in the OPNAV? Location:

6. What are the seven minimum requirements to be reviewed in an ISIC’s inspection? Location:

7. What are the reporting requirements for the CFS? Location:
Introduction to PFM and the Financial Planning Worksheet

I. INTRODUCTION

- As a Command Financial Specialist, you are expected to assist members in your command in their efforts to help themselves. You will become capable of guiding service members in developing a plan for earnings, spending, saving and achieving their goals. This is a financial plan and is the foundation of your CFS efforts. This chapter introduces the Financial Planning Worksheet, the main tool used by Command Financial Specialists in counseling. By way of introduction, you are given an overview of the financial planning process and the Financial Planning Pyramid. This overview functions as a road map, showing you where this topic fits into the whole of financial planning. The Financial Planning Pyramid is used throughout the course and the PFMSC. It is introduced and used as early as possible so you can become thoroughly familiar with it.

- You also will get hands-on intensive instruction on the Financial Planning Worksheet. The five components are broken down into Net Worth Statement, Budget or Cash Flow, Action Plan, Spending Plan and Expense Tracking. Hands-on practical application of the FPW comes during the Income Case Studies, participation in a group exercise on options to reduce living expenses, and continued course focus on budgeting and on indebtedness through credit-management discussions. A computer demonstration of the Excel version will be provided later.

- The importance of understanding all aspects of the FPW cannot be overstated. After completing this chapter, you will be prepared to complete your own Financial Planning Worksheet, which is to be handed in for review at the beginning of class on Wednesday.

- Chapter correlation to major OPNAVINST task areas:

  1. **Education and Training:** The Developing Your Spending Plan Module of the PFMSC is incorporated into this segment of CFST. Although the PFMSC module is not strictly modeled, students have adequate exposure to the topic to allow them to present this segment. Several training techniques are used in this chapter including active lecture, case studies, and group brainstorming activities.

  2. **Information and Referral:** Through learning about and using the Action Plan page of the FPW, students become familiar with an important referral tool and are exposed to information and referral aspects of reducing living
expenses, increasing income and reducing indebtedness.

3. **Counseling**: You will receive hands-on experience with the major tool used in financial counseling in the PFM program, the Financial Planning Worksheet, and thus the planning and budgeting process, which are major counseling tasks. Training on using the projected column puts students in a “future” orientation, a key element of Solution-Focused Financial Counseling.

### II. LEARNING OBJECTIVES

The learner will write one short-term and one long-term goal using the SMART criteria.

Using the criteria in the Financial Planning Worksheet Checklist, the learner will accurately complete a personal Financial Planning Worksheet.

Working in small groups, the learners will identify at least five ways to reduce living expenses in the Housing, Transportation, Food, Clothing, Communication and Entertainment categories.

### III. REFERENCES


www.dod.mil/dfas (Defense Finance and Accounting Service)

www.bls.gov (Department of Labor Consumer Expenditure Survey)

www.fns.usda.gov/wic (Women, Infants and Children)

www.irs.gov (Earned Income Tax Credit)

www.usda.gov/cnpp (Official USDA Food Plans: Cost of Food at Home at Four Levels)

www.nffsp.org (Fleet and Family Support Center site with eFPW)

### IV. CONTENT
Financial Planning Pyramid

INVESTMENT LEVELS
- Options, Commodities, etc.
- Real Estate
- Hard Assets
- Stocks
- Bonds
- Mutual Funds

SAVINGS LEVEL
- Reserve
- Emergency
- Goal-Getter

MANAGEMENT LEVEL
- Adequate Income
- Controlled Spending
- Adequate Insurance
Financial Planning Worksheet

Date ___________________________ SSN ___________________________ Rate ___________________________

Name ___________________________ Age ___________________________

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

Marital Status ____________________ Spouse’s Name ____________________ Age ____________________

Spouse’s Place of Employment ________________________________________________________________

Number of Children and Ages ________________________________________________________________

Home Address __________________________ ____________________________________________________

Work Telephone ______________________ Home Telephone __________________________

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

Amount of SGLI Elected __________________________ Amount of FSGLI Elected __________________________

TSP Monthly Contribution __________________________ MGIB Monthly Contribution __________________________

<table>
<thead>
<tr>
<th><strong>STATEMENT OF NET WORTH</strong></th>
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<tbody>
<tr>
<td><strong>ASSETS</strong></td>
</tr>
<tr>
<td>Cash on hand</td>
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<tr>
<td>Checking Accounts</td>
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<tr>
<td>Savings Accounts</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
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<tr>
<td>Cash Value of Life Insurance</td>
</tr>
<tr>
<td>U.S. Savings Bonds</td>
</tr>
<tr>
<td>Mutual Funds/Money Market</td>
</tr>
<tr>
<td>Stocks/Bonds</td>
</tr>
<tr>
<td>College Funds</td>
</tr>
<tr>
<td>401(k)/403(b)/TSP</td>
</tr>
<tr>
<td>Other (IRAs, etc.)</td>
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<tr>
<td><strong>Real Estate</strong> (Market Value)</td>
</tr>
<tr>
<td>Home</td>
</tr>
<tr>
<td>Rental Property</td>
</tr>
<tr>
<td>Other (Vac Home/Trailer/Time Share)</td>
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<tr>
<td>Personal Property</td>
</tr>
<tr>
<td>Vehicles/Motorcycles/Boats</td>
</tr>
<tr>
<td>Furniture</td>
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<tr>
<td>Jewelry</td>
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<td>Other (Collectibles, etc.)</td>
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<table>
<thead>
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<tbody>
<tr>
<td>Signature Loans</td>
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<tr>
<td>Auto Loans or Leases</td>
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<tr>
<td>Consolidation Loans</td>
</tr>
<tr>
<td>Student Loans</td>
</tr>
<tr>
<td>NEX/AAFES (Star Card)</td>
</tr>
<tr>
<td>Department Store Credit Cards</td>
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<tr>
<td>Other Credit Cards</td>
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<tr>
<td>NMCRS (Loan)</td>
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<td>Other (Friends, Relatives, etc.)</td>
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<td>Advance/Over Payments</td>
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</table>

<table>
<thead>
<tr>
<th><strong>Mortgages-Balances Due</strong></th>
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<tr>
<td>Home</td>
</tr>
<tr>
<td>Rental Property</td>
</tr>
<tr>
<td>Other (Vac Home/Trailer/Time Share)</td>
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</table>

Counseling Provided By: __________________________
Counselor Phone #: __________________________
Appointment Date: __________ Time: __________
Place: __________________________

**TOTAL ASSETS** $ __________

**TOTAL LIABILITIES** $ __________

**NET WORTH** (Assets – Liabilities) $ __________
**MONTHLY INCOME**

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

*Note: Pay Entitlements are taxable. Allowance Entitlements are non-taxable.*
### Monthly Savings and Living Expenses

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

#### Savings

<table>
<thead>
<tr>
<th>Savings</th>
<th>Actual</th>
<th>Projected</th>
<th>Remarks</th>
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</thead>
<tbody>
<tr>
<td>Emergency Fund (1-3 months)</td>
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<tr>
<td>Reserve Fund</td>
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<tr>
<td>&quot;Goal-Getter&quot; Fund</td>
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<tr>
<td>Investments/IRAs/TSP/etc.</td>
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<tr>
<td><strong>Total Savings and Investments (10%)</strong></td>
<td>$</td>
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#### Living Expenses

<table>
<thead>
<tr>
<th>Living Expenses</th>
<th>Actual</th>
<th>Projected</th>
<th>Remarks</th>
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<td><strong>HOUSING</strong></td>
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<td>Furnishings</td>
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<tr>
<td>Maintenance/Repairs</td>
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<td>Mortgage/Rent</td>
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<td>Taxes/ Fees</td>
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<tr>
<td>Natural Gas/Propane</td>
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<td><strong>CHILD CARE</strong></td>
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<td>Include other dependant care</td>
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<td><strong>AUTOMOBILE</strong></td>
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<td>Gasoline</td>
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<td>Include other dependant care</td>
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<tr>
<td>Maintenance/Repairs</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>CLOTHING</strong></td>
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<tr>
<td>Laundry/Dry Cleaning</td>
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<tr>
<td><strong>INSURANCE</strong></td>
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<td>Automobile</td>
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<td>Health/Life</td>
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<tr>
<td>Homeowners/Renters</td>
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<td>Both service member/Family SGLI</td>
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<td>SGLI/FSGLI</td>
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<td>Dental</td>
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<td>Eye Care</td>
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<td>Hospital/Physician</td>
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<td><strong>EDUCATION</strong></td>
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<td>Books</td>
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<td>Fees (Other/Room &amp; Board)</td>
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<td>Tuition</td>
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<td>MGB</td>
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<td><strong>CONTRIBUTIONS</strong></td>
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<td>Charities (CFC/NMCRS)</td>
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<td><strong>LEISURE</strong></td>
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<td>Athletic Events/Sporting Goods</td>
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<td>Include spectator sports</td>
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<td>Books/Magazines</td>
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<tr>
<td>Computer Products (Software/Hardware)</td>
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<td>Lessons</td>
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<td>Toys &amp; Games</td>
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<td>Cigarettes/Other Tobacco</td>
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<td>Vending Machines</td>
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<td>ABC, Package Store, etc.</td>
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<td>Liquor/Beer/Wine</td>
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<td>ABC, Package Store, etc.</td>
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<tr>
<td>Other (Toiletries, Supplements, etc.)</td>
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<td>Birthdays/Anniversaries</td>
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<td>Veterinarian/Service (Boarding/Grooming)</td>
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<td>ATM Fees/Stamps/etc.</td>
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<td><strong>Total Monthly Living Expenses (70%)</strong></td>
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**INDEBTEDNESS 20%**

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<th>CREDITOR</th>
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<th>PROJECTED PAYMENT</th>
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<td>1. US Govt.</td>
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**SUMMARY**

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<tr>
<td>NET INCOME (Bottom of Page 2)</td>
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<tr>
<td>SAVINGS &amp; INVESTMENTS (Page 3)</td>
<td>–</td>
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<tr>
<td>LIVING EXPENSES (Page 3)</td>
<td>–</td>
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<tr>
<td>AMOUNT LEFT TO PAY DEBTS</td>
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<tr>
<td>TOTAL MONTHLY DEBT PMTS (Page 4)</td>
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<td>SURPLUS OR DEFICIT</td>
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<td><strong>DEBT TO INCOME RATIO</strong></td>
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(Total Monthly Debt Payments ÷ Net Income x 100 = Debt-to-Income Ratio)
ACTION PLAN

INCREASE INCOME
1. ____________________________________________________________
2. ____________________________________________________________
3. ____________________________________________________________
4. ____________________________________________________________
5. ____________________________________________________________
6. ____________________________________________________________

DECREASE LIVING EXPENSES
1. ____________________________________________________________
2. ____________________________________________________________
3. ____________________________________________________________
4. ____________________________________________________________
5. ____________________________________________________________
6. ____________________________________________________________

DECREASE INDEBTEDNESS
1. ____________________________________________________________
2. ____________________________________________________________
3. ____________________________________________________________
4. ____________________________________________________________
5. ____________________________________________________________
6. ____________________________________________________________

REFERRALS/RECOMMENDED TRAINING
1. ____________________________________________________________
2. ____________________________________________________________
3. ____________________________________________________________
4. ____________________________________________________________
5. ____________________________________________________________
6. ____________________________________________________________

SETTING YOUR GOALS (Short & Long Term)
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<th>COST</th>
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## MONTHLY SPENDING PLAN

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</tr>
</tbody>
</table>

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

**TOTALS $**
**DAILY EXPENSES**

**Keep track of your daily expenses for two weeks**

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

Remember this is for tracking your take home pay, don't include allotments.

<table>
<thead>
<tr>
<th>DATE:</th>
<th>DATE:</th>
<th>DATE:</th>
<th>DATE:</th>
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<tr>
<td>Item:</td>
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</tbody>
</table>

**Take Home Pay:**

$ __________

**Amount Spent:**

$ __________

**Balance:**

$ __________

(+ or -)
**DAILY EXPENSES**

*Keep track of your daily expenses for two weeks*

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

Remember this is for tracking your take home pay, don’t include allotments.

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<th>TAKE HOME PAY FOR TWO WEEKS</th>
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<td>Item:</td>
<td>Amount:</td>
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**Take Home Pay:**

$ _________

**Amount Spent:**

$ _________

**Balance:**

$ _________

(+ or -)
Financial Planning Worksheet

Date  Today  SSN  xxx-xx-222  Rate  ET  
Name  Sailor Sample  Age  20  
Pay Grade  E-4  Yrs. in Svc.  2  Date Reported/PRD (Transfer)  
Marital Status  Single  Spouse's Name  Age  
Spouse's Place of Employment  
Number of Children and Ages  
Home Address  
Work Telephone  Home Telephone  
Command & Referred By (Self, CMD, NMCRS, FFSC, etc.)  
Amount of SGLI Elected  400,000  Amount of FSGLI Elected  0  
TSP Monthly Contribution  5%  MGIB Monthly Contribution  0  

STATEMENT OF NET WORTH

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<th>ASSETS</th>
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<th>LIABILITIES</th>
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<td>Cash on hand</td>
<td>$ 28</td>
<td>Signature Loans</td>
<td>$ ___</td>
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<tr>
<td>Checking Accounts</td>
<td>$ 75</td>
<td>Auto Loans or Leases</td>
<td>$ 25,000</td>
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<tr>
<td>Savings Accounts</td>
<td>$ 300</td>
<td>Consolidation Loans</td>
<td>$ ___</td>
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<tr>
<td>Certificates of Deposit</td>
<td>$ ___</td>
<td>Student Loans</td>
<td>$ ___</td>
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<tr>
<td>Cash Value of Life Insurance</td>
<td>$ ___</td>
<td>NEX/AAFES (Star Card)</td>
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<tr>
<td>U.S. Savings Bonds</td>
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<td>Department Store Credit Cards</td>
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<td>Other Credit Cards</td>
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<td>Stocks/Bonds</td>
<td>$ ___</td>
<td>NMCRS (Loan)</td>
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<td>College Funds</td>
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<td>Other (Friends, Relatives, etc.)</td>
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<tr>
<td>401(k)/403(b)/TSP</td>
<td>$ 1,200</td>
<td>Mortgages-Balances Due</td>
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<td>Other (IRAs, etc.)</td>
<td>$ ___</td>
<td>Home</td>
<td>$ ___</td>
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<td>Real Estate (Market Value)</td>
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<td>Rental Property</td>
<td>$ ___</td>
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<tr>
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<td>$ ___</td>
<td>Other (Vac Home/Trailer/Time Share)</td>
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<td>Personal Property</td>
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<tr>
<td>Other (Vac Home/Trailer/Time Share)</td>
<td>$ ___</td>
<td>Vehicles/Motorcycles/Boats</td>
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<td>401(k)/403(b)/TSP</td>
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<td>Other (Vac Home/Trailer/Time Share)</td>
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<tr>
<td>Other (Collectibles, etc.)</td>
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| Counseling Provided By:      |          |  TOTAL ASSETS  | $ 23,603 |
| Counselor Phone #:           |          |  TOTAL LIABILITIES | $ 27,000 |
| Appointment Date:            |          |  NET WORTH (Assets – Liabilities) | $ -3,397 |
| Time:                        |          |  Place:         |          |
### Introduction to PFM and the Financial Planning Worksheet

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<th>MONTHLY INCOME</th>
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<td><strong>ENTITLEMENTS</strong></td>
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<tr>
<td>Overseas Housing Allowance (OHA)</td>
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<tr>
<td>Basic Allowance for Subsistence (BAS)</td>
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<tr>
<td>Family Separation Allowance (FSA)</td>
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<tr>
<td>* Flight Pay/Diving Pay/Flight Deck Pay</td>
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<tr>
<td>* Submarine Pay</td>
</tr>
<tr>
<td>* Other Hazardous Duty Pay</td>
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<tr>
<td>* Sea Pay</td>
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<td>Taxable COLA</td>
</tr>
<tr>
<td>Other (tax exempt/allowance eg. COLA/FSSA)</td>
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<tr>
<td><strong>TOTAL MILITARY COMPENSATION (A)</strong></td>
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<td>* Taxable pay ( )</td>
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<th><strong>PROJECTED</strong></th>
<th><strong>REMARKS</strong></th>
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<td><strong>TOTAL DEDUCTIONS (B)</strong></td>
<td>745 78</td>
<td>1,595 78</td>
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<tr>
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<th><strong>REMARKS</strong></th>
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<td>Service Member's Take Home Pay</td>
<td>(A-B)</td>
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<td>Service Member's Other Earnings (less taxes)</td>
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<td>Spouse's Earnings (less taxes)</td>
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<tr>
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<td>Family SGLI (For Spouses)</td>
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<td>Overpayments</td>
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<td>Child Support/Alimony (Received/Income)</td>
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<td>Other Income (e.g. SSI, Rental Income)</td>
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<td><strong>TOTAL MONTHLY INCOME</strong></td>
<td>1,965 14</td>
<td>2,973 04</td>
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*Note: Pay Entitlements are taxable. Allowance Entitlements are non-taxable.*
### MONTHLY SAVINGS AND LIVING EXPENSES

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

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<thead>
<tr>
<th>SAVINGS</th>
<th>ACTUAL</th>
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<th>REMARKS</th>
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<td>Goal: 10% of Net Income</td>
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<td>TOTAL MONTHLY LIVING EXPENSES (70%)</td>
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### INDEBTEDNESS 20%

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<th>PROJECTED PAYMENT</th>
<th>REMARKS</th>
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<td>1. US Govt.</td>
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<td>2. US Govt.</td>
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<td>3. Supreme Credit Union</td>
<td>Auto Loan/Lease</td>
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<td>4. Supreme Credit Union</td>
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**TOTAL**                     | $425.00             | $27,000.00      | $425.00    |                   |                                |       |

### SUMMARY

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<th>Component</th>
<th>Actual</th>
<th>Projected</th>
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<td>$1,965.11</td>
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<td>SAVINGS &amp; INVESTMENTS (Page 3)</td>
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<td>LIVING EXPENSES (Page 3)</td>
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<td>SURPLUS OR DEFICIT</td>
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**DEBT TO INCOME RATIO**

\[
\text{Debt to Income Ratio} = \frac{\text{Total Monthly Debt Payments}}{\text{Net Income}} \times 100
\]

\[
\text{Debt to Income Ratio} = 21.63\% 14.60\%
\]
## ACTION PLAN

### INCREASE INCOME
1. 
2. 
3. 
4. 
5. 
6. 

### DECREASE LIVING EXPENSES
1. 
2. 
3. 
4. 
5. 
6. 

### DECREASE INDEBTEDNESS
1. 
2. 
3. 
4. 
5. 
6. 

### REFERRALS/RECOMMENDED TRAINING
1. 
2. 
3. 
4. 
5. 
6. 

### SETTING YOUR GOALS (Short & Long Term)

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<th>COST</th>
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<th>= MONTHLY SAVINGS TO REACH GOAL</th>
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### MONTHLY SPENDING PLAN

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<tbody>
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Budgeting Tip Sheet

1. General Budgeting Guidelines:
   - Living Expenses = 70 percent of net monthly income
   - Indebtedness (minimum credit payments, not including mortgage) = 20 percent of net monthly income
   - Savings Expenses = 10 percent of net monthly income

2. Debt-to-Income Ratio: Total of monthly debt payments divided by net income x 100. Example: Total Monthly Debt Payment = $300; Total Net Income = $1500
   $300 / 1500 = .20 .20 x 100 = 20 percent.
   - Less than 15 percent: Use caution when taking on more debt.
   - 15 percent to 20 percent: Fully extended; refrain from taking on more debt.
   - 20 percent to 30 percent: Overextended; do not take on more debt; pay down existing debt.
   - 30 percent or more: Seek help from professional debt-management experts.

3. Change Federal Income Tax Withholding: Help the client check their LES and verify how much income tax is being withheld from their paycheck. Many members overpay taxes, when they could use the money on a monthly basis. If they are over-withholding, suggest they change their W-4 FITW with their PSD or via the MyPay system. Ask the client what their income tax refund was last year. As a general guideline, if only one spouse works, a client can claim two exemptions for each child under 17 due to the Child Tax Credit. Refer clients to www.irs.gov. Calculators on the IRS Web site can be used to determine withholdings, exemptions, and the impact of changes on cash flow.

4. State Income Tax Withholding: Must be changed separately from the change in FITW.

5. Earned Income Tax Credit (EITC): Is your client eligible for this refundable federal income tax credit for low-income and working individuals and families? The credit reduces the amount of federal tax owed and can result in a refund check. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit. Income and family size determine the amount of the EITC. For more detailed information, see the IRS Web site, www.irs.gov, or IRS Publication 596, The Earned Income Tax Credit and/or IRS Publication 3, Tax Issues for the Armed Forces.

6. Food Stamps/FSSA: Depending on your client’s income and family size, they may qualify for food stamps, which would tie in with the military’s Family Subsistence Supplemental Allowance.
Financial Planning Worksheet Checklist

NET WORTH
- Is the worksheet dated?
- Are the spouse and children listed?
- Is the spouse working?
- Is cash value listed for insurance? (not death benefit)
- Did they use fair-market value of personal property (not what it cost originally)?
- Are debts owed to the government (APA, etc.) listed?
- Is there a net worth shown?
- Do total liabilities match the debt page?

INCOME
- Are the entitlement amounts correct? Verify with LES or paytable.
- Check federal and state tax withholding status; amend if necessary using W-4
- What are allotments for and when will they end? When will advance/overpayments end?
- Are other income sources listed as after-tax figures?
- Are the allotments and other deductions from pay (except taxes, Social Security and Medicare) added back in at the bottom to arrive at true net monthly income?

SAVINGS AND LIVING EXPENSES
- Are there any savings or investments listed? Pay yourself first and aim for 10 percent.
- Is there a cushion?
- Is there enough planned for insurance? Auto, life, health, personal property
- Is there money being set aside for holidays, anniversaries and birthdays?
- For those with children, even in public school, are any expenses listed under education?
- Are deduction and allotment items from the Income page carried forward as savings or expenses?
- Are they really used to contribute to savings and investments or pay monthly living expenses?
- Are food expenses realistic? Check USDA estimates.
- Are personal expenses realistic? Have expenditures for all family members been included?

INDEBTEDNESS
- Are the liabilities (debts) listed on Net Worth page carried over to the Indebtedness page?
- Are the APRs and minimum monthly payments listed on the Indebtedness page?
- Has the debt-to-income ratio been calculated? Is it correct?
- What’s the bottom line? Surplus or deficit? Has the summary been completed correctly?

ACTION PLAN
- Are options listed on the action plan?
- Is there at least one goal listed along with the plan for achieving it?

SPENDING PLAN
- Has the spending plan been completed?
- Do the numbers for the “planned” amount to spend by payday match the totals for the categories from the Living Expense page and the Indebtedness page?

GENERAL
- Is the FPW done in pencil?
- Is any information counted twice?
- Has a Monthly Spending Record been completed?
- How do savings, expenses and indebtedness totals compare to 70-20-10 guidelines?
- Are Remarks columns utilized?
- Has the projected column been used and are options listed on the Action Plan page?
Women, Infants and Children

WIC AT A GLANCE

Population Served: The WIC target population are low-income, nutritionally at-risk:

- Pregnant women (through pregnancy and up to six weeks after birth or after pregnancy ends). One in four new mothers participate in WIC.
- Breastfeeding women (up to infant’s 1st birthday)
- Nonbreastfeeding postpartum women (up to six months after the birth of an infant or after pregnancy ends).
- Infants (up to 1st birthday). WIC serves 45 percent of all infants born in the United States.
- Children up to their 5th birthday.
- WIC participants must meet income guidelines, a state residency requirement, and be individually determined to be at “nutrition risk” by a health professional.

Benefits: The following benefits are provided to WIC participants:

- Supplemental nutritious foods
- Nutrition education and counseling at WIC clinics
- Screening and referrals to other health, welfare and social services

Who Gets WIC? To be eligible for the WIC program, applicants must meet all of the following eligibility requirements:

- Categorical
- Residential
- Income
- Nutrition Risk

Contact the WIC state or local agency serving your area, to schedule an appointment. Applicants will be advised about what to bring to the WIC appointment to help determine eligibility.

Length of Participation: WIC is a short-term program. Therefore, a participant will “graduate” at the end of one or more certification periods. A certification period is the length of time a WIC participant is eligible to receive benefits. Depending on whether the individual is pregnant, postpartum, breastfeeding, an infant, or a child, an eligible individual usually receives WIC benefits for six months to a year, at which time he/she must reapply.

Waiting List/Priority System: Sometimes WIC agencies do not have enough money to serve everyone who needs WIC or calls to apply. When this happens, WIC agencies must keep a waiting list of individuals who want to apply and are likely to be served. WIC agencies then use a special system, called a Priority System, to determine who will get WIC benefits first when more people can be served. The purpose of the Priority System is to make sure that WIC services and benefits are provided first to participants with the most serious health conditions such as having anemia (low blood levels), being underweight, or having a history of problems during pregnancy.

Moving: WIC participants who move from one area or state to another are placed at the top of a waiting list when they move and also are served first when the WIC agency can serve more individuals. WIC participants who move can continue to receive WIC benefits until their certification period expires as long as there is proof that the individual received WIC benefits in another area or state. Before a participant moves, they should notify the WIC office.

Eligibility Guidelines: For current income eligibility guidelines for each state and overseas, refer to the Web site below.

**Group Activity**

**What Are My Options?**

A group activity in ways to reduce living expenses.

You will be assigned one of the following six categories of expenses. Brainstorm with your group to determine ways in which your future clients could reduce their living expenses to free up dollars for use elsewhere in their spending plan.

Expenses Categories:

1. Housing
2. Transportation
3. Food
4. Entertainment
5. Communication
6. Clothing

Use this space to record responses on ways to reduce living expenses.

---

**HOUSING:**

Referral Resources:

---

**TRANSPORTATION:**

Referral Resources:
FOOD:

Referral Resources:

ENTERTAINMENT:

Referral Resources:

COMMUNICATION:

Referral Resources:

CLOTHING:

Referral Resources:
Military Pay Issues

I. INTRODUCTION

- This chapter reviews the Leave and Earnings Statement (LES), military pays and allowances, common allotments and deductions from pay, how the Navy pay system works, tax issues of concern to military personnel, and problem resolution. It is assumed that you already are familiar with many of the basic aspects of Pay and Allowances. It is critical that the CFS know about the elements of military compensation in order to know what the client may be entitled to now and in the future. Mistakes can happen, and knowledge of pay issues will help you to correct them quickly when they do, ensuring clients are getting what they are entitled to – no more, no less.

- Although some of this information changes regularly (e.g., the dollar amount of compensation), most of the information remains constant from year to year (i.e., base pay is based on pay grade and years of service). It is essential that you keep current on changes occurring in this area.

- The Leave and Earnings Statement is the basis for discussion on pay issues. All counseling sessions should include a review of the member’s current LES as a first step in analyzing a client’s financial situation. In this chapter, you will start using the pay and allowance and tax tables as well as the Monthly Income page of the FPW. Three “Income” case studies are to be completed after the information has been presented.

- Chapter correlation to major OPNAVINST task areas:
  1. **Education and Training:** The Military Pay Issues Module of the PFMSC is incorporated into this chapter. The majority of the PFMSC module is modeled, and income case studies are added. You will have adequate exposure to the topic to allow you to present this training at the command level. Case study work provides exposure to an additional instructional technique.
  2. **Information and Referral:** If an expert in the subject matter presents the brief, you will be exposed to an important referral resource.
  3. **Counseling:** Through the Income Case Studies, you will continue to develop counseling skills in completing the FPW.

II. LEARNING OBJECTIVES

The learner will identify correctly seven key sections of the LES.

The learner will differentiate between monetary and non-monetary compensation by correctly completing a sorting activity.
The learner will demonstrate the difference in income tax withholding by correctly completing three case study scenarios.

The learner will demonstrate an understanding of military pay components and the Income page of the Financial Planning Worksheet by correctly completing three income case studies.

III. REFERENCES


www.dfas.mil (DFAS Web site for pay tables)

www.defenselink.mil/militarypay (OSD Military Compensation)

http://www.defenselink.mil/comptroller/fmr/07a/ (Financial Management Regulations Chapter 7a.)


www.irs.gov (Pubs 3, 15, 17 and 596 and Armed Forces Tax Benefits Section)

www.va.gov (Department of Veterans Affairs — VA Insurance Home Page)

https://mypay.dfas.mil (Defense Finance Accounting Service — MyPay)


IV. CONTENT
A Summary of Your Military Compensation

It’s Probably More Than You Think...

PAY (Taxable): Base, Sea, Sub, Flight, HDIP, Diving, Special, Proficiency, etc.

ALLOWANCE (Non-Taxable): BAH, BAS, Clothing, FSA, FSSA, DLA, TLE, TLA, COLA, MMA, OHA, MALT

BONUS and SPECIAL PAYS: Reenlistment, Nuclear, Professional (Doctors, Dentists, etc.), Accession, VSI/SSB

Base Facilities: Theaters, gyms, pools, recreation areas, RV parks, beaches, picnic areas, theaters, gas stations, mini-marts, package stores, laundry and dry cleaning, libraries, chapels, transient quarters, military hotels, and clothing stores.

Casualty Assistance

College Education Benefits: GI Bill, Tuition Assistance

Commissary Privileges for Members and Family Members: Save up to 27%

Dental Program

Disability (Member)

DoD Schools at Overseas Base

Employee Assistance Program: Fleet and Family Support Centers — Deployment, Relocation, Transition, Financial, Career Development, Retiree, Ombudsman and Counseling Programs

Entertainment: Theaters, single service member programs, MWR recreation services, travel and ticket offices, open messes (clubs)

Exchange Privileges: Tax-free Purchases Save up to 19%

Group Term Life Insurance: for Member, Spouse and children (SGLI and FSGLI)

Healthcare for Members and Family Members

Housing Services: Education on Buying, Renting and Managing Property; Home-buying benefits (VA Loans); military quarters

Legal Services: Wills, Power of Attorney, general legal services and advice

Military Discounts: available all over the world

Navy-Marine Corps Relief Society

Paid Disability Leave

Paid Holidays

Paid Maternity Leave

Paid Sick Leave

Paid Vacations

Defined-Benefit Pension Plan

Defined- Contribution Retirement Plan: Thrift Savings Plan

Professional Education and Training

Religious Programs

Service Academies

Space-A Travel

Subsidized Childcare

Survivor Benefits

Tax Preparation Services

Veteran’s Programs
Understanding Your LES

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

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**Key to Sections**

A. Shows period covered by this LES. This LES will reflect any changes to Petty Officer Dough’s pay that the Defense Finance Accounting Service Cleveland (DFAS) has processed. There may have been other changes to his entitlements, but due to mail or processing delays, they are not reflected on this LES. In most cases, these changes will be reflected on the next LES.

B. Displays all entitlements for the period covered. Any entitlements that were earned in previous months will be added to like entitlements or allowances.

C. Displays all deductions from pay for the period covered. Any retroactive deductions will be added to like deductions. Displays all allotments deducted from pay for the period covered.

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

**DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT**

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**REMARKS**

YTD ENTITLEMENTS: 16391.91
YTD Deductions: 2727.84
JFTR Depns: 2D JFTR BAS Type: 2D JFTR BAS Type: 2D JFTR BAS Type: 2D JFTR BAS Type: 2D JFTR

**DFAS Form 702, Jan 02**
Summarizes entitlements, deductions and allotments to provide the actual amount of money to be paid to the member on payday. Amount shown is the amount to be paid on the end-of-the-month payday.

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

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

Provides the current status of Petty Officer Dough’s leave account.

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

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

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

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

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

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

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

Shows current federal tax information.

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

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

Provides information for local disbursing use.

Provides information on TSP contributions for the current year.

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

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

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

**Web sites:**

- www.militaryonsecource.com
- www.dfas.mil/militarypay.html
- www.nko.navy.mil
- www.dod.mil/militarypay
- www.lifelines.navy.mil

**REMEMBER**

Your pay is your responsibility. Verify and keep your LES each month. If your pay varies significantly and you don’t understand why, visit your Disbursing Office or mypay.dfas.mil
Military Pay Breakdown

WHAT GOES IN

1. Taxable Pays
   a. Base Pay
   b. Special and Incentive Pays
   c. List of Pays
      - Base Pay
      - Sea Pay
      - Submarine Pay
      - CEFIP and ACIP
      - HDIP
      - Hostile Fire Pay/Imminent Danger Pay/Combat Pay
      - Diving Duty Pay
      - Special Assigned Duty Pay
      - Foreign Language Pay
      - Various Pays for Doctors, Dentists, Nurses, etc.
      - Wounded Warrior Pay

2. Non-taxable Allowances
   a. Housing
      - BAH
      - COLA
      - MIHA — Overseas
      - OHA — Overseas
   b. Living Expenses
      - BAS
      - FSA
      - CRA
      - FSSA
   c. Moving/Travel
      - Mileage/Transportation
      - Per Diem
      - TLE
      - TLA
      - DLA

WHAT GOES OUT

1. Allotments
   a. Discretionary and Non-discretionary
   b. Examples
      - Savings
      - Savings Bond Purchases
      - Commercial Insurance Premiums
      - Charitable Contributions
      - Commercial Loan Repayments
      - Home Mortgage and Rent Payments
      - Government Indebtedness
      - Garnishment/Bankruptcy Payments
      - Education
      - TRICARE Dental
      - Dependent Allotments
      - SDIP Deposits
      - Relief Repayments
      - Child and Spouse Support Payments

2. Deductions
   a. Taxes
      - Federal
      - FICA
      - State
   b. Insurance
      - SGLI
      - FSGLI
   c. Garnishments
   d. Other
      - Meal Collection
      - Advance Pay
      - Advance BAH or OHA
      - MGIB
      - AFRH
      - Overpayment Repays
   e. TSP
Income Tax Withholding—Get It Right!

Use the tax tables on the following pages to calculate the differences in withholding.

<table>
<thead>
<tr>
<th>Monthly Taxable Income</th>
<th>Current Withholding</th>
<th>Projected Withholding</th>
<th>Change</th>
</tr>
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<tbody>
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<td>M03</td>
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<td>$3,190</td>
<td>M04</td>
<td>S02</td>
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</table>

I’ve Got a Problem

In the chart below, list possible solutions and referrals for the common pay problems listed.

<table>
<thead>
<tr>
<th>Common Pay Problems</th>
<th>Possible Solutions and Referrals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overpayments and underpayments</td>
<td></td>
</tr>
<tr>
<td>Unexpected repays (garnishments, overpayments)</td>
<td></td>
</tr>
<tr>
<td>Pay problems related to PCS and deployments</td>
<td></td>
</tr>
<tr>
<td>Changes in dependent status (marriages, children, etc.), exemptions incorrect</td>
<td></td>
</tr>
<tr>
<td>Allotments not stopping or starting on time</td>
<td></td>
</tr>
<tr>
<td>Too many allotments being used at once</td>
<td></td>
</tr>
<tr>
<td>Government travel card</td>
<td></td>
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</tbody>
</table>
SINGLE Persons—MONTHLY Payroll Period
(For Wages Paid Through December 2009)
If the wages are –
At least

But less
than

And the number of withholding allowances claimed is —
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The amount of income tax to be withheld is —

$0
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640
680
720

$600
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680
720
760

$0
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5.8

Command Financial Specialist Training Student Manual

Publication 15-T (March 2009)

Page 19


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</table>

The amount of income tax to be withheld is —

Persons—

(For Wages Paid Through December 2009)
Activity: Income Case Studies

These are case studies in computing military pay and allowances in situations that are similar to those with which you will be working as a Command Financial Specialist. Please determine the NET INCOME for each case study. Worksheets are provided for your answers.

Instructor Note

- Prepare solutions to each case study using the excel FPW, current version.
  - Use current BAS meal entitlement and deduction.
  - If using tax tables in the class, you will need to overwrite the tax amount computed by your Excel FPW solution to reflect the round number in the tax tables that the learners will be using.
  - Use local BAH rate for A and B.

CASE STUDY A

Name: Seaman John Paul Jones — E-3
Command: USS Seagoing (not deployed at this time)
Whole years of creditable service: over two years (11 months of accumulated sea duty)
Housing: renting civilian housing
Dependents: two
Tax-filing status (exemptions): S00

Other deductions: SGLI — full coverage, member only; dental — family coverage; AFRH
Allotments: wife — $300
Advance pay — $162.24 (ends in 12 months)
Navy-Marine Corps Relief Society — $3

CASE STUDY B

Name: TM2 Bill Dolphin — E-5
Command: USS Blue Fish (SSN 46) (has been deployed for two months)
Seven (six years sub-qualified)
Whole years of creditable service: three years of accumulated sea duty (two years of consecutive sea duty)
Housing: owns home
Dependents: four
Tax-filing status (exemptions): M05

Other deductions: SGLI — full coverage, member only; dental — family coverage; AFRH
Allotments:
  - Wife — $600
  - Whole-life insurance — $53.75
  - Combined Federal Campaign — $2
  - Navy Federal Credit Union — $50 (savings account)
  - Any Bank (mortgage) — $643 (ends in 28 years)
  - Advance pay — $243.35 (ends in three months)

CASE STUDY C

Name: ATI Rachel Bird – E-6
Command: VAW–110, flight crew member (not deployed at present time)
Whole years of creditable service: nine
Housing: base housing
Dependents: five
Tax-filing status (exemptions): M03

Other deductions: SGLI — full coverage, member only; dental — family coverage; AFRH
TSP — 4 percent of base pay
Allotments:
  - whole-life insurance — $23 (ongoing)
  - Navy-Marine Corps Relief Society — $53 (ends in 10 months)
  - XYZ Bank — $66 (collateral loan for furniture, ends in six months)
  - Overpayment — $143 (ends in eight months)

Other income: child support received — $150; husband not employed outside the home
### MONTHLY INCOME

<table>
<thead>
<tr>
<th>ENTITLEMENTS</th>
<th>ACTUAL</th>
<th>PROJECTED</th>
<th>REMARKS</th>
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</thead>
<tbody>
<tr>
<td>* Base Pay</td>
<td></td>
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<tr>
<td>Basic Allowance for Housing (BAH I or II)</td>
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<tr>
<td>Overseas Housing Allowance (OHA)</td>
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<tr>
<td>Basic Allowance for Subsistence (BAS)</td>
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<tr>
<td>Family Separation Allowance (FSA)</td>
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<tr>
<td>* Flight Pay/Diving Pay/Flight Deck Pay</td>
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<tr>
<td>* Submarine Pay</td>
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<td>* Other Hazardous Duty Pay</td>
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<td>* Sea Pay</td>
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<tr>
<td>Taxable COLA</td>
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<tr>
<td>Other (tax exempt/allowance eg. COLA/FSSA)</td>
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<tr>
<td>TOTAL MILITARY COMPENSATION (A)</td>
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<td>Excludes pretax ded for TSP/MGIB</td>
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I. INTRODUCTION

- As a CFS, you will be called upon to provide financial counseling to members and possibly their family members. You likely have received previous training on how to counsel and so have a basic knowledge of what counseling entails. This chapter provides a general introduction to a specific type of counseling called Solution-Focused Financial Counseling and to an eight-step counseling cycle. This is an introductory segment that will be explored in further detail during the week and put into practice through practical application during counseling role-play. Communication skills and the art of listening are important CFS abilities that will be demonstrated and discussed here and throughout the week.

- The last few hours of training focused on the Financial Planning Worksheet and related concepts, such as the “science” of being a CFS. Here, we begin to show how “science” merges with “art” in the counseling arena. This training will introduce a number of counseling tools at your disposal and explain how to use them.

- Chapter correlation to major OPNAVINST task areas:
  1. **Education and Training**: This chapter has no direct correlation to PFMSC modules. Some of the forms (tools) introduced have educational application.
  2. **Information and Referral**: The process of making referrals is presented in the context of the counseling cycle.
  3. **Counseling: Solution-Focused**: Financial Counseling is introduced. A practical eight-step counseling cycle is introduced. Counseling tools are introduced. Counseling session structure and procedures are discussed.

II. LEARNING OBJECTIVES

Using a multiple-choice exercise, learners will identify correctly the appropriate application of solution-focused financial counseling principles.

Learners will demonstrate a basic understanding of the eight-step counseling cycle by developing at least one appropriate question for each stage.

Working in pairs, learners will demonstrate appropriate counseling communication skills.

Learners will demonstrate knowledge and appropriate uses of key counseling tools by completing them for homework.
III. REFERENCES


VI. CONTENT

Applying SFFC: The Best Response

Circle the response that you think best fits the client statement. Consider the principles of solution-focused financial counseling when choosing the best response, and be prepared to justify your choice.

<table>
<thead>
<tr>
<th>Client Statement</th>
<th>The Best Response</th>
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<tbody>
<tr>
<td>1. I always run short of money at the end of the month. Managing my money is a</td>
<td>a. That sounds really tough.</td>
</tr>
<tr>
<td>problem.</td>
<td>b. Are you spending all the money, or is it your wife?</td>
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<td></td>
<td>c. Can you think of a time when this doesn't happen?</td>
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<td></td>
<td>d. How long has this been going on?</td>
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<td></td>
<td>*Best response helps client find exceptions to problem.</td>
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<tr>
<td>2. I can't track my spending.</td>
<td>a. What would happen if you did track your spending?</td>
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<td></td>
<td>b. Why can't you track it?</td>
</tr>
<tr>
<td></td>
<td>c. Most people find that hard to do.</td>
</tr>
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<td></td>
<td>d. It isn't critical at this time.</td>
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<td></td>
<td>*Best response has a future orientation.</td>
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### Chapter Six

**Introduction to Financial Counseling**  

#### 3. I’ve never been able to budget my money.

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<tbody>
<tr>
<td>a.</td>
<td>That is a common problem.</td>
</tr>
<tr>
<td>b.</td>
<td>Have you ever stuck to a diet?</td>
</tr>
<tr>
<td>c.</td>
<td>Maybe you just don't have the right help.</td>
</tr>
<tr>
<td>d.</td>
<td>What would you need in order to begin budgeting?</td>
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</table>

*Best response helps client develop solution.*

#### 4. I worry about money and my financial future.

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<tbody>
<tr>
<td>a.</td>
<td>Yes, worrying will cause you significant stress.</td>
</tr>
<tr>
<td>b.</td>
<td>When do you not worry?</td>
</tr>
<tr>
<td>c.</td>
<td>Do you know anyone who doesn’t worry about that?</td>
</tr>
<tr>
<td>d.</td>
<td>I can take care of that.</td>
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</table>

*Best response helps the client find exceptions to the problem.*

#### 5. I always screw up with my money.

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<tbody>
<tr>
<td>a.</td>
<td>You're in good company.</td>
</tr>
<tr>
<td>b.</td>
<td>What typically happens when you screw up?</td>
</tr>
<tr>
<td>c.</td>
<td>What is one good thing you’ve done for your situation?</td>
</tr>
<tr>
<td>d.</td>
<td>Most people feel the way you do.</td>
</tr>
</tbody>
</table>

*Best response looks for something positive on which to build.*
The Eight-Step Counseling Cycle

1. Prepare for the Counseling Session
2. Build the Relationship
3. Gather Data
4. Prioritize Concerns
5. Explore Options
6. Construct Solutions
7. Implement Plan
8. Monitor and Follow-up
Please bring the following items to assist in our meeting:

<table>
<thead>
<tr>
<th>Item</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most recent LES</td>
<td></td>
</tr>
<tr>
<td>Bills (past/anticipated)</td>
<td></td>
</tr>
<tr>
<td>Correspondence from creditors</td>
<td></td>
</tr>
<tr>
<td>Contracts</td>
<td></td>
</tr>
<tr>
<td>Your budget OR __________________________</td>
<td></td>
</tr>
<tr>
<td>Completed Financial Planning Worksheet</td>
<td></td>
</tr>
<tr>
<td>Checkbook and register</td>
<td></td>
</tr>
<tr>
<td>Letters of Indebtedness</td>
<td></td>
</tr>
<tr>
<td>Most recent credit report</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

Your next meeting is ______________(day/date) at __________________________ hrs, at __________________________ (location)

Financial counselor: ________________________________

Telephone: ________________________________
Compiling a financial counseling notebook with just the essential forms and reference materials you will need for most counseling sessions will help you be better prepared and organized for the interview. Materials to include in your financial counseling notebook:

- Privacy Act Statement
- Financial Planning Worksheets
- Debt-to-Income Ratio Sheet
- Pay Tables
- Tax Tables
- IRS Form W-4
- State Income Tax Tables
- Sample Letter to a Creditor
- MILPERSMAN ARTICLE 7000-020, Indebtedness and Financial Responsibility of Members
- Guide for Writing a Case Narrative
- Financial Referral Resources
1. **LEGAL AUTHORITY:** The authority for soliciting and maintaining this information is found in 5 U.S.C. Sect. 301, in addition to 10 U.S.C. 6161 and 10 U.S.C. 2774 as added by Public Law 92-453.

2. **PRINCIPAL PURPOSE:** The information you provide will help the Command Financial Specialist assist you and your dependents in planning your personal financial affairs.

3. **ROUTINE USES:** The information collected on this form by the Command Financial Specialist will be used as a chronological consultation sheet to provide aid and insight for future financial counseling sessions, to monitor the progress achieved, and to prepare periodic statistical reports on the financial case load of the Command Financial Education Program. In addition to using the information you provide for the “principal purpose” given above, the blanket routine uses of all Navy Privacy Act systems of records are applicable.

4. **OTHER DISCLOSURE OF YOUR INFORMATION:** In addition to using the information you give the Command Financial Specialist for the “principal purpose” and “routine uses” given above, your information may be disclosed in certain other situations, as permitted by exceptions to the Privacy Act. These could include disclosures to a commanding officer and other DoD officials in connection with certain security clearances, personnel reliability programs, and family-abuse situations.

5. **DISCLOSURE IS VOLUNTARY:** The information you provide is strictly voluntary; however, failure to provide this information may result in inadequate facts and hinder or prevent the Command Financial Specialist from being able to assist you.

---

**Privacy Act Statement**

---

I have read and understand the above important information and Privacy Act statement. My Command Financial Specialist has explained the contents of the Privacy Act statement to me.


---

Date__________________________ Signature__________________________

Spouse__________________________ Witness/Counselor__________________________
### Hierarchy of Concerns

#### Immediate critical financial concerns
Emergency issues that must be addressed right away.
- Housing: immediate eviction or no housing
- No food
- No Transportation
- Clothing: inappropriate for current weather
- Immediate medical attention
- Utility disconnects: shut-offs

#### Long-term concerns
Issues that are neither immediate and critical, nor pressing, but require assistance.
- Developing a savings plan
- Investment options
- College savings
- Tax issues
- Debt-management plans

#### Pressing financial concerns
Concerns that are imminent but not an emergency; address within the 10 days.
- Involuntary allotments
- Threat of legal actions, repossession or bankruptcy
- Loans placed for collections by creditors
- Letters of Indebtedness to the command
- Utility disconnects
- Repairs on an essential automobile
- Eviction notices
- Lack of food
- No gasoline for the car
- No diapers for infants
- Pay problems resulting in reduced paycheck
- Emergency leave
- Bounced checks
Guide to Writing a Case Narrative

1. If client was referred to the Command Financial Specialist Program, who made the referral (name of person, organization, etc.)?

2. Who attended the counseling session (service member, spouse or both)?

3. What are the main concerns of the client regarding his/her financial situation (having problems between paydays, establishing a spending plan, delinquent accounts, Letters of Indebtedness to the command, etc.)?

4. What circumstances in the past have contributed to the present financial situation (transfer, emergency, loss of income, etc.)?

5. Does the client have any emergency needs (food, eviction, loss of electricity, summons to appear in court for judgment, etc.)?

6. What is the “bottom line” after working up the monthly budget (surplus or deficit)?

7. Was a “break down” by paydays and projected budget prepared?

8. What options and/or assistance were given to the client (how to economize on living expenses, how to establish a budget and record-keeping system, how to contact creditors and make repayment arrangements, etc.)?

9. What referrals were made?

10. Were other people or agencies contacted in regard to the client’s case (name, agency, address, phone number, information shared, agreements made, etc.)?

11. What tasks were assigned to the client (keep record of all spending, contact creditors to establish a repayment plan, etc.)?

12. Was a follow-up session scheduled (date and time)?

13. What was discussed and accomplished at the follow-up session (what has happened since last session, what tasks were accomplished and assigned, what still needs to be addressed, etc.)?

14. When is case closed (date and status of the client)?
# How Do You Rate as a Money Manager

Answer the questions according to your PRESENT financial experiences.

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I have managed the bulk of my own expenses since I was:</td>
<td>16 to 18</td>
<td>18 to 21</td>
<td>over 21</td>
</tr>
<tr>
<td>2. I have my own checking account.</td>
<td>now</td>
<td>at one time</td>
<td>never</td>
</tr>
<tr>
<td>3. I have my own savings account</td>
<td>now</td>
<td>at one time</td>
<td>never</td>
</tr>
<tr>
<td>4. I have trouble balancing my checkbook.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>5. I run out of money before I run out of month.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>6. I am bothered by a creditor demanding payment on an overdue bill.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>7. I worry about money.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>8. I have been refused credit.</td>
<td>never</td>
<td>once</td>
<td>more than once</td>
</tr>
<tr>
<td>9. I am in debt.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>10. I spend more than I planned.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>11. I can afford what I want.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>12. I regret what I buy.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>13. I save regularly.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>14. I enjoy spending money.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>15. I feel as if I’ve thrown my money away.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>16. My wife/husband thinks I’m a</td>
<td>penny pincher</td>
<td>prudent spender</td>
<td>spendthrift</td>
</tr>
<tr>
<td></td>
<td></td>
<td>penny pincher</td>
<td>prudent spender</td>
</tr>
<tr>
<td>17. I think I’m a</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>18. I like extravagances.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>19. Lack of money is my biggest problem.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>20. I buy on impulse.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>21. I buy ahead.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>22. I have to juggle my creditors.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>23. There are important things I want that I will</td>
<td>probably</td>
<td>possibly</td>
<td>never</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. I would go into debt to take a vacation.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>25. I review my net worth.</td>
<td>each year</td>
<td>sometimes</td>
<td>never</td>
</tr>
<tr>
<td>26. I count on future raises or bonuses to pay some of my bills.</td>
<td>never</td>
<td>sometimes</td>
<td>always</td>
</tr>
<tr>
<td>27. I write checks and then have to cover them.</td>
<td>never</td>
<td>sometimes</td>
<td>usually</td>
</tr>
<tr>
<td>28. I have had checks bounce.</td>
<td>never</td>
<td>sometimes</td>
<td>often</td>
</tr>
<tr>
<td>29. I estimate my expenses well.</td>
<td>usually</td>
<td>sometimes</td>
<td>never</td>
</tr>
<tr>
<td>30. My monthly rent or mortgage payments are</td>
<td>less than 25%</td>
<td>25%</td>
<td>more than 25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scoring: A=1   B=3   C=5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total: ________________</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Financial Values Clarification

This exercise is designed to start you thinking and talking about your financial values in terms of goods and services that are important to you. Spending your money is a very personal thing — what you consider to be a luxury, your spouse or “significant other” may consider a necessity. If necessary, what items could you eliminate from your possessions or goals? Do your work individually—do not consult with your partner. Respond in accordance with your feelings and not as you “think” you should respond.

Beside each of the items listed below, indicate how you would rate each one:

<table>
<thead>
<tr>
<th></th>
<th>Necessary</th>
<th>Very Useful</th>
<th>Merely Desirable</th>
<th>Luxury</th>
<th>Not Desirable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Annual vacation</td>
<td>___</td>
<td>22. Health club membership for spouse</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Dinner out once a week</td>
<td>___</td>
<td>23. College education for children</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Washing machine</td>
<td>___</td>
<td>24. Extra money for liberty while deployed</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Long-distance calls to spouse’s family</td>
<td>___</td>
<td>25. Dinner out once a month</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Savings account</td>
<td>___</td>
<td>26. Investments (stocks, bonds)</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Own a home</td>
<td>___</td>
<td>27. Department store credit cards</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Surround-sound system</td>
<td>___</td>
<td>28. VISA and Mastercard credit cards</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Health club membership for yourself</td>
<td>___</td>
<td>29. Health insurance for family</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Hairdresser once a week</td>
<td>___</td>
<td>30. Second car</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Motorcycle</td>
<td>___</td>
<td>31. Additional education for yourself</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Movie once a week</td>
<td>___</td>
<td>32. Dishwasher</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Life insurance</td>
<td>___</td>
<td>33. Long-distance calls to your family</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Family car or station wagon</td>
<td>___</td>
<td>34. Hairdresser once a month</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Family van</td>
<td>___</td>
<td>35. Visits with your family</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Additional education for spouse</td>
<td>___</td>
<td>36. Extra baby-sitting money when spouse is deployed</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Visits to spouse’s family</td>
<td>___</td>
<td>37. Sporting events tickets</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Air-conditioning in home</td>
<td>___</td>
<td>38. HD TV</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Gasoline credit card</td>
<td>___</td>
<td>39. Movie once a month</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19. New outfit once a month</td>
<td>___</td>
<td>40. Swim club membership for family</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Swimming pool in backyard</td>
<td>___</td>
<td>41. Clothes dryer</td>
<td>___</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. Checking account</td>
<td>___</td>
<td>42. Boat</td>
<td>___</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Practical Application Review/Record-keeping and Instructional Techniques

I. INTRODUCTION

The main focus of this training section is the discussion on instructional techniques. You are being given all the information and materials you need to conduct training. We will be focusing on instructor training techniques and style to bring the training sessions to life. To make them truly effective, we will focus on making them participant-centered, active learning experiences. Providing training at the command level is crucial, so we will work with you to enhance both your training skills and your comfort with providing training.

This chapter also includes a brief review of record-keeping systems. The best record-keeping system is simple and easy and one that actually will be used and kept up-to-date. For our purposes, we will focus on what clients should keep and where they should keep it.

Chapter correlation to major OPNAVINST task areas:

1. **Education and Training**: Introduction to the chapter includes a review of the Instructional Techniques homework. This is a main element and provides students the opportunity for specific instruction on how to be an effective trainer.

2. **Information and Referral**: No direct correlation

3. **Counseling**: This chapter will prepare the CFS to work with clients with no record-keeping system in place, helping them to set up an appropriate system to assist in efficiently developing and maintaining a financial plan.

II. LEARNING OBJECTIVES

Using instructional materials from the PFMSC, learners will demonstrate appropriate training techniques that result in an 80 percent “Yes” response to all items on the Instructional Techniques Critique Sheet.

III. REFERENCES


### IV. CONTENT
Six Simple Steps to Better Record-Keeping

1. Get some file folders, hanging folders, or large envelopes, and a file box or cabinet
2. Gather and organize your financial Information
3. Determine where each type of record should be kept—at home or in a safe-deposit box
4. Place the “home” records in labeled file folders in a logical order
5. Place appropriate records in a safe-deposit box
6. Once a year, review and discard unneeded records

Items for Storage in Safe-Deposit Box

PERSONAL DOCUMENTS
- Family birth certificates
- Family death certificates
- Marriage certificate
- Divorce decree
- Baptismal certificates
- Citizenship/naturalization papers
- Adoption papers
- Military discharge papers
- Social Security verification

COPIES OF ESTATE-PLANNING DOCUMENTS
- Wills
- Living wills
- Health-care proxies
- Trusts
- Letters of instruction
- Guardianship arrangements

OBLIGATIONS/CONTRACTS
- Contracts
- Copies of insurance policies
- IOUs
- Retirement and pension plan documents

OWNERSHIP DOCUMENTS
- Bonds and stock certificates
- Deeds
- Automobile titles
- Household inventories
- Home-ownership records
- Copies of trust documents

Labels for File Folders at Home

Banking and Bills
- Bills due after this month
- Bills due this month
- Checking account transactions/statements
- Credit-card transactions/statements
- Credit report
- Debt-management plans
- Savings account transactions/statements/passbooks

Children
- Important information for each child
- Social Security numbers
- Copies of birth certificates
- Passports
- School information

Estate Planning
- Durable power of attorney
- Letters of last instruction
- Living wills
- Will(s)

Financial Planning
- Annuity policies
- Financial planning Worksheet
- Insurance policies
  - Automobile
  - Health and medical
  - Home
  - Life
  - Other
  - Personal liability
  - Property
More Labels for File Folders

**Household**
- Appliance manuals and warranty/guarantee information
- Complaint letters
- Home purchase and sale documents
- Household inventory (copy in safe-deposit box)
- Property tax information
- Purchase information/receipts for expensive items
- Repair records

**Investments**
- Investment account information and statements
- IRA and other retirement account transaction statements
- Stocks/bonds/mutual fund statements (original stock certificates and bonds should be kept in a safe-deposit box)
- TSP information

**Job**
- Command information
- Current resumes
- Employment records/information
- LES and other pay information
- Points of contact for emergency (military)
- Command leadership
- Ombudsman
- NMCRS
- ARC

**Medical**
- Family dental records
- Family health records
- Insurance statements

**Personal**
- Certifications/licenses
- Church information
- Divorce/separation papers
- Frequent-flier mileage statements
- Legal papers
- Name and addresses of financial professionals
- Passports
- Powers of attorney
- Safe-deposit box spare key

**Taxes**
- Business expense records
- Current file for this year’s receipts and transactions
- Past-year’s tax files

**Vehicles**
- Buy/sell documents
- Lease information
- Maintenance and repair records
- Registration/titles (keep titles in safe deposit box)

---

**Record Retention**

Three Years for Most Files

Tax Files and Information: Six Years*

Homeownership Documents: As Long as You Own the Property

Safety-Deposit Box Contents: Indefinitely for Most Items

*See IRS Pub 552 for record retention relating to federal income taxes.
Motivating Adults to Learn

What makes a person an instructor? What makes a good instructor? What makes a great instructor? Are there key elements that can make a good instructor great? How do we motivate our learner to learn the material and then use it in a successful PFM program at their command? Motivation, the “I want” that drives the “I can,” is the driving force that makes you accomplish something. It is stimulus, impetus and incentive. It is key to successful training, as it is a necessary condition for learning, a causal factor in learning, and a consequence of learning. Motivation will make learners cooperative and will stimulate adults to learn. Adults choose to learn, and they will make that choice in an effort to resolve problems, enhance understanding, master a skill or topic, or simply to improve themselves. There are four elements of motivation:

Empathy: The Power of Understanding — Relate to the audience with your own experiences. Improve direct contact with audience (move out from behind that podium). Use a friendly approach to understanding the audience. Use common goals as motivators. Involve the whole audience, one-on-one and as a whole. Dress appropriately. Offer tools and resources to learners. Provide a comfortable environment. Ask for feedback and use it. Repeat or paraphrase the learners’ questions. Avoid preconceived notions. Realistically understand learners’ needs and expectations. Adapt instruction to meet learners’ skills and experience level. Consider the learners’ perspective.


Clarity: The Power of Presentation — Provide specific objectives and feedback. Keep the subject timely. Tell stories designed for the audience. Use appropriate instructional techniques. Be concise in communication. Know your subject. Relate relevant personal experiences. Use props and audio/visual aids. Speak to the level of the audience, using appropriate language. Use etiquette and respect. Promote questions and answers. Listen to learner sea stories. Discuss correct facts and figures. Provide detailed information. Ensure instruction can be understood and followed by most learners. Provide additional methods of comprehension of what was taught if it was not clear in the initial presentation. Use active learning techniques. Don't try to impress but to express.

Active Training Techniques

Adult Learning Styles — For adults to learn, instruction must be stimulating and have something for all types of learners. Some people are visual learners. They rely on their sight to learn new information. With visual learners, demonstrations and visual aids (e.g., charts, videos, slides, pictures) are very effective. Some are auditory learners. They like to listen to explanations and discuss new information with others. They learn verbally. Lectures, group discussions and audiotapes are effective for this group. Finally, some learners are known as kinesthetic learners. This group learns best by doing. They enjoy “hands-on” experiences and need to practice
new skills. Even though most people have a learning-style preference, studies have found that people retain more information when a combination of learning styles is used. An effective instructor will present information in a combination of ways: visually (learners see it), verbally (learners hear it), and interactively (learners do it), so that people are engaged by the training.

Using the various adult learning styles, or a combination of them, trainers need to focus on maintaining learner attention, building learner interest, and developing learner involvement. Maintaining learner attention is accomplished by providing response opportunities frequently through questions, opinions, demonstrations and reactions to feedback. Help learners realize that they are accountable for learning. Provide variety in style, instructional methods and learning materials (visual, auditory, kinesthetic). Provide closure to activities. Use breaks, physical exercises and energizers. Building learner interests is accomplished by relating the learning to adult interests, providing a constant stream of relevant material, using age-related topics, touching on issues that interest people (probably NOT something about you), and defining the clear advantages of learning the materials. Developing learner involvement includes using disequilibria to stimulate, playing the devil's advocate, and making learner reaction and participation an essential part of the learning process via games, exercises, observations, overt bodily activity, and minor challenges.

The Command Financial Specialist Training Course uses many active training techniques in an effort to appeal to all types of learners. These techniques include active lecturing using questions and answers, brainstorming, learning partners, games, role-plays, activities, group work, hands-on practical application, and simulations. Active learning techniques aid in retention, add variety, and keep learner attention. They can be icebreakers, illustrations or session closers. They are single-focus, adaptive, inexpensive, and often humorous. Since many people learn best by doing, active learning lets the learner do the work. Brief, participative, low-risk activities assist learning through repetition, reinforcement, association, and the five senses. Get off the lecture circuit and start training actively! Following are some tips on key types of active training.

**Active Lecturing**

- Break down lectures into small pieces, punctuated with practical application
- Use visual aids
- Encourage and use questions (have them prepared)
- **APPLE technique**: Ask question, Pause, Pick a person to respond, Listen to the answers, Encourage the person by responding with positive reinforcement such as “great” or “excellent.”
- Call on non-volunteer students occasionally (use the whole class); prompt those who give a weak or inaccurate answer; answer some questions with a question. Don’t ridicule; don’t shotgun; give time for a response.
- Use guided note-taking
- Encourage discussion
- Involve learners through written participation
- Use values-clarification exercises
- Use role-play or simulation
- Use brainstorming
- Prepare supplementary handouts
- Illustrate with a case study or critical incident
- Give informal tests
- Conduct interviews
- Encourage directed listening
- Make a concept diagram
- Ask for “I learned… ” and “I wonder… ” statements
- Team lecture

**Visual Aids**
- Reduces explanation time; a picture is worth a thousand words
- Should be:
  1. Accurate: Outdated or incorrect visuals defeat their purpose
  2. Simple: Unnecessary data can confuse the student
  3. Visible: All students must be able to see all aspects of the visual aid (for projection visibility, each row should be no more than three screen-widths wide, the first row should be at least two screen-widths length from the screen, and the back row should be no more than six screen-widths length from the screen)
  4. Necessary: Visual aids must support your program
- Can be transparencies, electronic projections, videos, newsprint and/or wall charts, slides, chalkboard/white board, handouts, and props

**Humor in Presentations**
- Appropriate humor will turn “ha-ha” into “a-ha”
- Humor helps people relax
- During and immediately after the use of humor, people suspend judgment. This is a teachable moment — call it the “laughter-math” and take advantage of it.
- Humor can be very simple — showing a funny cartoon, T-shirt, hat or button. It can be more complex — humorous ways of choosing groups, games and activities with a humorous twist. Humor can include props as well. Although humor should be appropriate to the training, there are times when humor for humor’s sake is OK, too.
- Humor makes training fun, but it doesn’t make fun of trainees.
- Humor isn’t necessarily telling a joke so much as communicating a sense of humor.
- Here are eight E’s of humor:
  1. Environment: Have a humor-filled environment
  2. Entrance: Start the workshop with humor
  3. Ear Ye, Ear Ye: Listen to participants; let them share humor
  4. Exercise: Use humorous but relevant exercises
  5. Exaggerate: Use humorous exaggeration to stress a point
  6. Energize: Use energizers that refresh and amuse
  7. Enhance: Use humor that goes for the jocular vein, not the jugular!
  8. Extend: Use humor that will extend learning
Games and Activities

Games and activities are part of the process of a learning experience. They may be an exercise, illustration, activity or incident used to present or support the trainee’s learning.

- Games usually have the following characteristics:
  1. They are brief
  2. They are inexpensive
  3. They are participative
  4. They use props
  5. They are low-risk
  6. They are adaptable
  7. They are single-focus

- Games can be used:
  1. As session icebreakers
  2. To involve the trainees
  3. As illustrations
  4. As session closings

- Games assist the learning process through:
  1. Repetition
  2. Reinforcement
  3. Association
  4. Senses

Games will be dismal failures if insecure, inexperienced or unprepared trainers use them to kill time, impress trainees, or put down trainees. They should not dominate the process but enhance it. Trainees should be able to answer the “What’s in it for me?” questions positively for any game or activity.

Tips for “Experiential” Activities

1. Explain your objectives
2. Sell the benefits
3. Speak slowly when giving directions
4. Demonstrate the activity if the directions are complicated
5. Divide participants into subgroups before giving further instructions
6. Inform participants how much time they have
7. Keep the activity moving
8. Challenge participants
9. Always discuss the activity — before and after
Working With “Unique” Participants

Here are a few tips for working with participants who have a unique way of cooperating:

- Five Strategies to Deal With “Over-Participants”
  1. Make questions easier for all to answer
  2. Ignore raised hands
  3. Tell the over-participant you are not ignoring them but want to give others a chance
  4. Have the class discuss a topic in pairs
  5. Offer to speak with the over-participant privately about his/her unique situation

- Four-Step Strategy for Dealing With Resistant Audiences
  1. Don’t apologize — openly acknowledge the conditions under which participants are attending
  2. Adjust their perspective
  3. Make a statement of course commitment
  4. Ask for their commitment

- Strategy for Dealing With an Apathetic Audience
  1. Acknowledge the situation
  2. State your observations
  3. Inquire and assist
  4. Explore, commit and adapt
Practically Perfect Presentations Checklist

If you do not have a lot of experience with making presentations, the following checklist will help you be more comfortable in the classroom and assist in delivering successful training.

**Speaker Analysis**
- Do you have a clear purpose in mind? Do you know what you want? Do you know what your listeners want to learn, or to be able to do?
- Have you organized and rehearsed the beginning and ending of your presentation?
- Do you appear calm and prepared?
- Are you establishing and maintaining eye contact?
- Are you speaking in a direct, friendly, conversational manner?
- Are your notes unobtrusive and not distracting?
- Are you relaxed and ready to go?

**Audience Analysis**
- Have you considered what interests your listeners have and how these interests will affect their attentiveness?
- Is there a certain person or group with whom you have avoided speaking? Don’t do that!
- What is your credibility rating with your audience?
- Have you considered WHOM your listeners are most likely to believe?

**Message Analysis**
- Are the central ideas of your presentation important, significant and/or interesting to your audience?
- Do you have a clear, unified, central idea? And is it narrow enough to be done correctly in the time allotted?
- Is the intent of your presentation to inform, to persuade, or both?
- Does the introduction “grab” your audience’s attention?
- Does your conclusion adequately summarize your presentation?
- Can you possibly shorten your presentation? If so, do it!

**Opening Remarks**
- Look at your audience and smile
- Get their attention; arouse interest in the presentation
- Reveal and preview your topic; make the purpose of your presentation clear
- Establish your credibility for speaking on the topic
- Don’t make excuses or apologize
- Never compare audiences

**Closing Remarks**
- State that you are concluding your presentation
- Summarize your main idea
- If appropriate, and time allows, ask if there are any questions; set a time limit for questions, and make yourself available to answer questions after the presentation
- Compliment your audience
- Have a “call to action”
- Finish with a BANG!!
- Thank the audience; let them know that this was a good beginning and that you would be happy to come back again

**Questions and Answers**
- Decide when and if you’ll take questions
- Limit time
- Don’t answer unless you can
- Be brief
- Recognize questions in order
- Repeat the question before answering
- Soften words in hostile questions when repeated
- Use the audience to answer questions
- Avoid conversations
- Be courteous
- Don’t let the question-and-answer session drag
# Instructional Techniques Critique Sheet

<table>
<thead>
<tr>
<th></th>
<th>Presenter:</th>
<th>Evaluator:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong></td>
<td>The instructor made an impactful “What’s in it for me?” statement.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>2.</strong></td>
<td>The opening was effective, caught my attention, and was relevant.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>3.</strong></td>
<td>The instructor facilitated learner-centered activities that were useful and effective.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>4.</strong></td>
<td>The trainer spoke 50 percent or less of the training time.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>5.</strong></td>
<td>The closing was effective and relevant.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>6.</strong></td>
<td>The instructor knew the material well.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>7.</strong></td>
<td>The instructor knows whether or not I learned the material.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>8.</strong></td>
<td>I took part in training techniques I’d like to use.</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Comments:**
Consumer Awareness: Deter, Detect, Defend

I. INTRODUCTION

This chapter provides you with exposure to a wide array of consumer issues and methods of using the information in your role as an educator and counselor. Using the Federal Trade Commission's Deter, Detect, Defend model, topics include why the military is vulnerable to consumer rip-offs, the impact of advertising on the buying decision, deterring consumer problems, detecting when a fraud has occurred, and defending against them if the member is victimized.

Chapter correlation to major OPNAVINST task areas:

1. **Education and Training:** This chapter directly correlates to the PFMSC Consumer Awareness Module. You will have adequate exposure to the topic to allow you to present this segment at your command. Alternative ways of using the material to educate command members other than stand-up training also will be practiced.

2. **Information and Referral:** Many referral resources are reviewed in this topic that will assist you in functioning as a consumer advocate for clients.

3. **Counseling:** The CFS often meets with clients regarding consumer issues. Your role as a counselor is enhanced by the knowledge of consumer resources available and the techniques to manage consumer problems.

II. LEARNING OBJECTIVES

Learners will demonstrate knowledge of deterring scams, misrepresentations and frauds and the ability to educate command members by developing five usable POD notes.

Learners will demonstrate knowledge of detecting scams, misrepresentations and frauds and the ability to educate command members by writing an e-mail to command members on ways to detect fraud.

Learners will demonstrate knowledge of defending against scams, misrepresentations and fraud and educating command members by developing an educational flier on ways to defend against fraud.

Learners will demonstrate knowledge of consumer laws and resources by correctly completing a matching exercise.
III. REFERENCES

SECNAVINST 1754.1B, DoN Family Support Programs (27 Sep 2005)


National Consumer Law Center et al., February 2007.


www.adage.com (Ad Age Web site, advertising statistics)

www.bbb.org (Better Business Bureau)

www.callforaction.org (network of consumer hotlines)

www.citizen.org (Public Citizen Consumer Advocacy Web site)

www.consumer.gov (consumer safety tips)

www.consumeraction.gov (Consumer Action Web site)

www.consumerreports.org (Consumer Reports)

www.consumerworld.org (Consumerworld Web site)

www.DMAchoice.org (Direct Marketing Association opt-out programs)

www.donotcall.gov (National Do-Not-Call List)
Deter

Target: Military Personnel

Military personnel are ripe targets for consumer predators for a variety of reasons. Many are low-income (always the most-targeted group) but have more economically attractive qualities than most low-income people, including these factors:

- They have a steady paycheck (with no danger of being laid off) and a willingness to spend it.
- More of them are married at a younger age than previous generations and therefore have more financial needs.
- Military codes of conduct that stress the need for orderly personal lives, including orderly finances, inadvertently may be driving service members toward the quick fixes that many consumer predators offer.
- There are more young adults who have no consumer education, are away from home for the first time, and are anxious to experience new things.
- They are a population that is easy for debt collectors to track.
- They are easy to pick out, even in civilian clothes. It's easy for salespeople who've experienced military life to engage service members in conversation, appear authoritative, and ultimately sell them something.
- Periods of deployment uniquely impact military personnel.
- Affinity marketing, using military-sounding names, military symbols, and ex-military people in sales and executive capacities, further clouds the identities and goals of many businesses that military people should avoid.
- Consumer-unfriendly businesses often can be found inside the base gates.
- The military are targeted specifically by ID-theft scams and predatory lenders and retailers.

Common Advertising Techniques

- Beauty Appeal
- Celebrity Endorsement
- Escape
- Independence
- Individuality
- Intelligence
• Lifestyle
• Nurturing
• Peer Approval
• Rebel
• Rhetorical Question
• Scientific/Statistical Claim
• Unfinished Comparison/Claims

Truth in Advertising?
• “Greatly Reduced”
• “Below Cost”
• “Now or Never”
• “Special Purchase”

Beware!
• “We Finance E-1s and Up”
• “Specialists in Military Financing”
• “Instant Financing”
• “Free Ride to the Store!”

If it sounds too good to be true, it probably is.

Internet Use in 2008
(from the Pew Internet and American Life Project)

<table>
<thead>
<tr>
<th>Online Activity</th>
<th>Gen Y (18-32)</th>
<th>Gen X (33-44)</th>
<th>Boomers (45-54)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use the Internet</td>
<td>87 percent</td>
<td>82 percent</td>
<td>79 percent</td>
</tr>
<tr>
<td>Bank online</td>
<td>57 percent</td>
<td>65 percent</td>
<td>53 percent</td>
</tr>
<tr>
<td>Buy online</td>
<td>71 percent</td>
<td>80 percent</td>
<td>68 percent</td>
</tr>
<tr>
<td>Use e-mail</td>
<td>94 percent</td>
<td>93 percent</td>
<td>90 percent</td>
</tr>
</tbody>
</table>

Basic Guidelines to Deter Consumer Rip-offs

• Know what you can afford.
• Separate your needs and your wants.
• Don’t buy on impulse.
• Know the merchant before you buy — do your homework!
Sources of Help for Military Consumers

How to Complain Effectively

- See your Command Financial Specialist for guidance.
- Save all purchase-related paperwork. Include copies of receipts, repair orders, warranties, cancelled checks, contracts, and any letters to or from the company.
- If you have a problem:
  1. Contact the business — the salesperson with whom you dealt or the manager. Clearly and calmly describe the problem and the action you would like them to take. Document their response in writing.
  2. Contact the company president or a representative of the manufacturer. Use the Sample Complaint Letter. Send it certified mail, return receipt requested.
  3. Contact industry trade associations.
  4. Contact local and state consumer advocates for further assistance. Don’t give up until you are satisfied. Use the quick resource list on the reverse side of this page for consumer-protection contacts.

Sample Complaint Letter

Dear [Contact Person],

Re: (account number, if applicable)

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

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

To resolve the problem, I would appreciate your (state the specific action you want — money back, charge-card credit, repair, exchange, etc.).

Include copies of any records (include receipts, guarantees, warranties, cancelled checks, contracts, model and serial numbers and any other documents).

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

Sincerely,

(Your Name)

STOP IT!
Getting Your Name Off Solicitation Lists

<table>
<thead>
<tr>
<th>Type of Solicitation</th>
<th>Contact</th>
<th>Other Information</th>
</tr>
</thead>
</table>
| Junk Mail, E-Mail and Spam | The Direct Marketing Association [www.DMAChoice.org](http://www.DMAChoice.org) | Included at this site:  
  ◼ Credit Offers  
  ◼ Catalogs  
  ◼ Magazine Offers  
  ◼ Other Mail Offers  
  ◼ Email Preference Service |
| Credit and Insurance Offers | Credit Reporting Industry’s Opt-Out Program [www.optoutprescreen.com](http://www.optoutprescreen.com) 1-888-567-8688 | The official credit reporting industry website to accept and process request from consumers to opt-in or opt-out of firm offers of credit or insurance. |
| Phone Solicitation | Federal Government’s Do-Not-Call Registry [www.donotcall.gov](http://www.donotcall.gov) 1-888-382-1222 (TTY: 1-866-290-4236) | Remember, for calls that do come through to your phone, tell the caller to take your name off their mailing list. |
| Mail that looks like it is from a government agency but isn’t | Contact the U.S. Post Office | |

How To File A Complaint About A Sales Call

If you think a sales call is in violation of the Federal Trade Commission rule and want to file a complaint, use the online resource at [www.ftc.gov](http://www.ftc.gov) and click on the “File a Complaint Online” link.
Protect Your Personal Information

- Give personal information only when absolutely necessary, and only when you initiated contact.
- Carry only the credit cards you need.
- Store personal information in a safe place at home or work. Copy all the contents of your wallet, front and back, and store with other personal information.
- Keep your PIN numbers secret. Never write a PIN on a credit/debit card or on a slip of paper kept with your card.
- Avoid obvious passwords.
- Watch out for “shoulder surfers.” Use your free hand to shield the keypad when using pay phones and ATMs.
- Do not leave any blank spaces on checks, credit slips and contracts.
- Keep all receipts. Ask for carbons and incorrect charge slips as well. Promptly compare your receipts with account statements. Watch for unauthorized charges.
- Destroy (shred) documents with account information.
- Protect your mail. Ask your local U.S. Postal Service to put your mail on hold when you are traveling and can’t pick it up.
- Get your free credit report once a year.

Think Before You Click: Practice Safe Computing

- Protect your personal information.
- Know who you are dealing with.
- Use anti-virus software and a firewall, and update both regularly.
- Be sure to set up your operating system and Web browser software properly, and update them regularly.
- Protect your passwords.
- Back up important files.
- Learn who to contact if something goes wrong.
- In short, think before you click!

Web Sites for Consumers

The Consumer Action Handbook
www.consumeraction.gov

Consumer Protection
Better Business Bureau: www.bbbonline.org
Consumer World: www.consumerworld.org
Consumer Safety Tips: www.consumer.gov
Consumer Reports: www.consumerreports.org
Federal Citizen Information Center: www.pueblo.gsa.gov
Federal Trade Commission: www.ftc.gov
Internet Crime Complaint Center: www.ic3.gov
Kelley Blue Book: www.kbb.com
National Consumer League’s Fraud Center: www.fraud.org
Military OneSource Web site: www.militaryonesource.com
Military Sentinel Fraud Website: www.consumer.gov/military
NADA Car Guides: www.nada.com
National Association of Attorneys General: www.naag.org
National Consumers League: www.nationalconsumersleague.org
National Legal Aid & Defender Association: www.nlada.org
Network of Consumer Hotlines: www.callforaction.org
Public Citizen, consumer advocacy: www.citizen.org
Scam Site: www.scambusters.org

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

Financial Information and Counseling
Bill Tracking: www.billmonk.com; www.buxfer.com
Consumer Credit Counseling: www.nfcc.org
Credit Reporting Agencies: www.experian.com; www.transunion.com; www.equifax.com
Free Annual Credit Report: www.annualcreditreport.com
Navy Fleet and Family Support Programs: www.ffsp.navy.mil
Power Payment Plans: https://powerpay.org
Tightwad Central Frugality Website: www.tightwad.com

Predatory Lending
Center for Responsible Lending: www.responsiblelending.org
Payday Loan Information: www.PayDayLoanInfo.org
Protecting Personal Information

- Guard your Social Security number.
- Sign credit/debit cards when they arrive.
- Carry only the cards you need.
- Keep your PIN numbers secret.
- Avoid obvious passwords.
- Store personal information in a safe place at home and at work.
- Don’t give card numbers to strangers.
- Watch out for “shoulder surfers.”
- Beware of blank spaces.
- Keep your receipts.
- Destroy documents with account information.
- Protect your mail.
- Keep a record of your cards and accounts.
- Pay attention to your billing cycles.
- Promptly compare receipts with account statements.
- Check your credit report once a year.

Protecting Information on Your Computer

- Protect your personal information.
- Know who you are dealing with.
- Use anti-virus software and a firewall, and update both regularly.
- Be sure to set up your operating system and Web browser software properly, and update them regularly.
- Protect your passwords.
- Back up important files.
- Learn who to contact if something goes wrong.

Deterring Identity Theft

- Safeguard your mail.
- Opt out of unsolicited credit offers.
- Guard your wallet.
- Take your receipts.
- Safeguard your checks.
National Consumer Protection Week POD Notes

National Consumer Protection Week usually is in late February or early March. Sponsored by the Federal Trade Commission, the event focuses on consumer education nationwide. Using lecture material, the Student Manual and the Consumer Action Handbook (if available), draft a series of five POD notes on deterring consumer problems to be placed in the POD during National Consumer Protection Week. You can choose a single topic and write a series of five POD notes, or you can choose a different topic for each day. Remember who it is that reads the POD notes, and make the information appropriate.

**Topic suggestions:**

- Military as Targets of Consumer Rip-Offs
- The Impact of Advertising
- Common Advertising Techniques
- Technology and Consumer Rip-Offs
- Deterring Consumer Problems
- Opting-Out and Do-Not-Call Registries
- Protecting Your Personal Information
- Tips for Smart Computing
- Identity Theft and How to Avoid It

<table>
<thead>
<tr>
<th>Day 1</th>
<th>Day 2</th>
<th>Day 3</th>
<th>Day 4</th>
<th>Day 5</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>
Detect
Misrepresentations, Scams and Frauds

- A misrepresentation is not necessarily illegal, but it is misleading.
- A scam is an unfair act of exploitation, but it is not necessarily illegal.
- A fraud is a deliberate deception.

Major Issues of Concern for Service Members

- Internet fraud
- Predatory lending
- Identity theft
Predatory Lending Protections for Service Members

In 2006 Congress enacted the Talent-Nelson amendment to the John Warner Defense Authorization Act of 2007 to provide landmark federal protections against predatory lending for Active duty Service members and their eligible family members. The Department of Defense issued final regulations for the Military Lending Act (MLA), effective for loans written on or after October 1, 2007.

Creditors and Consumer Credit Covered by Rules

The Department narrowly defined three types of loans as “consumer credit” to be subject to the protections of the MLA.

- **Payday Loans** (at stores or made via the Internet or telephone/fax)
  - Loans up to $2,000 (one or more loans)
  - Closed-end (single advance of credit over fixed term)
  - Term of 91 days or less
  - Based on check held for future deposit or electronic access to account for future payment

- **Vehicle Title Loans**
  - Term of 181 days or less
  - Closed-end
  - Secured by title to a registered motor vehicle owned by a covered borrower (except to buy the car)

- **Tax Refund Anticipation Loans**
  - Closed-end credit
  - Tax refund goes to creditor to repay loan

Credit Not Covered per Military Lending Act or Regulations

1. Residential mortgages, including refinancing, home equity loans or lines of credit, and reverse mortgages.

2. Credit to finance the purchase or lease of a vehicle, and secured by the vehicle being purchased or leased.
3. Open-end credit, including all credit cards, bank overdraft lines of credit, and any truly open-end payday or vehicle title loans. (“Open end” involves repeat use of credit without approval necessary, no fixed term to repay, charge based on outstanding balance)

4. Any debt to a bank that can be paid by set-off of deposited funds, such as overdraft loans. (Set-off means the bank withdraws payment directly from account per standard account contract terms.)

5. Any credit not subject to Truth in Lending Act disclosures, such as overdraft loans. (FRB regulations currently exempt bank overdraft loans from TILA cost disclosures, though pending legislation H.R. 946 would reverse this.)

6. Installment loans with terms longer than 91 days, including all military installment lenders, or all installment loans not secured by a check or electronic access to an account.

7. Rent to own transactions.

8. Any credit transaction to finance the purchase or lease of personal property when the credit is secured by the property being purchased.

9. Credit secured by a qualified retirement account.

**Covered Borrowers**

1. Regular or reserve member of the **Army, Navy, Marine Corps, Air Force or Coast Guard**

2. Serving on active duty under a call or order that specifies longer than 30 days

3. Member serving on Active Guard and Reserve Duty (10 U.S.C. 101(d)(6)

4. Card-carrying dependent of active duty military. (Member’s spouse, child (38 U.S.C. 101(4)), or individual who gets over half support for 180 days immediately preceding an extension of credit)

**Protections That Apply to Covered Credit:**

**Payday Loans, Car Title Loans, Tax Refund Loans**

*36% Annual Interest Rate Cap*, including most fees (but not late or default fees) and insurance premiums, called the Military Annual Percentage Rate (MAPR)

**Ban on securing loan with a personal check or other access to bank account, title to a personal vehicle, or military allotment.** (Service member can choose to pay other types of credit by allotment.)

**No Prepayment penalties**
No Roll-overs, renewals, refinancing or consolidation unless the renewal is at better terms for the borrower, such as a lower cost.

Ban on mandatory arbitration clauses, waiver of legal rights, and onerous legal notice in case of dispute (Borrower cannot sign away legal rights.)

Mandatory disclosures orally and in writing before credit is issued:
   - Military annual percentage rate of interest
   - Truth In Lending Act required disclosures
   - Clear description of payment obligations

For loans made via the mail or Internet, oral disclosures may be made by providing a 1-800 #.

Federal vs. State Laws

Military Lending Act and DOD regulations apply unless a state law provides additional protection to the borrower. (State rate cap can be lower than 36%, for example, or cover open-end payday loans.)

States must enforce state laws to protect non-resident Service Members stationed in their state for covered consumer credit.

Where to File Complaints

Notify the base legal office if a payday loan, title loan or tax refund loan fails to comply with the law and regulations.

File a complaint with the state credit regulator. Go to www.paydayloaninfo.org, click on State Information, then the state where the Service member got the loan. Contact information and online complaint forms for state officials are provided.


Title 32, Code of Federal Regulations, Part 232—Limitations on Terms of Consumer Credit Extended to Service Members and Dependents
Detecting Identity Theft

Look for:

- Missing bills
- Mysterious trade lines on your credit report
- Unsolicited cards or bills
- Credit denial
E-mail to the Command

More than 90 percent of people use e-mail, and it can be a great way to educate and inform. Using the information from the “Detect” section of this program, draft a two- or three-paragraph e-mail educating the command on one aspect of how to detect if you have been the victim of misrepresentation, scam or fraud. Topic suggestions:

<table>
<thead>
<tr>
<th>Topic Suggestions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference Between Misrepresentations, Scams and Frauds and Current Examples</td>
</tr>
<tr>
<td>Why You Want to Avoid Predatory Lending Practices</td>
</tr>
</tbody>
</table>
Defend

General Combat Strategies — Remember the Basics:

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

Make Smart Purchases

- Get agreements in writing, and keep all your receipts. Remember this saying: “A verbal promise is only as good as the paper on which it is written.”
- Don’t be rushed. Wait 24 hours before making a major purchase.
- Know the merchant before you buy.
- Take prompt action.

Borrow Wisely

- Check with your credit union or bank first.
- Look for the APR.
- Know all the terms of the deal.
- Use the Navy Legal Service Office.

Take Action

1. Contact the seller first by starting with the salesperson.
2. Go to the company president and/or manufacturer.
3. Contact the appropriate trade associations, national consumer organizations, and/or media organizations.
4. Use your consumer advocate resources if you still are not satisfied.
   - The state attorney general or state office of consumer affairs
   - State regulatory and licensing agencies
   - The Armed Forces Disciplinary Control Board
   - The Better Business Bureau
   - Dispute-resolution programs
   - Small-claims court

For Identity Theft

- Place an active-duty alert on your credit reports.
- Close accounts.
- File a police report.
- Keep a journal.
- Contact the Federal Trade Commission.
**Fabulous Fliers**

It has come to your attention that several of the younger members of your command have been victims of fraud but have done nothing about it. As part of your plan of action to help keep this from happening, you have decided to post some educational fliers around the command. Using the lecture material, the Student Manual, and the *Consumer Action Handbook*, if available, choose one topic and create an effective educational flier. Consider who your target audience is when you put together a design.

**Topic suggestions:**

<table>
<thead>
<tr>
<th>Defensive Techniques</th>
<th>Making Smart Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing Wisely</td>
<td>Taking Action When You Are Unhappy With a Consumer Purchase</td>
</tr>
<tr>
<td>What to Do if You Have Been a Victim of Identity Theft</td>
<td>Consumer Advocates</td>
</tr>
</tbody>
</table>
How to Cancel a Contract

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

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

Cooling-Off Periods

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

Federal and State Consumer-Protection Laws

Federal Consumer Laws Include:

- Servicemembers Civil Relief Act
- Consumer Bill of Rights
- Fair Credit Billing Act
- 7th Amendment (the right to trial by jury)
- The Military Lending Act of 2007

State Consumer-Protection Laws Include:

- Lemon Laws (also known as the Motor Vehicle Warranty Enforcement Acts)
- Usury Laws
Consumer Laws and Referral Resource Matching
Match the item on the left with the correct statement on the right.

<table>
<thead>
<tr>
<th>Letter</th>
<th>Law/Referral Resource</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cooling-Off Rule</td>
<td>a. Allows you to withhold payment on a credit-card charge for a disputed amount.</td>
</tr>
<tr>
<td>2</td>
<td>State Lemon Laws</td>
<td>a. Applies a 36 percent cap on rates for payday loans, auto-title loans, and refund-anticipation loans.</td>
</tr>
<tr>
<td>3</td>
<td>Usury Laws</td>
<td>a. Applies only to used cars.</td>
</tr>
<tr>
<td>4</td>
<td>Servicemembers Civil Relief Act</td>
<td>a. Federal rule gives three days for purchases made in a place that isn’t the merchant’s normal place of business.</td>
</tr>
<tr>
<td>5</td>
<td>Consumer Bill of Rights</td>
<td>a. Guarantees a member their right to a day in court (among other things).</td>
</tr>
<tr>
<td>6</td>
<td>Fair Credit Billing Act</td>
<td>a. Provides general rights of access to product and price information.</td>
</tr>
<tr>
<td>7</td>
<td>7th Amendment</td>
<td>a. Sets a cap on consumer interest rates, but there often are ways around them.</td>
</tr>
<tr>
<td>8</td>
<td>Military Lending Act</td>
<td>a. Some contracts try to get you to sign away your right to a trial by jury.</td>
</tr>
<tr>
<td>9</td>
<td>Consumer Credit Counseling Services</td>
<td>a. This resource is a clearinghouse for business information and provides some dispute-resolution services.</td>
</tr>
<tr>
<td>10</td>
<td>Navy Legal Service Office</td>
<td>a. This resource is the military’s own consumer watchdog organization.</td>
</tr>
<tr>
<td>11</td>
<td>Better Business Bureau</td>
<td>a. This resource will take legal action against a company if a complaint is valid.</td>
</tr>
<tr>
<td>12</td>
<td>State Attorney General or Office of Consumer Affairs</td>
<td>a. Will review an unsigned contract to help members avoid being ripped off or unwittingly waive their legal rights.</td>
</tr>
<tr>
<td>13</td>
<td>Armed Forces Disciplinary Control Board</td>
<td>a. Works with consumers who have severe debt problems.</td>
</tr>
</tbody>
</table>
COMMON WAYS ID THEFT HAPPENS:

Skilled identity thieves use a variety of methods to steal your personal information, including:

1. Dumpster Diving. They rummage through trash looking for bills or other paper with your personal information on it.

2. Skimming. They steal credit/debit card numbers by using a special storage device when processing your card.

3. Phishing. They pretend to be financial institutions or companies and send spam or pop-up messages to get you to reveal your personal information.

4. Changing Your Address. They divert your billing statements to another location by completing a “change of address” form.

5. “Old-Fashioned” Stealing. They steal wallets and purses; mail, including bank and credit card statements; pre-approved credit offers; and new checks or tax information. They steal personnel records from their employers, or bribe employees who have access.

Identity theft is a serious crime. It occurs when your personal information is stolen and used without your knowledge to commit fraud or other crimes. Identity theft can cost you time and money. It can destroy your credit and ruin your good name.

The rigors of military life can compound the problems that identity theft creates.

Active Duty Alerts:

If you are deployed away from your usual duty station and do not expect to seek new credit while you are deployed, consider placing an “active duty alert” on your credit report. An active duty alert requires creditors to take steps to verify your identity before granting credit in your name.

An active duty alert is effective for one year, unless you ask for it to be removed sooner. If your deployment lasts longer than a year, you may place another alert on your report.

To place an active duty alert, or to have it removed, call the toll-free fraud number of one of the three nationwide consumer reporting companies. (Check under “Defend” in this brochure.) The company you call is required to contact the other two.

The law allows you to use a personal representative to place or remove an alert.
Detect suspicious activity by routinely monitoring your financial accounts and billing statements. If you are unable to take these steps while you are deployed, consider placing an “active duty alert” on your credit report.

Inspect:

- **Your credit report.** Credit reports contain information about you, including what accounts you have and your bill-paying history.
  - The law requires each of the major nationwide consumer reporting companies—Equifax, Experian, and TransUnion—to give you a free copy of your credit report every year if you ask for it.
  - Visit www.AnnualCreditReport.com or call 1-877-322-8228, a service created by these three companies, to order your free credit reports each year. You also can write: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

- **Your financial statements.** Review your financial accounts and read your billing statements regularly, looking for charges you did not make. If you review financial accounts online from a public computer, be sure to log off of financial sites before you end your session.

Be alert to signs that require immediate attention:

- Bills that do not arrive as expected
- Unexpected credit cards or account statements
- Denials of credit for no apparent reason
- Calls or letters about purchases you did not make

Defend against ID theft as soon as you suspect it.

- Place a “Fraud alert” on your credit reports, and review the reports carefully. The alert tells creditors to follow certain procedures before they open new accounts in your name or make changes to your existing accounts. The three nationwide consumer reporting companies have toll-free numbers for placing an initial 90-day fraud alert; a call to one company is sufficient:
  - Equifax: 1-800-525-6285
  - Experian: 1-888-EXPERIAN (397-3742)
  - TransUnion: 1-800-680-7289

Placing a fraud alert entitles you to free copies of your credit reports. Look for inquiries from companies you haven’t contacted, accounts you didn’t open, and debts on your accounts that you can’t explain.

- **Close accounts.** Close any accounts that have been tampered with or established fraudulently.
  - Call the security or fraud departments of each company where an account was opened or changed without your okay. Follow up in writing, with copies of supporting documents.

- **Report the theft to the Federal Trade Commission.** Your report helps law enforcement officials across the United States in their investigations.
  - Online: ftc.gov/idtheft
  - By phone: 1-877-ID-THEFT (438-4338) or TTY, 1-877-737-4372
  - By mail: Identity Theft Clearinghouse, Federal Trade Commission, Washington, DC 20580

To learn more about ID theft and how to deter, detect, and defend against it, visit ftc.gov/idtheft.
Legal Issues of PFM

I. INTRODUCTION

A variety of legal issues often are coupled with personal financial affairs. Military members are bound by both civilian law and military law; it is important for you to understand what means are available to alleviate a client's legal difficulties. This chapter is meant as a review of legal issues and a GUIDE for making the appropriate referrals when legal issues are part of a client's financial issues. The CFS should NOT attempt to provide legal advice. The information presented is general in nature. It is meant as a starting point for recognizing and handling potential legal issues arising from personal financial management.

● Chapter correlation to major OPNAVINST task areas:

1. Education and Training: There is no corresponding legal-issues module in the PFMSC. The information provided here is for the CFS's reference and will be useful in individual educational settings during a counseling session. Training techniques used are lecture format and short case study scenarios.

2. Information and Referral: NLSO is a major referral resource for the CFS.

3. Counseling: This chapter will help the you recognize when a client has legal issues and assist you in making an appropriate referral, thus allowing the counseling process to focus on the client's financial issues.

II. LEARNING OBJECTIVE

Using a scenario-based activity, learners will identify situations for which a referral to NLSO would be appropriate.

III. REFERENCES


DoD Instruction 1344.9 Indebtedness of Military Personnel


MILPERSMAN 1754-030, Support of Family Members
MILPERSMAN 5800-010, Paternity Complaints

MILPERSMAN 7000-010, Worthless Checks by Members and/or Their Families

MILPERSMAN 7000-020, Indebtedness and Financial Responsibility of Members

Truth in Lending Act (TILA) 15 U.S.C. Sec. 1601 et seq.

http://www.lifelines.navy.mil (Lifelines Services)

http://usmilitary.about.com/cs/sscra/a/scra1.htm (Servicemembers Civil Relief Act)

www.abanet.org (American Bar Association)

www.law.cornell.edu (Legal Information Institute of Cornell Law School)

www.supportguidelines.com (Child Support Guidelines on the Web)

www.findlaw.com

www.divorcesource.com

www.MilitaryOnesource.com

IV. CONTENT
Domestic Relations

1. MILPERSMAN Article 1754.030 — Relevant Excerpts

Support obligations: “The Navy will not act as a haven for personnel who disregard or evade obligations to their legal dependents.” “All members shall provide adequate and continuous support for their lawful family members and fully comply with the provisions of separation agreements and valid court orders.”

Guidelines

- Spouse only ........................................... 1/3 gross pay
- Spouse and one minor child .............. 1/2 gross pay
- Spouse and two or more children .... 3/5 gross pay
- One minor child ............................... 1/6 gross pay
- Two minor children ............................ 1/4 gross pay
- Three minor children ........................ 1/3 gross pay

Guidance is based on basic pay plus basic allowance for housing. This is a guideline to use until a mutual agreement is reached or a court order is issued. The Navy provides counseling regarding non-support issues but does not possess the direct authority to force service members to provide support. Failure to support dependents is a criminal offense in most states. The military recognizes a service member’s moral and legal obligation to support family members and as such provides for involuntary allotments from Navy pay for support obligations. When a member is receiving BAH with dependents, the money is to be used for the support of dependents. Non-support while receiving BAH/D will result in recoupment and possible disciplinary action.

2. Marital Debts

Marital debts are subject to division via mutual agreement. Before an agreement or court decree, both parties still are equally responsible for joint debts. The creditor never is a party to your divorce. If both names are on the contract, creditors can and will go after either or both, regardless of court decree or mutual agreement.

3. Children

Your children are those who are born while married, adopted or determined by paternity test. This does not include stepchildren.

Contracts

1. Clauses: There are several key clauses to consider in the “fine print” of a consumer credit contract that refer to the rights and responsibilities of the creditor and debtor if payments are missed. Remember, the ”big print giveth, and the fine print taketh away.”

- Security Clause: This clause itemizes the property that the creditor may claim as collateral if the member does not pay the loan as agreed. The item purchased may be the collateral as well as any other items the member may have pledged in order to obtain the loan.

- Attorney’s Fee Clause: This clause states that the member is responsible for paying the creditor’s attorney’s fees if the creditor sues the member for non-payment.

- Repossession Clause: This clause states that if the item purchased is repossessed, the service member still is responsible for paying any outstanding balance on the loan if the creditor does not receive enough money when the collateral is sold to pay off the loan, as well as other charges related to the repossession.

- Late Fee Clause: This clause states when and how the creditor will charge the service member late fees if payments are not made as agreed.

- Acceleration Clause: This clause states that if the debtor defaults on the loan, the creditor can demand payment of the outstanding balance. A default can be only ONE missed payment.

2. Cancellation

Generally, a contract is binding on both parties and cannot be canceled by one party without the express permission of the other party. Some contracts, however, contain various “cooling-off” provisions that allow the purchaser to cancel the contract within a specified period of time. Make sure any applicable cancellation provisions are in writing in the body of the contract itself. When canceling, always send the notice in writing via certified mail.
Top Tips to Avoid Legal Tangles

**Separation or Divorce**
- Organize your documents.
- Review your credit report for discrepancies and/or unknown trade lines.
- Retitle property to reflect any changes in ownership.
- Review wills, powers of attorney, and beneficiaries declarations and change as necessary.
- Set new goals.
- Close all joint accounts.
- Create a new financial plan.
- Seek legal assistance in drafting a separation agreement.
- Get a court order.
- Tear up and revoke any powers of attorney.

**Contracts**
- Read the fine print.
- Get everything in writing — no verbal promises.
- Understand all the terms of the contract — ask questions.
- Before signing any contract, but especially one for a vehicle purchase, take a copy of the unsigned contract to NLSO to have an attorney review it.
- Be sure the whole contract is filled in — leave no blanks.
- A contract is presumed legally binding on both parties. If the seller wants to cancel the existing contract, change some of the terms (such as the interest rate) and sign a new one, you have the right to stay with the original contract if it was signed by both parties.
- Cancellation of a contract may require the agreement of both parties. Get it in writing, and deliver it via certified mail.
- Be wary of any rights you may waive regarding collection of delinquent accounts.

**Child Support**
- If you are responsible for child support, pay it, and keep a record of all payments made.
- If paternity is in question, get a paternity test. Refrain from taking any action that can be construed as child support, because it may be considered in establishing paternity. Fathers also can request the court's assistance to determine paternity, custody and child support.
- If you are due child support and it is not being paid, visit your local child support enforcement office and seek assistance from NLSO.
- An involuntary allotment for back child support will take priority over all other debts except those owed to the government.

**Landlord/Tenant Transactions**
- Get a written lease — do not accept oral promises.
- If your lease does not have a military cause, then you will still have the protections of the Servicemembers Civil Relief Act (SCRA) as it applies to residential real property.
- Get renter's insurance to protect your property, whether you are renting or living in government quarters.
- Thoroughly inspect the property before moving in and note IN WRITING any discrepancies. Retain your list for when you vacate. Take pictures or videos.
- See NLSO with concerns about your lease.
Warranties

- Read any warranty and know what is covered.
- Seriously scrutinize any offers of an extended warranty or service contract. You probably don’t need it.
- Inspect anything you are going to purchase "as is." What you see is what you get, and what you DON’T see is what you get (especially when it comes to used cars).
- When something goes wrong with an item, take action while the warranty is in effect.
- Implied warranties are valid even when not in writing. These are the warranty of merchantability — the item does what it is supposed to do, (a toaster will toast) and the warranty of fitness for a particular purpose — the item will be suitable for the purpose which the seller said it was, (such as a zero-degree sleeping bag).
- Express warranties can be oral or written — “as is” means no warranty, “limited” means only as specified by the seller, and “full” means completely guaranteed for a period of time.

Servicemembers Civil Relief Act

- If you think you have a defense under the SCRA, consult an NLSO attorney.
- You have the right to stay court and administrative hearings for at least 90 days or longer if military service materially affects your ability to defend your interests. Request it in writing.
- You must request in writing the provision reducing interest to 6 percent on pre-service loans and obligations.
- You and your family are protected from eviction if the monthly rent does not exceed $2,932.31 (2009).
- If you undergo PCS or deploy for at least 90 days, you can terminate a lease, even without a military clause.
- You may have the ability to terminate your auto lease, especially if you undergo PCS or deploy overseas.

Credit, Collection And Bankruptcy

- Make sure all finance contracts include the Federal Truth In Lending information: annual percentage rate, finance charge, amount financed, and total of payments.
- If incorrect information is on your credit report, dispute it.
- Report in writing any loss or theft of credit cards or debit cards as soon as you realize they are missing.
- If you are being harassed by third-party collection agents, ask them to stop calling you. Seek debt-management counseling.
- Avoid Letters of Indebtedness to the command by developing and using a personal financial plan and keeping debt payments to an affordable level.
- Get counseling before you talk with a bankruptcy attorney.
What Is the Servicemembers Civil Relief Act?

In 2003, the Soldiers and Sailors Civil Relief Act was re-written and re-named the Servicemembers Civil Relief Act (SCRA). The bill was signed into law by President Bush on 19 Dec 2003. The law now governs legal protections for members of the U.S. military.

Who Is Covered?

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

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

Major Legal Protections

1. Termination of Residential Leases. The SCRA allows individuals to break a lease when they go onto active duty, if the lease was signed before going onto active duty. Additionally, the act allows a service member to terminate a residential lease signed while in the military, if the member receives permanent change of station (PCS) orders or orders to deploy for a period of not less than 90 days.

   This protection covers “lease of premises occupied, or intended to be occupied, by a service-member or a service-member’s dependents for a residential, professional, business, agricultural or similar purpose.”

   To break a lease under these provisions, the service member must make the request in writing and must include a copy of their orders (orders placing them on active duty, PCS orders, or deployment orders). The member may deliver the notification by hand, by commercial carrier, or by mail (return receipt requested).

   The earliest termination date for a lease that requires monthly rent is 30 days after the first date on which the next payment is due, following proper notification of termination. For example, if Sailor John pays his rent on the first of every month, and he notifies his landlord (and gives the landlord a copy of his orders) on 18 Jun that he wishes to terminate the lease under the provisions of the SCRA, the earliest termination date is 1 Aug (the next rent is due 1 Jul, and 30 days later is 1 Aug). If some other arrangement is in place, other than monthly rent, the earliest termination of the lease is the last day of the month following the month in which the notice is given. So, if notice is given on 20 Jun, the earliest termination date would be 31 Jul.

   The SCRA gives the military member the right to terminate his/her own portion of the lease early, but the law does not require the landlord to decrease the amount of total rent for the property, nor does the law protect remaining non-military roommates (unless, of course, they are the member’s legal dependents).

2. Automobile Leases. Military members also may terminate automobile leases in certain circumstances. Just like with residential leases, if a member enters into an automobile lease before going on active duty, the member may request termination of the lease when he/she goes onto active duty. The act specifically covers “lease of a motor vehicle used, or intended to be used, by a servicemember or a servicemember’s dependents for personal or business transportation.”
However, for this to apply, the active duty must be for at least 180 continuous days. So, if a person joined the Reserves, and had orders for basic training and technical school, the total of which was only 120 days, he/she could not terminate the automobile lease under this act.

Military members making a permanent change of station (PCS) move, or who deploy for 180 days or longer, may terminate such leases.

To terminate the lease, the member must make the request in writing, along with a copy of orders. The member may deliver the notification by hand, by commercial carrier, or by mail (return receipt requested). Additionally, the member then must return the vehicle to the lessor within 15 days of delivery of the termination notice.

The lessor is prohibited from charging an early lease termination fee. However, any taxes, summonses, title and registration fees, and any other obligation and liability of the lessee in accordance with the terms of the lease, including reasonable charges to the lessee for excess wear, use and mileage that are due and unpaid at the time of termination of the lease, shall be paid by the lessee.

3. Evictions From Leased Housing. Service members may seek protection from eviction under SCRA. The rented/leased property must be occupied by the service member or his/her dependents for the purpose of housing, and the monthly rent cannot exceed $2,400 (for 2004; the actual amount is adjusted automatically each year for inflation).

The service member or dependent who has received notice of an eviction must submit a request to the court for protection under the SCRA. If the court finds that the service member’s military duties have materially affected his ability to pay his rent on time, the judge may order a stay, or postponement, of the eviction proceeding for up to three months or make any other “just” order.

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

5. Six Percent Interest Rate. If a service member’s military obligation has affected his/her ability to pay on financial obligations such as credit cards, loans, mortgages, etc., the service member can have his/her interest rate capped at 6 percent for the duration of the service member’s military obligation.

Qualifying debts are debts that were incurred by the service member, or the service member and their spouse jointly, before coming on active duty. Debts incurred after going on active duty are not so protected.

Notice that this particular provision of the act applies only if a service member’s military service affects their ability to pay. However, the burden is on the creditor to seek relief in court if the creditor believes the service member’s military career does not materially affect his/her ability to pay. The creditor must comply, unless he/she gets a court order stating otherwise.

In order for an obligation or liability of a service member to be subject to the interest-rate limitation, the service member must provide to the creditor written notice and a copy of the military orders calling the service member to military service and any orders further extending military service, not later than 180 days after the date of the service member’s termination or release from military service.

Upon receipt of notice, the creditor must reduce the interest rate to a maximum of 6 percent, effective the first day of active duty (even if the service member makes the request at a later time).

The law unambiguously states that no interest above 6 percent can accrue for credit obligations while on active duty (for debts incurred before going onto active duty), nor can that excess interest become due once the service member leaves active duty (that was a “trick” some creditors tried under the old law); instead, that portion above 6 percent is forgiven permanently. Furthermore, the monthly payment must be reduced by the amount of interest saved during the covered period.

6. Court Proceedings. If a service member is a defendant in a civil court proceeding, the court may (note the word “may”), on its own motion, grant a 90-day delay in the proceedings. The provision applies to civil lawsuits, suits for paternity, child-custody suits, bankruptcy debtor/creditor meetings, and administrative proceedings.
If the service member asks for a stay, or postponement, the court must grant a minimum 90-day stay, if:

1. The service member submits a letter or other communication setting forth facts stating the manner in which current duty requirements materially affect the service member’s ability to appear and stating a date when the service member will be available to appear; and

2. The service member submits a letter or other communication from the service member’s commanding officer stating that the service member’s current duty prevents appearance and that military leave is not authorized for the service member at the time of the letter.

The new act specifically states that a service member communicating with the court requesting a stay does not constitute an appearance for jurisdictional purposes and does not constitute a waiver of any substantive or procedural defense (including a defense relating to lack of personal jurisdiction). Under the old act, some courts held that merely communicating with the court (i.e., requesting a stay) implied that the member agreed to jurisdiction of the court.

A service member who is granted a stay may request an additional stay, if he/she can show that military requirements affect his/her ability to appear (commander’s letter also is needed). However, the court is not obligated to grant the additional stay. If the court refuses to grant an additional stay of the proceedings, the court must appoint counsel to represent the service member in the action or proceeding.

If a default judgment is entered in a civil action against a service member during the service member’s period of military service (or within 60 days after termination of, or release from, such military service), the court entering the judgment must, upon application by or on behalf of the service member, reopen the judgment for the purpose of allowing the service member to defend the action if it appears that:

1. The service member was materially affected by reason of that military service in making a defense to the action; and

2. The service member has a meritorious or legal defense to the action or some part of it.

**Enforcement of Obligations, Liabilities, Taxes.**
A service member or dependent may, at any time during his/her military service, or within six months thereafter, apply to a court for relief of any obligation or liability incurred by the service member or dependent prior to active duty or in respect to any tax or assessment whether falling during or prior to the service member’s active military service. The court may grant stays of enforcement during which time no fine or penalty can accrue.

Additionally, the act prevents service members from a form of double taxation that can occur when they have a spouse who works and is taxed in a state other than the state in which they maintain their permanent legal residence. The law prevents states from using the income earned by a service member in determining the spouse’s tax rate when they do not maintain their permanent legal residence in that state.
Credit and Collection Laws

Here are some of the major laws that you need to know:

1. **Federal Truth in Lending Act**: The purpose of the act is to protect consumers by requiring lenders to provide a meaningful disclosure of credit terms before making a loan or extending credit. By having this information, consumers will be better able to comparison shop for the best terms and rates. The act does NOT regulate the amount that lenders may charge for credit.

2. **Fair Credit Billing Act**: The purpose of this act is to help consumers resolve disputes with creditors over billing errors, including transactions by unauthorized users, and to ensure fair handling of credit accounts. Billing errors include charges made by an unauthorized user; charges for goods or services not accepted by the consumer; computation errors; and charges for the wrong amount or on the wrong date. The consumer must notify the creditor in writing within 60 days of receiving an incorrect bill. The creditor will investigate, and if the claim is valid the maximum liability is $50.

3. **Electronic Funds Transfer Act**: Adopted to provide protection to EFT users. Affects the use of many point-of-sale transfers, ATM transfers, direct deposits, withdrawal of funds, transfers by telephone, debit cards, and credit cards used as debit cards. A major tenet of this act regards cardholder liability for unauthorized transfers. Consumers are liable only for the first $50 of unauthorized use if they notify the issuing company within TWO business days after the loss or theft. If the cardholder notifies the issuer between two and 60 days after the loss or theft, liability rises to $500. If the consumer fails to notify the issuer within 60 days, the liability can be unlimited. Notification can be oral or written. Note how this differs from liability for unauthorized use if they notify the issuing company within TWO business days after the loss or theft.

4. **Fair Debt Collections Practices Act**: The purpose of this act is to eliminate abusive debt-collection practices, ensure that those collectors who refrain from using abusive debt-collection practices are not competitively disadvantaged, and promote consistent state action to protect consumers against debt-collection abuses. This act applies to “debt collectors” only. Debt collectors may not:
   - Harass, oppress or abuse any person by making threats of violence, using obscene or profane language, or by using the telephone repeatedly to annoy.
   - Call before 8 a.m. or after 9 p.m.
   - Make any false statements when collecting a debt.
   - Engage in unfair practices in attempting to collect a debt by depositing a post-dated check before the date on the check or by taking a debtor's property unless done legally.

Debtors have the right to notify a debt collector in writing to have no further contact with them. The law allows the collector one final contact, usually to invoke a specific remedy. If the collector continues to contact the debtor after a written request has been made to cease all contact, the debtor has the right to report the violation to the Federal Trade Commission for action. In cases like these, the members should seek assistance from NLSO.

5. **Fair Credit Reporting Act**: The purpose of this act is to ensure that consumer credit-reporting agencies furnish correct and complete information to businesses for use in evaluating applications for credit, insurance or employment. Mistakes do occur, and you are wise to check your credit periodically and correct any erroneous information. Among other things, this act gives you the right to check your credit report and dispute the completeness or accuracy of the report. It also requires disclosure to you of the name and address of any credit-reporting agency that supplied information about you. Further, it gives you the right to put a 100-word statement on your credit report.

6. **Fair and Accurate Credit Transaction Act**: This amendment to the Fair Credit Reporting Act is intended primarily to help consumers fight identity theft. Among other things, this act gives you the right to one free credit report annually. It also allows free access to specialty reports (medical, insurance, and check-writing history) annually. FACTA provides the right to add a "fraud alert" to your file if you have been the victim of identity theft. It also provides for "active-duty alerts" for military members—a very useful idea when going overseas.

7. **Equal Credit Opportunity Act**: Provides for credit being granted to all consumers in a fair and equitable manner. Prohibits discrimination based on sex, marital status, race, national origin, religion, age or the receipt of public assistance. Prohibits women from having to reapply for credit due to separation or divorce.

A person still can be denied credit if they fall into one of these categories, but a poor credit history is the only allowable reason for denial of credit.

8. **Military Lending Act**: For payday loans offered after 1 Oct 2007, the military annual percentage rate cannot exceed 36 percent. Most fees and charges, with few exceptions, are included in the rate. Creditors also may not require use of a check or access to a bank account for the loan, mandatory arbitration, and unreasonable legal notices. Military consumers also must be given certain disclosures about the loan costs and their rights. Credit agreements that violate the protections are void. Creditors that offer payday loans may ask loan applicants to sign a statement about their military affiliation. This applies to payday loans, auto-title loans and refund-anticipation loans only.
1. A service member is separated from her spouse. The spouse has custody of their one child. The member and spouse are arguing over how much child support should be paid. The service member decides not to pay anything to the spouse until there is a court decree. She continues to live in their apartment and receive BAH at the “with dependents” rate. Is she heading for trouble?

2. A service member wakes up one Saturday and decides to go out and buy his dream car. While on the lot, the salesperson tells the member to sign the retail installment sales contract and a promissory note as well as a few other miscellaneous sheets of paper. He also recommends that the member purchase a service contract to keep the car running smoothly. The member is late for a date and, since he trusts the salesperson, he signs all the documents without reading them. Is he heading for trouble?

3. A very junior service member is having difficulty paying bills he incurred before he joined the military. Some of the debts have interest rates as high as 20 percent. Is he heading for trouble?

4. A service member and her husband are moving into an apartment and sign a lease without a military clause. Are they heading for trouble?

5. A service member and her husband are moving into government quarters. They believe the government will pay for any damage to personal property if there is a disaster, such as fire or flood. Are they heading for trouble?

6. A Sailor is buying a used car and asks the salesman for a copy of the unsigned contract to take to his legal officer before he signs it. Is he heading for trouble?

7. The court tells a Sailor he must pay debts legally incurred by his ex-wife while they were married. The Sailor decides there is no way he will pay the debts. Is he headed for trouble?

8. A Sailor living in the barracks has fallen behind three months on support for his estranged wife and baby son, who are living in military housing. His CO orders him to pay half of his gross pay each month. Is anyone headed for trouble?

9. A Sailor does not believe he is the father of a new baby, but he agrees to provide financial support until “things are straightened out.” Is he headed for trouble?

10. A Sailor buys a heavy-duty steam carpet cleaner from a department store. The saleswoman tells the Sailor it will clean heavy-duty dirt from most carpets. The Sailor notes, upon using the cleaner, that it forms small, muddy ponds in his living room. Is he headed for trouble?

11. A Sailor buys a used car marked “as is.” When he puts the key in the ignition, nothing happens. He then lifts the hood and notes that there is no engine. Is he headed for trouble?

12. A Sailor realizes she has lost her credit card. She informs the issuer immediately. When she gets her next bill, there is a charge of $400 that she didn’t make. Is she headed for trouble?

13. A Sailor realizes she has lost her debit card. She doesn’t call the issuer for three days. Meanwhile, there was unauthorized use of the card for $400. Is she headed for trouble?

BONUS

A Sailor gives her husband a general power of attorney to take care of business while she is deployed. Is she headed for trouble?
Financial Referral Resources

I. INTRODUCTION

- Command Financial Specialist training focuses on preparing you to fulfill your role as a CFS by providing instruction in three key areas: financial education, financial counseling, and how to be an information and referral resource. Part of being a good counselor and a good CFS is acknowledging that there are limits to your training, authority, personal abilities and time. That is why it is important for you to become aware of the numerous resources available to assist you in your duties. Throughout this week-long program, guest speakers are used to acquaint you with some of the different resources you may use on a referral basis for your clients. To assist in this effort, this chapter is presented in two sections. The first section on Tuesday begins with a listening exercise designed to focus on the importance of active listening during a presentation. This is followed by the introduction of referral resources using guest speakers. The second section is training on using the referral resources and making appropriate referrals, which occurs on Wednesday morning. It includes a practical application designed to verify retention of the resources presented the previous day.

- This chapter continues the focus on resources by introducing some of the main referral resources that work with the CFS. Having been presented with many consumer issues, the course now turns to the Fleet and Family Support Center and Navy-Marine Corps Relief Society. The chapter concludes with a brief lecture on considerations when making a referral and practical application of resource information through 14 short case study scenarios.

- Chapter correlation to major OPNAVINST task areas:

  1. **Education and Training:** This chapter has no direct correlation to PFMSC modules. However, the information presented in the resource training portion of CFS will complement any and all general training conducted by the CFS, as "Sources of Help" is a part of each PFMSC module. Additionally, the CFS is exposed to many different training techniques when guest speakers are invited into the classroom.

  2. **Information and Referral:** Students are given "face time" with key financial referral resources, enhancing their understanding of what the resource does and clarifying appropriate application to client situations.

  3. **Counseling:** Referrals often are an important aspect of counseling, and knowing the right way to make the referral to the appropriate resource can motivate a client to action. This topic provides necessary and relevant training for a key part of the counseling cycle.
II. REFERENCES

www.nmcrs.org (Navy-Marine Corps Relief Society)

www.tricare.osd.mil (TRICARE Health Insurance)

www.lifelines.navy.mil (Lifelines Education Information)


III. LEARNING OBJECTIVE

Using a scenario-based activity, the learner will identify the appropriate referral resources for situations commonly encountered by a CFS.

IV. CONTENT
Navy-Marine Corps Relief Society Fact Sheet

Point of Contact: ____________________________________________________________

Phone: ______________________________________________________________________

E-mail: ______________________________________________________________________

Address: __________________________________________________________________

1. What is NMCRS?
   - Short-term emergency relief agency
   - Private non-profit organization
   - Provides assistance to Navy and Marine Corp personnel and their families
   - Funding from donations and an investment fund

2. Who is Eligible for Assistance?
   - Active and retired members of the regular Navy and Marine Corps
   - Reservists on extended active duty and certain retired reservists
   - Dependents and dependent survivors of the above members
   - Indigent mothers (65 or older) of deceased service members who have limited resources and no family to provide for their welfare
   - Ex-spouses “20-20-20” (un-remarried former spouses) whose marriage to a service member lasted for at least 20 years while the service member was on active duty
   - Uniformed members of the National Oceanic and Atmospheric Administration (NOAA)

3. Financial Assistance
   - Interest-free loans or grants to help with emergency needs such as:
     - Emergency transportation
     - Funeral expenses
     - Medical/dental bills (patient’s share)
     - Food, rent, clothing and utilities
     - Disaster relief assistance
     - Child-care expenses
     - Car repairs, insurance and payments
     - Unforeseen family emergencies
     - Household setups
     - Pay problems (non-NJP related)
     - Assistance with car insurance payments
     - Quick Assist Loans: Quick Assist Loans of up to $300 are designed to help with emergency needs for basic living expenses such as housing, utilities, food and clothing; medical or dental expenses; vehicle or transportation expenses; or to assist during family emergencies. Like the society’s other loans, QALs are interest-free.
4. Policy Limitations
- Cable TV
- Debt consolidation
- Legal fees and fines
- Government credit cards
- Taxes
- Covering bad checks
- Living beyond one's means

5. Making a Referral to NMCRS
- Client confidentiality
- No promises
- Call ahead for appointment
- What should the service member bring?
- Command involvement

6. Interview Process
- Analyze the need
- Prepare a budget
- Determine repay
- Provide financial education
- Decision
- Service cases
- Check

7. Loans vs. Grants
- Loan-only programs
- Budget
- Best interest of the service member
- Conversions

8. Denials
- Takes two to say no
- Command appeal
- SM requests command assistance
- CO/XO/CMC contacts local NMCRS
- Denial reversed or upheld

9. Other Services and Programs
- Budget for baby
- Layettes
- Food bags/vouchers
- Visiting nurse
- Thrift shop
- Budget counseling
- Education programs
- Active-duty survivor benefit program

10. Volunteer Opportunities
- Budget for Baby
- Caseworkers
- Client Services Assistant
- Public Speaking
- Publicity
- Record Keeping
- Thrift Shop

11. Where to get additional information
- Contact local NMCRS office
- NMCRS Web site

12. Relevance of program to CFS program
- Have money for emergency financial needs (send client with completed FPW)
- Avoid predatory lenders
- Budgeting assistance
- Financial education provided
- Consulting for CFS

Notes:
1. Services
   - Deployment readiness
   - Ombudsman program
   - Personal finances
   - New-parent support
   - Transition assistance
   - Family employment
   - Relocation assistance
   - Family advocacy
   - Sexual assault
   - Life skills
   - Volunteer services
   - Clinical counseling

2. Where to Get Additional Information

3. Relevance of Programs to CFS Program

Notes:
The Navy’s Exceptional Family Member Program (EFMP) is designed to assist Sailors by addressing the special needs of their exceptional family members (EFM) during the assignment process. Special needs include any special medical, dental, mental-health, developmental or educational requirement; wheelchair accessibility; and adaptive equipment or assistive technology devices and services. EFMP/special needs guidance is contained in:

- DOD Instruction 1315.19, 20 Dec 2005, Authorizing Special Needs Family Members Travel Overseas at Government Expense
- SECNAV Instruction 1754.5B, 14 Dec 2005, Exceptional Family Member Program
- OPNAV Instruction 1754.2C, 22 Jan 2007, Exceptional Family Member (EFM) Program
- BUMED Instruction 1300.2A, 23 Jun 2006, Suitability Screening, Medical Assignment Screening and Exceptional Family Member Program (EFMP) Identification and Enrollment

The primary goal of the EFMP is to ensure the special needs of EFM can be met at a new assignment location. EFMP enrollment information enables Navy detailers to consider a family member’s special-need requirements proactively during the assignment process and to pinpoint the assignment to a location with appropriate resources that address the special needs. Successful implementation requires up-to-date enrollment information and extensive coordination among the personnel, medical and educational communities.

EFMP enrollment is mandatory and required immediately upon identification of a special need. Command points of contact and Navy military treatment facility (MTF) EFMP coordinators can assist service and family members with the enrollment process. DD Form 2792 (11-06), Exceptional Family Member Medical Summary and DD Form 2792-1 (11-06), Exceptional Family Member Special Education/Early Intervention Summary, are used for enrollment. DoD civilian employees and their family members do not enroll in the EFMP.

There is a reluctance to enroll because of misconceptions that EFMP enrollment may limit assignments and career advancement or preclude family members from accompanying sponsors on overseas tours. These negative perceptions are not supported by fact. Sailors enrolled in the EFMP always have received equal consideration for accompanied assignments and for promotions.

There are six EFMP enrollment categories which include:

- Category I — for monitoring purposes only
- Category II — pinpoint to specific geographic locations
- Category III — no overseas assignments
- Category IV — major medical areas in CONUS
- Category V — homesteading
- Category VI — temporary enrollment; update required in six to 12 months
The Navy Personnel Command (NAVPERSCOM) in Millington, Tenn., is the proponent for EFMP. Contact information for EFMP operations (PERS-451) is: CML 901-874-4390, DSN 882-4390 or e-mail: cynthia.granby@navy.mil. Contact information for EFMP policy (N135) is: CML 901-874-6670, DSN 882-6670 or e-mail: marcia.hagood@navy.mil. NAVPERSCOM is responsible for:

- Prescribing EFMP enrollment and disenrollment procedures.
- Coordinating detailing procedures including those for severely disabled EFM.
- Prescribing procedures for expeditious screening and forwarding of EFM forms from the sponsor or MTF via the Central Screening Committee to the EFMP manager.
- Establishing and maintaining a database of enrolled service members with EFM.
- Establishing and maintaining a current EFM resource database which includes medical, educational and support agencies, facilities, and services in key fleet concentration areas.
- Developing and periodically conducting training and information campaigns.
- Providing relocation assistance.

The Bureau of Medicine and Surgery (BUMED) in Washington, D.C., also has EFMP responsibilities. BUMED (M322) EFMP contact information is: CML 202-762-3451, DSN 762-3451, or e-mail: sharon.dempsey@med.navy.mil. BUMED and Navy MTFs are responsible for:

- Developing policy for health-care providers and patient administrators to identify and enroll eligible family members in the EFMP.
- Maintaining Central Screening Committees composed of health-care providers who review completed EFMP applications and recommend disposition to NAVPERSCOM.
- Identifying an EFMP coordinator at each Navy MTF who will assist staff and service members with the application process and provide necessary enrollment forms.
- Providing training, as necessary, to all area commands on the EFMP.
- At an overseas MTF, coordinating early intervention, special education and related services with the cognizant Department of Defense Dependents School (DODDS) special-education coordinator and/or military service with responsibility for Educational and Developmental Intervention Services (EDIS).

Each military component has developed its own program that addresses special needs and assignment coordination. For additional information contact:

- Marine Corps, HQ, USMC, Quantico, Va., telephone: 703-784-9654/0298, or e-mail: cheryl.r.erickson@usmc.mil
- Army, Army MEDCOM, San Antonio, Texas, telephone: 210-221-8926/6476, or e-mail: audrey.ardison@amedd.army.mil
- Air Force, AFSMA/SGOF, Falls Church, Va., telephone: 703-681-6320, or e-mail: carol.copeland@pentagon.af.mil
- Coast Guard, HQ, USCG, Washington, D.C., telephone: 202-475-5166

Additional information can be found in the following publications (available at each command, Fleet and Family Support Center, or Navy MTF) or Web sites:

- Exceptional Family Member Program Resource Guide (NAVPERS 15614H)
- Children With Special Needs — A Navy Parent Handbook
- The Navy Exceptional Family Member Program (VCR or DVD — NAVPERS 806683)
- Navy EFMP <www.npc.navy.mil/Command-Support/ExceptionalFamilyMember/>
- USMC EFMP <www.usmc-mccs.org/efmp>
- Military Homefront <www.militaryhomefront.dod.mil>
- Military OneSource <www.militaryonesource.com>
EFMP Enrollment Process

Special needs are:

- Identified during routine health care (MTF or TRICARE health provider)
- Self-identified (service or family member)
- Identified during suitability screening (suitability screening coordinator)

Special needs include any special medical, dental, mental-health, developmental or educational requirement; wheelchair accessibility; and adaptive equipment or assistive technology devices and services.

**Step 1:** Refer the service and family member to the MTF EFMP coordinator who assists with completing DD Form 2792, Nov 06, Exceptional Family Member Medical Summary or DD Form 2792-1, Nov 06, Exceptional Family Member Special Education/Early Intervention Summary.

For school-age children, both the Medical and Special Education summaries must be completed and signed by appropriate medical and educational officials.

**Step 2:** The MTF EFMP coordinator forwards completed enrollment forms to the appropriate regional Central Screening Committee (CSC), which includes NMC Portsmouth, NMC San Diego and USNH Yokosuka.

**Step 3:** The CSC reviews the enrollment forms, recommends a category code, and forwards the forms to the Navy EFMP (PERS-45) in Millington, Tenn. or to the USMC EFMP in Quantico, Va.

There are six Navy EFMP enrollment categories:

- Category I — for monitoring purposes only
- Category II — pinpoint to specific geographic locations
- Category III — no overseas assignments
- Category IV — major medical areas in CONUS
- Category V — homestead location
- Category VI — temporary enrollment; update required in six to 12 months

**Step 4:** PERS-45 confirms the category code and enters the enrollment data into an EFMP database.

Personnel assignment managers (detailers) use the EFMP enrollment data to pinpoint assignments to locations with appropriate resources that can address the special needs.
# TRICARE Fact Sheet

**Point of Contact:** ____________________________________________  
**Phone:** _____________________________________________________  
**E-mail:** _____________________________________________________  
**Address:** ____________________________________________________

<table>
<thead>
<tr>
<th>TRICARE Prime</th>
<th>TRICARE Standard and Extra</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is it?</strong> TRICARE Prime is a managed-care option offering the most</td>
<td>TRICARE Standard and Extra is a fee-for-service option, which allows you the most</td>
</tr>
<tr>
<td>affordable and comprehensive coverage.</td>
<td>flexibility in whom you see for care but will cost you more out-of-pocket than a</td>
</tr>
<tr>
<td></td>
<td>managed-care plan such as TRICARE Prime. With TRICARE Standard and Extra, you can seek</td>
</tr>
<tr>
<td></td>
<td>care from any TRICARE-authorized provider. If you see a network provider, you'll be using</td>
</tr>
<tr>
<td></td>
<td>the TRICARE Extra option and will pay less than if you see a non-network provider.</td>
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</tbody>
</table>

| **Am I eligible?** In general, the following are eligible for TRICARE Prime | In general, the following are eligible for TRICARE Standard and Extra:                     |
| if it's offered in their location:                                         |                                                                             |
| • Active-duty service members                                             | • Active-duty family members                                                |
| • Active-duty family members                                              | • Survivors under age 65*                                                    |
| • Retirees and their family members under age 65                          | • Certain former spouses under age 65*                                      |
| • Survivors under age 65                                                  | • Medal of Honor recipients and their families under age 65*                |
| • Certain former spouses under age 65                                     | • Family members of National Guard or Reserve members who are activated for   |
| • Medal of Honor recipients and their family members under age 65         |   more than 30 consecutive days                                              |
| • Members of the National Guard and Reserves and their families if the   | • *If under age 65 and entitled to Medicare Part A, you must have Medicare Part   |
| sponsor is activated for more than 30 consecutive days                    |   B to remain eligible for TRICARE. When you have Medicare Part A and Part B, you're |
|                                                                             |   covered automatically by TRICARE For Life.                                 |

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*Note: Eligibility can be determined only by uniformed services, and eligibility information is reflected in the Defense Enrollment Eligibility Reporting System (DEERS). The information provided here is general. Visit eligibility for more information about eligibility requirements.*

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# Financial Referral Resources
<table>
<thead>
<tr>
<th>What are the main features?</th>
<th>Enrollment required</th>
<th>Enrollment NOT required</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ Easy to transfer enrollment when you move</td>
<td>▶ No enrollment forms to fill out</td>
<td></td>
</tr>
<tr>
<td>▶ Enhanced vision coverage and clinical preventive services</td>
<td>▶ No annual enrollment fees</td>
<td></td>
</tr>
<tr>
<td>▶ Assigned primary-care manager (PCM) provides most of your care and gives you referrals for specialty care*</td>
<td>▶ Freedom to choose from any TRICARE-authorized provider, network or non-network</td>
<td></td>
</tr>
<tr>
<td>▶ Time and distance access standards</td>
<td>▶ Receive care in a military treatment facility on a space-available basis only</td>
<td></td>
</tr>
<tr>
<td>▶ First priority for military treatment facility appointments</td>
<td>▶ Referrals are not required, but some care may require prior authorization</td>
<td></td>
</tr>
<tr>
<td>▶ Fewer out-of-pocket costs</td>
<td>▶ Highest out-of-pocket costs</td>
<td></td>
</tr>
<tr>
<td>▶ No claims to file (in most cases)</td>
<td>▶ Tip: Save time and money with the TRICARE Extra option. When you visit a TRICARE network provider, you’ll pay less out-of-pocket, and providers will file claims for you.</td>
<td></td>
</tr>
</tbody>
</table>

*Point-of-service (POS) option available to receive care without a PCM referral, resulting in higher out-of-pocket costs. POS not available for active-duty service members.

| Will I have to file my own claims? | Your provider will file claims for you (in most cases). | If you receive care from a TRICARE network provider, your provider will submit claims on your behalf. If you receive care from a non-network provider, you may be required to submit your own health-care claims. |
| Do I have to enroll? If so, is there an annual enrollment fee? | Yes, to participate in TRICARE Prime, you must enroll by submitting a TRICARE Prime Enrollment and PCM Change Form to your regional contractor. Active-duty service members and activated National Guard and Reserve members are required to enroll in TRICARE Prime (or another Prime option depending on where they live/work). All others may choose to enroll. Eligible beneficiaries who do not enroll in TRICARE Prime are covered by TRICARE Standard and Extra. Active-duty service members and their families; activated National Guard and Reserve members and their families; and transitional survivors are not required to pay an annual enrollment fee. Retirees, their families and all others must pay an annual enrollment fee:  
- $230/individual  
- $460/family |
<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>You do not have to enroll in TRICARE Standard and Extra to participate. Coverage is automatic, as long as you remain eligible in the Defense Enrollment Eligibility Reporting System.</td>
<td></td>
</tr>
</tbody>
</table>
| What is the annual deductible? | There is no annual deductible unless you are using the POS option, which allows you to see any provider without a referral from your primary-care manager. POS outpatient annual deductible:  
- $300/individual  
- $600/family  
Note: Active-duty service members and activated National Guard or Reserve members may not use the POS option. |
|---|---|
| - The annual outpatient deductible varies depending on the sponsor's military status and rank:  
Active duty family members (sponsor rank E-4 and below):  
- $50/individual  
- $100/family  
Active-duty family members (sponsor rank E-5 and above)  
- $150/individual  
- $300/family  
All others:  
- $150/individual  
- $300/family  
Family members of National Guard or Reserve members activated in support of a contingency operation (OEF, OIF, Noble Eagle): $0; Deductibles waived as part of the Reserve Family Demonstration Project  
Note: There is no annual deductible for care received in military treatment facilities. |
<table>
<thead>
<tr>
<th>What’s the maximum I’ll pay out-of-pocket? (Also known as the catastrophic cap.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your catastrophic cap varies depending on the sponsor’s military status:</td>
</tr>
<tr>
<td>- Active-duty families: $1,000 per family, per fiscal year</td>
</tr>
<tr>
<td>- National Guard and Reserve families: $1,000 per family, per fiscal year</td>
</tr>
<tr>
<td>- Retired families (and all others): $3,000 per family, per fiscal year</td>
</tr>
<tr>
<td>Note: POS fees do not apply toward meeting your catastrophic cap.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Where is the program available?</th>
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<tbody>
<tr>
<td>TRICARE Prime is available throughout the continental United States in areas known as Prime service areas.</td>
</tr>
</tbody>
</table>

| Your catastrophic cap varies depending on the sponsor’s military status: |
| - Active-duty families: $1,000 per family, per fiscal year |
| - National Guard and Reserve families: $1,000 per family, per fiscal year |
| - Retired families (and all others): $3,000 per family, per fiscal year |

Where is the program available?

TRICARE Prime is available throughout the continental United States in areas known as Prime service areas.

Anywhere in the continental United States. TRICARE Standard is available in U.S. territories and overseas through the TRICARE Standard Overseas program. The TRICARE Extra option is not available overseas.

Making a Referral

One critical part of your role as a CFS is to make successful referrals. Your goal is to prevent financial problems from recurring. Your responsibility is to discuss other sources of help with the client and to suggest referrals to the appropriate community and military agencies.

The steps to making a referral are:

1. Determine the needs of the client.
2. Determine if a referral is necessary.
3. Select the appropriate referral resource and make the referral.
4. Monitor and follow-up.

1. Determine the Needs of the Client

Consider the following when contemplating a referral:

**People you CANNOT accept as clients:** In such cases, work with the command master chief, security, DAPA, or other persons in authority.

- People who are engaged in any kind of criminal activity. Do not endanger yourself or open yourself to possible legal problems and time-consuming criminal court appearances.
- Drug addicts or alcoholics, unless in supervised treatment. If you find a large amount of income for which you cannot account in their listed expenses, there is a good possibility that such income is being used for alcohol, drugs or gambling, or for some other activity that your client wants to hide.
- Intoxicated persons. Do not attempt financial counseling with someone who is drunk or drugged, but be careful not to jump to conclusions about behavior that initially might suggest that the person is under the influence of drugs or alcohol.
- Psychotic and borderline personalities. Such people will tend to exhibit intense outbursts of emotion, such as uncontrolled crying or screaming, amnesia, hallucinations, exceptional fear or rage.

**Identify emotional issues** and other kinds of problems that financial counselors are not prepared to handle. Refer to FFSC professional therapists, DAPA or MTF for assessment:

- Talk or hints of suicide/homicide
- Problems with substance addictions
- Problems with psychological addictions
- Spousal or child abuse
- Marital problems
- Interpersonal problems at work
- Anger-management problems — intense or uncontrollable outbursts of rage, fear or other emotions
- Chronic and severe depression
- Phobias
Identify needs: You will know if a financial referral is appropriate after working through some of the following considerations:

- **Emergency needs:** Does the client have an emergency need that must be addressed immediately? Refer to the appropriate emergency referral resource.
  - If the client has received an eviction notice, when is the last date the client can occupy the rental unit?
  - If the client has received a cut-off notice for utilities, when will the service be terminated?
  - Does the client have enough money for food and other necessities until next payday?
  - Does the client have adequate clothing and transportation?
  - What resources does the client have available to meet his/her emergency needs, such as savings, checking, cash-value life insurance, family, friends, etc.?

- **Longer-term needs:** Assess the client's needs that do not require immediate intervention. Here you may need to refer to an appropriate financial referral resource, or you may be able to handle the client's problems yourself:
  - Has the client ever seen a financial counselor regarding his or her financial problems?
  - Is the client delinquent in paying any accounts? If so, when was the last payment made on each account and the amount?
  - Is this the first time the client has experienced financial difficulties of this sort?
  - Have any of the client's debts been turned over to a debt-collection agency?
  - Has the command received Letters of Indebtedness concerning the client?
  - Has the client received final notices for payment from any creditors?
  - Are any of the client's creditors threatening to take legal action?
  - Has the client had any judgment filed against him or her by creditors or received notices to appear in court for non-payment of debts?
  - Has the client contacted the creditors and tried to work out a repayment plan? If not, when was the last time the client contacted the creditors?
  - What has the client done to try to solve the problem?

2. **Determine if in Fact a Referral is Necessary**

Decide whether the client needs help that goes beyond the scope of your training and responsibility as a CFS. In making that decision, consider the following questions:
What is the client asking of me?
What is the severity of the problem?
In what area does the problem exist?
Who is involved other than the client seeking help?
What are the consequences of the client's or my actions?
What additional information is needed to solve the problem?
What support is the client seeking and/or needing?
Is the problem similar to other problems with which I have dealt? (ASK: What if the answer is no? There is a first time for everything…)
Are other personal problems involved outside the financial concerns?
(You take care of financial problems, refer to other resources for other problems, such as emotional fallout.)
Is money needed to solve the problem? (Refer to an agency with money.)
Are court proceedings or legal actions indicated? (Refer to NLSO.)
Does the problem require long-range planning, frequent follow-up and close monitoring? (SFFC is short-term — refer to an outside financial-counseling agency.)
Will it take longer than three months or five sessions for the client to be able to resume managing his or her financial affairs without my support? (SFFC is short-term — refer to an outside agency.)
Are the client and/or I uncomfortable discussing the problem? (Find a way to deal with the discomfort, or refer to another CFS or FFSC Financial Education Specialist.)
Do I know of outside agencies that fit this client's situation? Can we work together?
Are there other Navy programs that fit this client's situation? Can we work together?

3. **Select the Appropriate Referral Resource and Make the Referral**

By conducting the assessment via the questions listed above, you should be able to come to a decision regarding the appropriateness of a referral. Once you have a thorough understanding of the client's needs and problems and have made the decision to refer the client to a helping resource, you should make the referral promptly.

1. Explain that you have done all you can do as a CFS or that the client's needs go beyond the scope of your service and expertise. Any further progress toward a solution for the problem requires the use of another resource.
2. Suggest that the client call a specific agency or professional service and make an appointment.
3. With the client's permission, you can call the referral resource and set up the appointment while the client is in your office. Let the agency know that this is a command referral and briefly describe the client's problem.
4. Tell the client that he or she must see a helping resource.
5. Select the referral resource best suited to assist with the client's particular problem. Be specific and direct in suggesting the helping resource.
a. List what the client needs to prepare for the appointment.

b. Give written information to the client — date, agency, address, telephone number, contact person, time of appointment, and information to bring to the interview. Use the “Action Plan” referral section of the Financial Planning Worksheet.

c. Arrange for absence from work, if necessary.

4. Monitor and Follow Up

Follow up with the agency and the client after completing the referral:

▶ Did the client keep the appointment?
▶ Was the referral resource able to help the client? If so, what assistance was given?
▶ Continue to offer support and encouragement to the client as he or she works out the financial problem and monitor/record progress of the client in your case file.

Keeping Referral Resource Files and Information

Making prompt and appropriate referrals for your client is a key task of the Command Financial Specialist. You must be aware of the available resources in the community and in the military. Find out what they do, if they are reliable, if they are accessible, if your clients are eligible for the services, etc.

Develop a referral resource listing, database or file system. Include the following information:

1. Name, address and telephone number of each referral resource
2. The name of a contact at the agency or organization
3. A brief description of services provided
4. If available, have copies of brochures from the resource

You will be able to compile a substantial listing of financial resource referrals from information given out in this class. Refer to the “References” section of each chapter in the Student Manual to compile your database. Be sure to include any and all Web sites given out during the class. Finally, write down the name and number of your FFSC Information and Referral Specialist, who always is standing by to assist you with finding the appropriate resource for your client.
Resources for the Savvy CFS

The Navy Fleet and Family Support Programs Home Page: www.nffsp.org

Banks
American Bankers Association: www.aba.com
Answers and Solutions for Customers of National Banks: www.helpwithmybank.gov
Complaints About Banks: www.occ.treas.gov
Credit Union National Association: www.cuna.org
Better Business Bureau
www.bbb.org

Car-Buying
Web Directory for All Types of Car Information: www.autopedia.com

Charities
Better Business Bureau: www.bbb.org

College Planning
College Parents of America: www.collegeparents.org
College Savings Plans Network: www.collegesavings.org
College Savings Programs (529 Plans): www.savingforcollege.com
FastWeb Scholarship Search Engine: www.fastweb.com
Free Application for Federal Student Aid: www.fafsa.ed.gov
Lifelines Services Network: www.lifelines.navy.mil
Military.com Education Tab: www.military.com/education-home
MilitaryOneSource: www.militaryonesource.com
Navy College Web site: www.navycollege.navy.mil
Navy Knowledge Online: www.nko.navy.mil
The SmartStudent Guide to Financial Aid www.finaid.org
U.S. Savings Bonds Web site: www.savingsbonds.gov

Consumer Directories
www.consumerworld.org
www.consumer.gov

Credit Cards
Consumer World Directory (Money Listing): www.consumerworld.org

Credit Problems
Association of Independent Consumer Credit Counseling Agencies: www.aiccca.com
Federal Trade Commission: www.ftc.gov
National Consumer Law Center: www.consumerlaw.org
National Foundation for Credit Counseling: www.nfcc.org and www.debtadvice.org
Non-Profit Debt-Management Counseling: www.myvesta.org

Credit Reports
Annual Free Credit Report: www.annualcreditreport.com
Credit Scores: www.brightscore.com and www.myfico.com

Direct Marketing/Mailing Lists/Telephone Solicitation Lists
Complaints: www.ftc.gov
Credit and Insurance Offers: www.optoutprescreen.com
Junk Mail, E-Mail and Spam: www.DMAChoice.org
Telephone Solicitation: www.donotcall.gov

Emergency Financial Assistance
American Red Cross: www.redcross.org
Navy-Marine Corps Relief Society: www.nmcrs.org
## Financial Planning and Education

- **Alliance for Investor Education**: [www.investoreducation.org](http://www.investoreducation.org)
- **America Saves Program**: [www.americasaves.org](http://www.americasaves.org)
- **Association for Financial Counseling and Planning Education**: [www.afcpe.org](http://www.afcpe.org)
- **EBRI Financial Education Site**: [www.choosetosave.org](http://www.choosetosave.org)
- **Financial Education Program for Military**: [www.savandinvest.org](http://www.savandinvest.org)
- **Financial Industry Regulatory Authority**: [www.finra.org](http://www.finra.org)
- **Financial Planning Association**: [www.fpanet.org](http://www.fpanet.org)
- **U.S. Financial Literacy and Education Commission**: [www.mymoney.gov](http://www.mymoney.gov)

## Government Agencies

- **Bureau of Labor and Statistics**: [www.bls.gov](http://www.bls.gov)
- **Consumer Product Safety Commission**: [www.cpsc.gov](http://www.cpsc.gov)
- **Department of Education**: [www.ed.gov](http://www.ed.gov)
- **Federal Communications Commission**: [www.fcc.gov](http://www.fcc.gov)
- **Federal Deposit Insurance Corp.**: [www.fdic.gov](http://www.fdic.gov)
- **Federal Reserve System**: [www.federalreserve.gov](http://www.federalreserve.gov)
- **Federal Statistics Site**: [www.fedstats.gov](http://www.fedstats.gov)
- **Federal Reserve System**: [www.federalreserve.gov](http://www.federalreserve.gov)
- **Federal Communications Commission**: [www.fcc.gov](http://www.fcc.gov)
- **Securities and Exchange Commission**: [www.sec.gov](http://www.sec.gov)

## Identity Theft

- **Identity Theft Resource Center**: [www.idtheftcenter.org](http://www.idtheftcenter.org)
- **Federal Trade Commission**: [www.ftc.gov](http://www.ftc.gov)
- **Privacy Rights Clearinghouse**: [www.privacyrights.org](http://www.privacyrights.org)

## Insurance

- **Consumer World Directory, Money Tab**: [www.consumerworld.org](http://www.consumerworld.org)
- **Social Security Administration**: [www.ssa.gov](http://www.ssa.gov)
- **Coalition Against Insurance Fraud**: [www.insurancefraud.org](http://www.insurancefraud.org)
- **Department of Veterans Affairs Insurance Home Page**: [www.insurance.va.gov](http://www.insurance.va.gov)
- **Insure.com Insurance Quote Site**: [www.insure.com](http://www.insure.com)

## Internet Fraud

- **Better Business Bureau**: [www.bbb.org](http://www.bbb.org)
- **Federal Government and Technology Industry Internet Fraud Site**: [www.onguardonline.gov](http://www.onguardonline.gov)
- **Federal Trade Commission**: [www.ftc.gov](http://www.ftc.gov)
- **Internet Crime Complaint Center**: [www.ic3.gov](http://www.ic3.gov)
- **National Consumer League's Fraud Center**: [www.fraud.org](http://www.fraud.org)

## Investing

- **Alliance for Investor Education Help Site**: [www.helpforinvestors.org](http://www.helpforinvestors.org)
- **American Savings Education Council**: [www.asec.org](http://www.asec.org)
- **Company Research**: [www.hoovers.com](http://www.hoovers.com)
- **Financial Engines Retirement Help for Life**: [www.financialengines.com](http://www.financialengines.com)
- **Investing Information**: [www.bloomberg.com](http://www.bloomberg.com)
  [www.businessweek.com](http://www.businessweek.com)
  [www.stocks.com](http://www.stocks.com)
- **Investment Research**: [www.morningstar.com](http://www.morningstar.com)
  [www.valueline.com](http://www.valueline.com)
  [www.zacks.com](http://www.zacks.com)
- **Motley Fool Investor Education**: [www.fool.com](http://www.fool.com)
- **SmartMoney Educational Web site**: [www.smartmoney.com](http://www.smartmoney.com)
- **Social Security Administration**: [www.ssa.gov](http://www.ssa.gov)
- **Thrift Savings Plan of the Uniformed Services**: [www.tsp.gov](http://www.tsp.gov)
- **U.S. Savings Bonds**: [www.savingsbonds.gov](http://www.savingsbonds.gov)
**Legal Information**
American Bar Association: www.abanet.org
Child-Support Guidelines on the Web: www.supportguidelines.com
Legal Information Institute of Cornell Law School: www.law.cornell.edu
Lifelines Services: www.lifelines.navy.mil
Servicemembers Civil Relief Act: http://usmilitary.about.com/cs/sscra/a/scra1.htm

**Mediation**
Association of Conflict Resolution: www.acresolution.org
Conflict Resolution Information Source: www.crinfo.org

**Military**
Lifelines Services Network: www.lifelines.navy.mil
MilitaryOneSource: www.militaryonesource.com
Military Community Site for Education, Career, Discounts and Benefits Information: www.military.com
TRICARE: www.tricare.mil
Military Compensation: www.defenselink.mil/militarypay
Navy Personnel Command: www.npc.navy.mil
Defense Finance and Accounting Service: www.dfas.mil
MyPay: www.mypay.dfas.mil

**Moving**
Automated Housing Referral Network: www.ahrn.com
Department of Defense Defense Personal Property System: www.move.mil
Department of Defense Education Activity: www.dodea.edu/
Department of Defense Per Diem, Travel and Transportation Allowance Committee: http://perdiem.hqda.pentagon.mil/perdiem
Department of Defense Relocation Cost Calculator: www.militaryacclimate.com
Military HOMEFRONT: www.militaryhomefront.com
Military OneSource: www.militaryonesource.com
Navy Exchange Moving Center: www.militarymovingcenter.com
Navy Housing: www.housing.navy.mil
Navy Lodge: www.navy-lodge.com
Smart WebMove: https://www.smartwebmove.navsup.navy.mil/swm/
StayNAVY: www.staynavy.navy.mil

**Taxes**

**Utilities**
National Association of Regulatory Utility Commissioners: www.naruc.org
National Association of State Utility Consumer Advocates: www.nasuca.org
### Governing Directives

Web sites for source material:
DoD Directives: [www.dtic.mil/whs/directives](http://www.dtic.mil/whs/directives)
DON Directives: [http://don.daps/dla.mil](http://don.daps/dla.mil)

Instructions, Directives and Manuals:

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<td>DoD FMR, Vol 9, Ch 3</td>
<td>March 2005</td>
<td>Government Travel Card Regulations</td>
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<td>23 Oct 08</td>
<td>Private Organizations on DoD Installations</td>
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<td>Personal Commercial Solicitation on DoD Installations</td>
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<td>Indebtedness Processing Procedures for Military Personnel</td>
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<td>MILPERSMAN 5800-010</td>
<td>22 Aug 02</td>
<td>Paternity Complaints</td>
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<td>9 Jun 05</td>
<td>Worthless Checks by Members and/or Their Families</td>
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<td>4 Apr 06</td>
<td>Indebtedness and Financial Responsibility of Members</td>
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<td>MILPERSMAN 7220 Series</td>
<td>Various</td>
<td>Disbursing</td>
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<td>OPNAVINST 1500.22F</td>
<td>29 Dec 06</td>
<td>General Military Training (GMT) and Navy Military Training (NMT)</td>
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<td>OPNAVINST 1510.10B</td>
<td>13 Apr 05</td>
<td>Corporate Enterprise Training Activity Resource System (CETARS) Catalog of Navy Training Courses and Student Reporting Requirements</td>
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<td>OPNAVINST 1740.5B</td>
<td>7 May 07 (as amended 2 Jul 08)</td>
<td>Personal Financial Management (PFM) Education, Training and Counseling Program</td>
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<td>SECNAVINST 1740.2E</td>
<td>12 Jul 08</td>
<td>Solicitation and Conduct of Personal Commercial Affairs on Department of the Navy Installations</td>
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<td>SECNAVINST 1754.1B</td>
<td>27 Sep 05</td>
<td>Department of the Navy Family Support Programs</td>
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<td>SECNAVINST 5211.5E</td>
<td>28 Dec 05</td>
<td>Department of the Navy Privacy Program</td>
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<td>SECNAVINST M-5510.30</td>
<td>no date</td>
<td>Navy Security Manual Adjudicative Guidelines for Security Clearances</td>
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<td>SECNAVINST 5510.30B</td>
<td>6 Oct 06</td>
<td>Department of the Navy Personnel Security Program Instruction</td>
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<tr>
<td>Case Study</td>
<td>Description</td>
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</tr>
<tr>
<td>1</td>
<td>Petty Officer Jones’ wife calls your command and reports that she and her husband were at a party last evening and that after they went home, he beat her. She says this happens whenever he drinks. She demands that the command take action.</td>
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<td>2</td>
<td>You are Chief Petty Officer Brown's sponsor. The chief is due to relocate to this area soon. He has a mentally retarded child and is asking you about services for the disabled in this area.</td>
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<td>3</td>
<td>Lance Corporal Hewett reports to your command with a new bride from the Far East. She speaks very little English, and he is asking for resources for her.</td>
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<td>4</td>
<td>Lt. Greg and his wife have an 8-month-old infant. He is seeking educational resources to answer some questions on child development. Also, his wife would like to join a group to meet with other moms.</td>
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<tr>
<td>5</td>
<td>Petty Officer Third Class Garner and his family just have arrived at your command from Japan. You learn that their household goods have not arrived and they are expecting their second child.</td>
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<tr>
<td>6</td>
<td>Seaman Green is pregnant and looking for information on child care as well as any other financial resources that might be helpful.</td>
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<tr>
<td>7</td>
<td>Master Chief Parker will be retiring in one year after 20 years in the military. He has a mortgage, children in college and doesn't know the first thing about interviewing and writing a resume. Where should he go for help?</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Lt. Cornell is a single parent at your command. His sister will be taking care of his children while the command is deployed for six months. How can she utilize medical, commissary and exchange facilities? Who should he see to get this arranged?</td>
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<tr>
<td>9</td>
<td>Cmdr. Smith's 20-year-old daughter is coming home from college for the summer. She'll be searching for jobs to help pay for next fall's tuition.</td>
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<tr>
<td>10</td>
<td>Senior Chief Elkins and his wife are considering adopting a child. They are seeking help with the adoption and a resource for child care.</td>
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<tr>
<td>11</td>
<td>Master Chief and Mrs. Dale are experiencing marital problems. They agree to counseling. What are their options?</td>
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<tr>
<td>12</td>
<td>Petty Officer Second Class Lane and his wife have four children and are finding it difficult to make ends meet, even though both spouses work. He also tells you he bought a new car and living room furniture from Rent-To-Own. Where can he get some help?</td>
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</tr>
<tr>
<td>12</td>
<td>Crew member Greentree's ex-wife calls to tell you she has not received her court-ordered child-support payments for the past two months.</td>
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<tr>
<td>14</td>
<td>A service member comes to you and reveals that his buddy, from another command, leaves his 8-month-old home alone, all day, while he and his wife work. The service member believes there is something wrong with this practice but isn't sure what to do. What do you tell him?</td>
<td></td>
</tr>
</tbody>
</table>
Activity: Group Case Studies

All groups are expected to complete the first six pages of the FPW which includes the “Action Plan” page and the “Spending Plan” page; come up with a workable solution(s); and make a clear, concise, sensible presentation to the class. The presentation can take any form as long as it covers the necessary information. The Group Case Study Presentation Guide at the end of this chapter gives guidance on what needs to be covered in the presentations.

DAILY CASE STUDY ASSIGNMENTS

Tuesday: Thoroughly read your assigned case study and complete a Financial Planning Worksheet to assess the bottom line and begin to make recommendations.

Wednesday: Transfer your case study data to the eFPW to check numbers and continue developing solutions.

Thursday: Complete the case study and plan your presentation. Use the Case Study Presentation Guide.

Friday: Case study presentations and critiques.
Case Study One—Seaman John Smith

Seaman John Smith reported aboard the USS Underway last month on PCS orders from a base on the opposite coast. He has been in the Navy for two years. This is his first sea-duty assignment, and they are scheduled to deploy in three months. His enlistment expires in 30 months. Seaman Smith is 22 years old. His wife, Susan, is 21. They have a son, John Jr., who is 1 year old. The family has moved to the area with SN Smith. His BAH is $1,316.

Before leaving his old duty station, SN Smith took an advanced pay of one month’s basic pay. He used the money to pay off some bills incurred at his last duty station. He and his family now are in the Navy Lodge and are paid up-to-date. They are paying $70 a day to stay in the Navy Lodge. They have been apartment-hunting and found one for $1,200 a month. The landlord requires $1,800, which includes the security deposit and the first’s month’s rent before they can move. Electricity and gas deposits total $500. Susan has found a part-time job to help with the bills; she will make $400 per month. She plans to start next month after they get settled in their apartment. Child care will be an issue when SN Smith is at sea and on some duty days.

SN Smith and his wife have $1,000 until next payday (from today’s date). Half of this comes from a payday loan that he took right after he got here. He planned to use the loan ($500) to make some credit payments, and he managed to pay the loan company on time.

SN Smith is slated for promotion to E-4 in three months. The advance pay repayment starts this month and will be deducted from his pay for the next 12 months. He pays federal income tax at the single and zero exemption rate. He pays no state income tax as a legal resident of Florida. He has the following deductions and allotments:

- Allotment to his wife: $350 each month
- Allotment to Navy-Marine Corps Relief Society: $10 each month
- SGLI: full coverage
- TRICARE dental coverage: one family member

The landlord has advised SN Smith that his electricity bill will average $110 per month. The family vehicle is a four-year-old Ford Explorer that he estimates costs him $150 per month for gas and maintenance. He bought the vehicle from his cousin for $8,000. He pays the cousin $350 per month. There is no interest charge on the loan, and he still owes $3,500. He has no car insurance at this time. It was due last month, but he didn't have the money to pay it and decided to see if he could get lower rates once he relocated. He received estimates of $110 per month for liability insurance.

SN Smith does not know how much his family is spending on food or clothing each month. He made an appointment to see the CFS for guidance in estimating these expenses. He and his wife each receive $25 each pay period for their personal spending money. The following are their estimated monthly miscellaneous living expenses:

- Laundry: $50
- Church contributions: $250
- Haircuts: $40
- Money orders/stamps/envelopes: $30
- Recreation/sports: $120
Cigarettes ........................................................................................................................................ $50
Newspaper ........................................................................................................................................ $20
Soda/snacks at work .......................................................................................................................... $35
Entertainment .................................................................................................................................... $75

In addition to his advance pay and vehicle payment, SN Smith has the following bills:

1. EZ Credit for a HDTV he bought last year for $1,900. Monthly payment is $95. Outstanding balance is $285. Due date is 15th of each month.

2. MasterCard, which he got shortly before he moved. He used it for most of his living expenses and vehicle repairs en route to this duty station. Average monthly payment is $100. Outstanding balance is $2,000 (credit limit). Due date is 20th of each month.

3. National Photographers for a photo club membership to receive a “free” picture of John Jr. on his birthday each year and unlimited film processing. Initial cost was $1,900. Monthly payment is $75. Outstanding balance is $1,151. Due date is 25th of each month.

SN Smith has received all his travel allowances, Dislocation Allowance, and Temporary Lodging Expense. He is one month behind on his bills. His primary concern is not having enough money for the security deposits needed to move his family into the apartment. He does not have a current LES and is not sure what his pay should be, since he just transferred to the area. He wonders if he qualifies for food stamps or FSSA and if he should enroll in the TSP. At this point, he only can estimate his living expenses as stated above.

**Instructions:**

1. Help SN Smith construct a viable budget, both actual and projected.

2. Make any other appropriate recommendations.

3. Be prepared to defend your recommendations.
AT1 Cory Cloud, a qualified air crewman and a career enlisted flyer, was directed to see the CFS after he submitted a special-request chit for an early SRB entitlement. The command’s policy is that all personnel submitting such requests be interviewed by the CFS. This is the scenario:

Petty Officer Cloud, a 12-year veteran, had tried repeatedly to make petty officer first class. It seemed each time he would miss the final multiple by just a few points. Exasperated, he decided to get out of the Navy at his EAOS. His wife, Kathy, never liked it here anyway. She rented a U-Haul, packed up and left, taking their three children, ages 3, 6 and 14, out of government quarters and back to their home state. She used all the money in their savings account to pay for this spur-of-the-moment decision. Petty Officer Cloud decided to stay in the BEQ until he left the Navy.

Not long after his wife moved home, Petty Officer Cloud was selected for advancement to petty officer first class! Without hesitation, he visited the command career counselor to explore his options. Guess what? The “AT” rating was right at the top of the SRB entitlement list. He immediately called the detailer and struck a deal to re-enlist at his EAOS for four years with orders to a local squadron.

He called Kathy and told her the good news. While not exactly excited, she reluctantly agreed to come back to the area with their children. With all that SRB money, their financial picture looked brighter.

Petty Officer Cloud re-enlisted as planned — one day after getting advanced to first class. His total SRB was $13,900, so he was all smiles when the skipper handed him an SRB check for $6,950. Finally, he could get the truck of his dreams, a brand new Dodge Ram for $28,000. He put $4,000 down and signed a five-year contract. His monthly payment of $525 was no dream, but he knew he easily could make the payments. Kathy drives a 5-year-old Ford Freestyle station wagon that they bought three years ago.

They are on the waiting list for government quarters and should move in within two months. He took one month’s advance pay to move Kathy and the children back. He agreed to repay this over 12 months, starting next month.

When Kathy arrived, she vowed to start fresh and decided that new furniture was just what they needed. Petty Officer Cloud thought it was best to agree. After visiting several showrooms, she decided to buy on installment $6,500 worth of furniture from Hankins Furniture Store, since that was the only merchant who would give her free delivery and agreed to hold the purchase until they got their assignment to quarters. The monthly payment would be only $251, and after all, he got his truck, so she should get something, too. Meanwhile, they are renting a furnished apartment on a month-to-month lease and paying $1,500 per month including utilities (exactly equal to their BAH).

Shortly after they got settled, Kathy started having some medical problems. She really didn’t trust military doctors, so she opted to visit civilian clinics. Anyway, they had plenty of SRB money and TRICARE would cover most of the bills.

Petty Officer Cloud claims “M03” for federal income-tax purposes and pays no state income tax. Kathy currently is unemployed, and they prefer for her to remain so. Because she isn’t working outside the home, a friendly insurance agent recommended that it would be a good idea to purchase a $100,000 whole-life insurance policy on Kathy, with the premiums starting next month. Kathy also receives $200 per month for child support from a previous marriage.

Petty Officer Cloud has the following allotments and deductions:

| Allotment: Whole-life insurance policy | $150 |
**Activity: Group Case Studies 11.5**

Allotment: Navy-Marine Corps Relief Society $73 (ends in 10 months)
Allotment: XYZ Bank (collateral loan) $275 (ends in six months)
Advance pay $143 (ends in eight months)
SGLI full coverage
FSGLI $100,000 coverage
TRICARE dental coverage family coverage

Their monthly living expenses are as follows:
- Barber/beauty shops $65
- Beer/soda $80
- Cable television/Internet service $125
- Telephone (local/long distance plan) $75
- Cigarettes $70
- Clothes $175
- Dining out $200
- Gas (auto) $150
- Groceries $650
- Insurance (auto) $75
- Insurance (renters) $35
- Laundry/dry cleaning $30
- Telephone (cell) $80
- Newspaper $20
- Lunches $50
- Entertainment $120
- Baby sitters $80
- Recreation $125

Creditors include:
- Hankins Furniture $251 $6,300 22% (joint)
- Sears $57 $2,330.25 21% (joint)
- Visa Gold $36 $1113 14% (joint)
- Dr. R.U. Sick $45 $857 (George)
- Blood Bank (truck payment) $525 $22,000 7.5% (George)
- Nuther Bank (Freestyle payment) $230 $13,000 8% (joint)

Having fulfilled only one month of his four-year reenlistment contract, Petty Officer Cloud now is requesting an early SRB installment of $3,475 (less 27 percent taxes). The CFS will make the final recommendation to the commanding officer on whether Petty Officer Cloud receives the SRB installment early. He and his wife now realize they are living outside their means. If approved, they plan on using the SRB installment to pay off some of their creditors so they at least can break even each month. He mentions that the $30,000 Career Status Bonus (REDUX) will come in handy in a few years. All they have at the moment is $1,000 in the TSP which he contributed a few years ago but then stopped. Petty Officer Cloud would like to have two months of living expenses in an emergency fund again, but he does not see how to make it happen.

Other things to consider: Petty Officer Cloud has seven years of sea service and will deploy in five months for a three-month North Atlantic cruise aboard USS Neverdock (CVN 88). At the start of your meeting with Petty Officer Cloud, he discloses that he and his wife have been under a lot of stress due to the "money thing." They now have had a brief trial separation, and he asks for your advice on getting a divorce. He also tells you he cannot account for the remaining $2,950 in SRB funds.

**Instructions:**

1. Help Petty Officer Cloud construct a viable Financial Planning Worksheet
2. Note your SRB recommendation to the command.
3. Make any other appropriate recommendations.
4. Be prepared to defend your recommendations.
Case Study Three—STS2
Patrick Dolphin

Petty Officer Dolphin has been aboard the USS Yellowtail (SSN-46) for two years. He has been in the Navy for seven years and accumulated three years of sea duty, two years of which have been consecutive. He is deployed and should return to his homeport in about four months. Petty Officer Dolphin is 26 years old and has been married to his wife, Sally, who is 25, for four years. They have three children: Holly, age 5; Heather, age 3; and Sarah, age 1. His BAH is $1,410 (projected $1,600 as E-6).

Last year, they bought a three-bedroom ranch house for $250,000 with a 7 percent mortgage.

Petty Officer Dolphin received three months advance pay when the USS Yellowtail officially changed to this homeport nine months ago. He and his wife decided to use some of the money to take a long-needed family vacation to Disney World between deployments. Petty Officer Dolphin also used some of the advance pay to buy a diamond ring for Sally’s 25th birthday. He used the remaining $500 to buy a savings bond that he could use for the children’s education. Other assets include $6,000 cash value on their whole-life insurance policy, $250 in checking, and six months worth of TSP contributions at 5 percent of base pay into the “G” fund. Their savings account balance is $25.

Sally received a message stating that her husband was getting promoted to petty officer first class effective on the first of the month. She was overjoyed and proud of her husband’s accomplishments. “How fortunate,” she thought. “This advancement must be providential! Now I can tell him that I am three months pregnant and want to quit my job at Wal-Mart!”

Petty Officer Dolphin claims “married, with five exemptions” for federal income-tax purposes. Sally earns a net income of $450 a month working part-time. In addition, Petty Officer Dolphin has the following allotments and deductions:

- Allotment: Combined Federal Campaign $10
- Allotment: savings account $100
- Allotment: Anchors Aweigh Bank (mortgage/escrow) $1,763
- Allotment: whole-life insurance (Sally and children) $78.75
- Allotment: TSP 5 percent
- SGLI full coverage
- TRICARE dental coverage family coverage
- Advance pay (ends in six months) $624

Their monthly living expenses are as follows:

- Baby-sitting/day care $500
- Cable TV $95
- Telephone (local) $45
- Garbage $25
- Electric $125
- Insurance (auto) $120
<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Telephone (long distance)</td>
<td>$75</td>
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<tr>
<td>Sewage/water</td>
<td>$85</td>
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<tr>
<td>Cell phone</td>
<td>$80</td>
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<td>Other expenses include:</td>
<td></td>
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<td>Internet</td>
<td>$25</td>
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<tr>
<td>Church contributions</td>
<td>$125</td>
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<tr>
<td>Newspaper</td>
<td>$15</td>
</tr>
<tr>
<td>Lunches out</td>
<td>$80</td>
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<tr>
<td>Video rentals</td>
<td>$24</td>
</tr>
<tr>
<td>Clothing</td>
<td>$150</td>
</tr>
<tr>
<td>Dining out</td>
<td>$80</td>
</tr>
<tr>
<td>Gas</td>
<td>$120</td>
</tr>
<tr>
<td>Groceries</td>
<td>$550</td>
</tr>
<tr>
<td>Haircuts</td>
<td>$40</td>
</tr>
<tr>
<td>Prescriptions</td>
<td>$25</td>
</tr>
<tr>
<td>Stamps</td>
<td>$10</td>
</tr>
<tr>
<td>Movies</td>
<td>$40</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>$40</td>
</tr>
</tbody>
</table>

The Dolphins have one car payment. They own an 8-year-old Nissan Sentra that is not running and needs transmission repairs (estimated cost $2,000).

They also have a 2-year old Dodge Caravan. They took out a five-year loan for $18,000 at 6.5 percent, of which three years remain. Their monthly payment is $350, and the balance is $9,500.

Petty Officer Dolphin uses $200 per month as spending money for personal items during deployment. In addition to his advance pay payment, he has a Navy Federal Credit Union Visa card with an $800 limit and a 14 percent interest rate. His monthly payment is $20, due on the first of each month. His current outstanding balance is $622.

Petty Officer Dolphin recently received a class “E” message from Sally in which she stated she needed more money to help make ends meet. He was perplexed that Sally was having financial difficulties, since they make good money and their debt is reasonable. He also was concerned about how they would make ends meet once Sally quit her job at Wal-Mart. Petty Officer Dolphin sent a message asking her to make an appointment with the CFS from the squadron.

**Instructions:**

1. Help Mrs. Dolphin construct a viable Financial Planning Worksheet, compensating for the loss of her job and estimating for her fourth child, and show how Petty Officer Dolphin’s advancement may offset the changes in income and living expenses.

2. Make any other appropriate recommendations.

3. Be prepared to defend your recommendations.
Case Study Four—ET3 Adam Only Jr.

ET3 Adam Only Jr. has an EAOS in four months. He is stationed at a local shore command. At his EAOS, he will have four years in the Navy. He is an excellent Sailor but is considering getting out due to financial concerns with his father. He has made an appointment to see the CFS. He indicates the desire to remain in the service after his EAOS but can't see how he can afford to stay. The company for which he worked before his enlistment has offered his old job back at whatever the Navy is paying plus 8 percent. His concern is for long-range planning. His tax-filing status is single with one exemption. He pays no state income tax. His BAH is $1,016 (single; projected $1,316 with dependents rate).

Only's concerns are rooted in having to withdraw money from his savings account to pay many of his father's living expenses. Adam Only Sr. owned a small business for many years, but due to economic problems in the local area, the business has failed and he has been forced to declare bankruptcy. As a result, he has lost his home and no longer has medical insurance. He is 60 years old and to top it all off, stress has caused him to have heart problems, and his condition is expected to worsen.

Only Jr. was recruited 45 months ago with the promise that his schooling and experience in an electronics factory would ensure early promotion and "big bucks." His mother had passed away a few years ago, and he wanted to get out of his small hometown and see the world. Only has worked hard, saved carefully, and planned to go back to school to finish his degree in electrical engineering. However, with his father's misfortunes and recent medical issues, Only's savings for education are being depleted.

Only has tried to do all the right things in his Navy career and personal finances. He shares an apartment with a buddy who often is at sea. He almost has paid off his vehicle bought on a 48-month loan at 15 percent the month before he entered the service. He financed the car through Tennessee Trust. He has no expensive habits.

Only approached his CFS for help and was given a copy of the Financial Planning Worksheet to complete. He returned it early so the CFS could get a "feel" for his expenses. Only is ready to discuss the financial options available to him. He also wants to get some investment advice from the CFS.

He has the following allotments:

- Allotment (Combined Federal Campaign) $50 ongoing
- Allotment (savings allotment) $300 ongoing
- Allotment (bond) $50 ongoing
- Allotment (father) $500 ongoing
- SGLI full coverage

His monthly living expenses are as follows:

- Additional savings $150
- Rent $600
- Food $200
- Soda $10
- Utilities $50
- Insurance (auto) $55
### Activity: Group Case Studies 11.9

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<thead>
<tr>
<th>Item</th>
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<tr>
<td>Cell phone</td>
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<tr>
<td>Dry cleaning</td>
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</tr>
<tr>
<td>Clothing</td>
<td>$50</td>
</tr>
<tr>
<td>Church contributions</td>
<td>$40</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$10</td>
</tr>
<tr>
<td>Cable and Internet</td>
<td>$30</td>
</tr>
<tr>
<td>Barber</td>
<td>$20</td>
</tr>
<tr>
<td>Dining out</td>
<td>$95</td>
</tr>
<tr>
<td>Movies</td>
<td>$20</td>
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<tr>
<td>Sports</td>
<td>$45</td>
</tr>
<tr>
<td>Gas</td>
<td>$50</td>
</tr>
</tbody>
</table>

**Creditor:**

<table>
<thead>
<tr>
<th>Creditor:</th>
<th>Monthly</th>
<th>Balance</th>
<th>APR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tennessee Trust (car)</td>
<td>$250</td>
<td>$750</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Additional information:**

ET3 Only has passed all requirements for promotion. He enjoys his job. He indicates he has sent an additional $100 to $500 per month for the past six months to help his father pay rent on an apartment. He has $752.33 in checking; $2,455 in savings; $4,850 in an IRA (share certificate); $4,400 in U.S. Savings Bonds; $2,500 left to him by his mother in a CD (4.25 percent); a Nissan truck with a book value of $4,550; $3,900 worth of furniture; and $3,100 worth of personal items, such as clothing, books and camping gear. He started contributing 10 percent of his base pay to the TSP last month.

**Instructions:**

1. List considerations that ET3 Only must address that could affect his financial position after re-enlistment or separation from the service. If he takes a civilian job, he likely will pay medical, life and dental insurance. Discuss options that might be available.

2. Complete his Financial Planning Worksheet, actual and projected.

3. Make any other appropriate recommendations.

4. Be prepared to defend your recommendations.
MMCS Monica Looney has exactly 20 years in the Navy. She loves the Navy and could not imagine doing anything else at this point in her life. She recently applied to refinance her mortgage and use some cash against the equity she has in the house to rebuild her savings account; she had noticed that during the past several months, she had been making many withdrawals to pay bills. To her surprise, she was denied by the credit union. Upon further investigation, she discovered that someone had been opening credit-card accounts in her name and running up big debts. Now, her credit score is terrible. She had no idea this was happening and was shocked to find she was a victim of identity theft. The credit union told her it would be at least four months before her credit was cleared of the fraudulent charges, so she needed to hurry and take the necessary steps. She has come to you for help with this situation.

Five years ago, she bought a town house and used the majority of her savings, $15,000, as a down payment. The fair-market value of the town house is $130,000. The mortgage balance is $110,000. The interest rate on her mortgage is 9 percent.

She currently has $250 in a savings account and $4,500 in an IRA (government bond fund). Her car is valued at $2,000; she has about $6,000 in furniture and $500 in jewelry. She does not mind driving an older car, but she spends a lot on maintenance and thinks it will quit soon, so she has been shopping and found a car she would like to buy once she gets her credit cleared up. It will cost about $350 per month.

Her ex-husband currently has custody of their son, age 11. Luckily, they have stayed in the area and even though the husband has custody, when she is not deployed her son spends much of his time with her. She loves to bring him things from her trips to foreign shores. She is trying to save for a special vacation for the two of them to go overseas and explore together.

She has over eight years of sea duty. She currently is assigned to an area shore command but must be ready to deploy on short notice. She is claiming single with zero exemptions for tax-withholding purposes. Seven years ago, right after the divorce, she took out a debt-consolidation loan at Spave Bank.

She is taking college courses at night and will earn her bachelor’s degree within a year. She uses tuition assistance to help pay for these courses.

The CFS gave her a copy of the monthly expense record and the Financial Planning Worksheet. The forms have been completed and contain the following information:

- BAH: $1,448 (single)
- BAH Diff: $238
- Allotment: loan (12%) $228 (ends in 36 months)
- Allotment: whole life: $275 (started five months ago)
- Allotment: child support: $800 (ongoing)
- SGLI: $100,000 coverage
- TSP: I Fund: 8% (started three months ago)

Her monthly living expenses are as follows:

- Mortgage: $1200
- Groceries: $400
- Electricity: $120
<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
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</tr>
<tr>
<td>Sewer</td>
<td>$30</td>
</tr>
<tr>
<td>Gas for car</td>
<td>$130</td>
</tr>
<tr>
<td>Maintenance on car</td>
<td>$100</td>
</tr>
<tr>
<td>Gifts</td>
<td>$115</td>
</tr>
<tr>
<td>College tuition/books</td>
<td>$90</td>
</tr>
<tr>
<td>Telephone (home and cell)</td>
<td>$120</td>
</tr>
<tr>
<td>Insurance (auto)</td>
<td>$70</td>
</tr>
<tr>
<td>Dry cleaning</td>
<td>$30</td>
</tr>
<tr>
<td>Savings</td>
<td>$75</td>
</tr>
<tr>
<td>Dentist</td>
<td>$25</td>
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<tr>
<td>Cable</td>
<td>$45</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$25</td>
</tr>
<tr>
<td>Home repairs</td>
<td>$60</td>
</tr>
<tr>
<td>Church donations</td>
<td>$80</td>
</tr>
<tr>
<td>Property insurance</td>
<td>$40</td>
</tr>
<tr>
<td>Vacation</td>
<td>$120</td>
</tr>
<tr>
<td>Dining out</td>
<td>$100</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$80</td>
</tr>
<tr>
<td>Beauty shop</td>
<td>$75</td>
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<tr>
<td>Clothing</td>
<td>$170</td>
</tr>
<tr>
<td>Internet access</td>
<td>$30</td>
</tr>
<tr>
<td>YMCA membership</td>
<td>$55</td>
</tr>
<tr>
<td>Creditors include:</td>
<td></td>
</tr>
<tr>
<td>Sears</td>
<td>$25</td>
</tr>
<tr>
<td>MasterCard</td>
<td>$60</td>
</tr>
<tr>
<td>Discover</td>
<td>$56</td>
</tr>
<tr>
<td>Visa</td>
<td>$30</td>
</tr>
<tr>
<td>Spave Bank (debt-consolidation loan)</td>
<td>$375</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Monthly</th>
<th>Balance</th>
<th>APR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sears</td>
<td>$25</td>
<td>$1,090</td>
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<tr>
<td>MasterCard</td>
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<td>$3,000</td>
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<tr>
<td>Discover</td>
<td>$56</td>
<td>$2,200</td>
</tr>
<tr>
<td>Visa</td>
<td>$30</td>
<td>$900</td>
</tr>
<tr>
<td>Spave Bank (debt-consolidation loan)</td>
<td>$375</td>
<td>$16,290</td>
</tr>
</tbody>
</table>

**Instructions:**

1. List considerations and steps that MMCS Looney must address to clear her credit record.

2. Offer financial options to help Looney construct a viable Financial Planning Worksheet, actual and projected, that will allow her to rebuild her savings, plan for a new car, and possibly take that vacation with her son.

3. Make any other appropriate recommendations.

4. Be prepared to defend your recommendations.
Case Study Six—HN Jane Start

HN Jane Start is stationed on the USS Comehome (AE-99). She has recently been frocked to Petty Officer Third Class. She is still receiving pay and benefits as an E-3 with less than two years of service. The ship currently is in port but deploys in one month for the Persian Gulf. HN Start expects to start receiving E-4 pay and entitlements in nine months and at that time will have 14 months of sea time. She was married when she entered the Navy but divorced six months ago. She has custody of her two sons, ages 2 and 3. Start claims single with no exemptions for tax-filing purposes and is enrolled in TRICARE dental coverage at the family rate. She has $250,000 of SGLI coverage. She is receiving BAH at the "with dependents" rate of $1,316, which will not change when she makes E-4. She pays $1,200 in rent.

Start has an allotment set up to her credit union to pay for her car, a 3-year-old Hyundai Elantra. She bought the car for $7,200 last year. Her interest rate is 19 percent, and her monthly payment is $231. The balance due is about $4,500. She is paying off the $160 balance of an NMCRS loan that ends in four months. HN Start's mother lives with her and takes care of the children while she works. This will continue during Start's deployment. Her mother gets occasional part-time work to cover her own expenses. Start will plan on taking $100 per month during deployment for her personal expenses.

Start has come to see you because she is concerned she may not be able to make ends meet during deployment. She has outstanding medical bills from three years ago, before her enlistment, and isn't sure she'll be able to pay them. She also has been recommended for an early rotation to Rota, Spain when the ship returns. She is asking for you to conduct an overseas screening on her and help her position herself financially to be able to take the OCONUS tour. During the course of the interview, the following is determined:

Monthly living expenses:

Utilities $100
Gas for vehicles $80
Telephone (all) $150
Insurance (auto) $120
Food $300
Laundry/dry cleaning $60
Clothing $100
Personal care $20
Stamps/paper/supplies $15
Pet care $50
Fast food $75

Creditors (all prior to enlistment) include: $10
American Family Publishers $7.97
Parents magazine $21.95
North Shore Collections (16-month-old magazine bill) $100.94
Dr. James $120
Puget Sound Collections (for cable; missed one month) $38.42
Dr. Roberts $61
Dr. Vann .......................................................................................................................... $20
AT&T phone bill (two months overdue) .......................................................................... $200
Dr. Health ....................................................................................................................... $150
Dr. Rollins ....................................................................................................................... $175
Wheels & Wings (10-month-old book bill) ..................................................................... $14.90
Feelgood Emergency Medical Group ............................................................................... $16
Feelgood Radiology ......................................................................................................... $77
Field Publication (five-month-old magazine bill) ............................................................... $35
Superior Collections Bureau (collection agent for hospital) .............................................. $355
Fingerhut (five-month-old bill) ....................................................................................... $72.76
William Pitt Jewelers (24-month-old bill) ..................................................................... $63
Mark Account Systems (collection agency for anesthesiologist) .................................... $480

Visa balance: $877; monthly payment: $51; APR 18 percent

**Instructions:**

2. Work out a debt-management plan.
3. Conduct an overseas screening assessment based on the criteria in OPNAV 1740.5B and make a recommendation. Can you suggest a plan for HN Start that would position her for an OCONUS move at the end of her deployment?
4. Make any other appropriate recommendations.
5. Be prepared to defend your recommendations.
Case Study Presentation Guide

**Technical Ability**

1. Adequately summarize the client’s presenting concerns.
2. State the client’s real reasons/problems.
3. Say or show the following:

<table>
<thead>
<tr>
<th>Actual</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net worth</td>
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<tr>
<td>Net monthly income</td>
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<td>Monthly savings</td>
<td></td>
</tr>
<tr>
<td>Monthly living expenses</td>
<td></td>
</tr>
<tr>
<td>Monthly debt payments</td>
<td></td>
</tr>
<tr>
<td>Bottom line: surplus/deficit</td>
<td></td>
</tr>
<tr>
<td>Debt-to-income ratio</td>
<td></td>
</tr>
</tbody>
</table>

4. Review all options:
   a. Increase income
   b. Decrease living expenses
   c. Decrease indebtedness
5. Make appropriate referrals.
6. Resolve the client’s problems.
7. Say what comes next for the client.

**Presentation Techniques**

1. Creativity of presentation
2. Clarity of presentation
3. Enthusiasm of group presenters
4. Expertise/grasp of knowledge of group
5. Empathy with client’s situation
6. Timing of presentation

**Knowledge Application:** Incorporate all relevant course concepts into the case study.
Credit Management

I. INTRODUCTION

- This chapter covers all aspects of credit management. Credit reports and scores will be covered in Chapter 13, Debt Management will be covered in Chapter 14, and Letters of Indebtedness and Letters of Intent will be covered in Chapter 15.

- Chapter correlation to major OPNAVINST task areas:
  1. Education and Training: This chapter correlates directly to the PFMSC Credit Management module. Although the PFMSC chapter is not strictly modeled, students have adequate exposure to the topic to allow them to present this segment of training.
  2. Information and Referral: Appropriate credit referral resources are discussed.
  3. Counseling: The CFS will meet with clients interested in credit issues.

II. LEARNING OBJECTIVES

If student instructors present the material:

Learners will demonstrate the ability to educate Sailors on the basics of credit by participating in presenting the information and being evaluated using a standard training techniques critique sheet.

If class instructor presents the material:

Learners will demonstrate an understanding of credit issues by accurately completing an assessment quiz or by actively participating in the “Credit Conversations” group activity.

III. REFERENCES


OPNAV Instruction 1740.5B, Personal Financial Management Education, Training and Counseling Program.

SECNAVINST 1754.1B, Family Service Center Program.


www.aafes.com (Army Air Force Exchange System)

www.aiccca.com (Association of Independent Consumer Credit Counseling Agencies)

www.annualcreditreport.com (free annual credit report)

www.bankrate.com (Bankrate Web site for comparison shopping)

www.brightscore.com (InCharge Institute Web site for credit reports and score education)

www.consumerlaw.org (National Consumer Law Center)

www.cuna.org (Credit Union National Association)

www.debtadvice.org (NFCC Web site for credit education and counseling)

www.equifax.com (credit-reporting agency)

www.experian.com (credit-reporting agency)

www.federalreserve.gov (Federal Reserve System)

www.ftc.gov (Federal Trade Commission)

www.hud.gov (foreclosure options from the U.S. Department of Housing and Urban Development)

www.lifelines.navy.mil (Lifelines Services Network)

www.militaryonesource.com (Military Resource Web site)

www.myfico.com (credit reports and scoring information)

www.mymoney.gov (U.S. Government financial education Web Site)

www.myvesta.org (Non-profit debt-management counseling)

www.neweradebtsolutions (debt-resolution services)

www.nfcc.org (National Foundation for Credit Counseling)

www.privacyrights.org (Privacy Rights Clearinghouse)

www.transunion.com (credit-reporting agency)
www.uscourts.gov/video/bankruptcybasics/bankruptcyBasics.cfm (U.S. courts bankruptcy videos)

www.usdoj.gov/ust/ (pre-bankruptcy counseling resources from the U.S. Trustee’s Office)

IV. CONTENT
## Empty Pockets/
Wise Use of Credit

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Credit Conversations

Instructions: You have been asked to write a “Top Seven” list of credit-card “do's” and “don'ts” for distribution to junior Sailors at your command. Working alone, use the material in your Student Manual to choose seven tips you believe are most important for a young Sailor to know. The tip you put next to #1 should be the tip you believe is MOST important. When you are done, detach the bottom portion of this page, put your name on it, and give it to the instructor.

Credit Conversations #1: Credit-Card Tips

1.

2.

3.

4.

5.

6.

7.

Credit Conversations #1: Credit-Card Tips
Name ________________________________
Credit Conversations #2: Wise Guys

Instructions: Find a partner. As a team, develop two suggestions for how to educate junior Sailors effectively on the wise and unwise uses of credit. Be prepared to discuss why you believe your two suggestions will be effective. When you are done, detach the bottom portion of this page, put your names on it, and give it to the instructor.

1.

2.
Credit Conversations #3: Just Can’t Get It

Instructions: Form a group of three. As a team, develop three approaches to this issue: A young Sailor comes to you and says, “I applied for a loan and got denied. They said I didn’t have a credit history. They’re denying me credit because I don’t have any credit… help!” How could you help this Sailor and others in the command with the same problem? Be specific. When you are done, detach the bottom portion of this page, put your names on it, and give it to the instructor.

1.

2.

3.

Credit Conversations #3: Just Can’t Get It

Name _________________________________________________

Name _________________________________________________

Name _________________________________________________
Credit Conversations #4: Costly Credit

Instructions: Form a group of four. You have noticed a trend of expensive credit being used by command members and have approached the command about educating members on minimizing the cost of credit. The command says you can have 10 minutes at quarters, or figure something else out. Working as a team, suggest two effective ways to educate the command on this topic. How will you know your education has been effective? When you are done, detach the bottom portion of this page, put your names on it, and give it to the instructor.

1.

How will you know they learned?

2.

How will you know they learned?

Credit Conversations #4: Costly Credit

Name _________________________________________ Name _________________________________________

Name _________________________________________ Name _________________________________________
Wise Uses of Credit

Success or failure with money depends much more on appropriate behavior than it does on the amount of money one has. Using credit wisely is the result of good planning (a behavior). Conversely, inappropriate behavior, such as lack of planning or emotional spending, usually is the cause of unwise uses of credit that can lead to serious financial problems.

The best use of credit is for a planned purchase of assets — things that will grow or increase in value over time, such as a home or an education. Credit also is useful for convenience — avoiding having to carry large sums of cash or as a management tool. But, it assumes you do not carry a balance month-to-month, or if you do, that you have planned for the monthly payments. Using credit to take advantage of sales or discounts when you do not have immediate access to your cash is a good use as well. The wise use of credit virtually always falls into one of these two categories — assets or convenience, and always includes planning (deliberate spending).

Unwise Uses of Credit

Unwise uses of credit revolve around behavior — poor or no planning, or emotional spending. Unwise uses include:

- Impulse Buying. Easy access to credit often leads to a “buy now, pay later” mentality. Impulse buying can occur when we are bored, nervous, sad, angry or happy. During these times, consumers often will charge items they never would buy if they had to pay in cash. In addition, consumers buying an item on impulse tend to pay about one-third more than they would if they first compared prices at other locations where the same item might be on sale. By nature, impulse items are not planned expenses.

- Spending for Status. Many people feel they need to spend to impress others. Advertising appeals to these emotions. Ads for credit cards often portray the person using the card as having power or status. The message they are sending is that if you use their card, you will be able to do great things, have more fun, attract others, and be more successful.

- Retaliatory Spending. In a family where there is not a clear spending plan on which partners agree, each party has a common tendency to spend on themselves first. After all, they work hard, so why shouldn't they treat themselves to something nice occasionally? This can spin off into retaliatory spending: each partner buying (charging) more for themselves in order to “even the score” with the other.

- Spending to Feel Good. This feeling can become addictive. Like other addictive behaviors, the good feelings are temporary; the debt “hangover” can last a long time. Individuals always should decide before charging any purchase whether they are buying an item because they really need it or because they are under stress and want to feel better. People who spend to feel good or to get a “fix” sometimes will not even open their parcels or use the items, because it is not about the item purchased but rather about the feeling they get from the transaction.
- Purchasing Consumables. Credit becomes more dangerous when used to purchase consumables such as food, clothing, entertainment and vacations — items that lose much or all of their value immediately after purchase.

- Everyday Living Expenses. Meeting everyday living expenses is perhaps the most dangerous use of credit. If you do not have the cash to pay for regular living expenses today, what makes you believe you will be able to pay for it next month?

**Establishing a Credit History**

Young consumers should start building their credit-worthiness early, so when they need credit they will be able to get it. Lenders look for evidence of financial responsibility and stability. This can be achieved in several ways:

- Properly maintain a checking and savings account at a financial institution.
- Pay existing bills (such as rent and utilities) on time.
- Use a “savings-secured loan.” Credit unions and banks will give a loan up to the amount of money in a related savings (or share savings) account. The money in savings is frozen until some or the entire loan is paid off. Since the financial institution knows it will get its money even if the borrower defaults, the interest rate on the loan normally is very low, usually only slightly more than the interest rate they are giving for savings. In a way, the borrower is paying to borrow his or her own money, but the idea is to help the borrower establish credit, and a savings-secured loan is an excellent tool with which to do that.
- Use a co-signed loan. This is a good option for borrowers with little credit history, but they will need someone willing to co-sign for the loan. For someone who already has a good credit history, caution should be used if considering co-signing a loan for a friend or a relative. Statistically, more than half of these types of loans end with the co-signer paying back part, most or all of the money owed!
- Get a charge card from a local retailer or oil company. These often are the easiest type of credit card to get. Encourage members to start small, using just one card, to make small purchases and pay the bill in full at the end of the month; and to guard against overspending, as interest rates for these cards normally are high.
- After establishing a good credit history with other loans, a consumer eventually will qualify for a Visa or MasterCard from a major bank. More than 6,000 banks issue these cards. Consumers must be aware that terms and rates will vary considerably, from so-called “secured” cards that often require a cash deposit and have low credit limits and high rates; to the “premium” cards (often called gold or platinum) targeted at consumers with the best credit ratings.
Reducing the Cost of Credit

Credit-Worthiness

Using someone else’s money is going to cost you money in the form of interest and fees. The better your credit history is, the better your chance of qualifying for lower rates and fees. If you have a history of slow or no payments in your report, you may be denied credit, or you may be charged more for the credit that lenders are willing to give you. Paying your existing bills on time and maintaining a spotless credit record can improve your credit-worthiness.

Comparison Shopping

Credit is a product for which you should shop, just like you would shop for a car or a home appliance. Since the amount of interest that can be charged on various types of credit differs from state to state, it is important to shop carefully. Try to get pre-approved by arranging financing for large items before you go shopping. This will help you get a firm fix on what you can afford to pay. Compare options from different lenders to get the best deal. Besides your own personal credit-worthiness, the cost of credit is determined by a number factors such as where you borrow; how much you borrow; how long you take to repay; and how interest is calculated. We will look at each of these in more detail.

Where to Borrow

Where you borrow will affect your cost.

- Credit Union. Owned by members; lends to members only; normally offers the most attractive rates.
- Commercial Banks. Offer a wide variety of products; average rates; for lower-risk people.
- Savings Banks and Savings and Loan Associations. Focus on mortgages; often offer other services; similar to banks.
- Consumer Finance Companies. Accept higher credit risks; rates often high.
- Retail Merchants. In-store loans and credit cards; often have promotional introductory rates that rise rapidly after 90 to 180 days. Rates often are unattractive. Whether you are buying a car, a TV or anything else, normally the most expensive place to finance any consumer purchase is the place you are buying it. You pay for the convenience.
- Predatory Lending. Advance-fee loans, payday loans, sub-prime mortgages, title pawn lenders, rent-to-own, refund-anticipation loans: JUST SAY NO! These types of lenders charge excessive interest rates and fees, wrap in unnecessary insurance, and often have pre-payment penalties. This is the most expensive money to borrow. If members find themselves contemplating getting money from this type of lender, they should talk to you immediately.
How Much to Borrow

How much you borrow has a big impact on total cost. A down payment often can result in substantial savings. The bigger the down payment, the less the total cost.

How Long to Repay

Borrowing for a longer period lowers your monthly payment but results in higher cost. The shorter your repay period, the less the total cost.

Minimum Monthly Payment

Beware of making only minimum payments. Base your payment on what you can afford, but always try to pay as much as possible. If you have a $1,000 balance on an 18 percent credit card and pay only the minimum — 2 percent of the balance, for example — it will take 19 years to pay off and cost a total of $1,931. However, increasing the payment to 5 percent of the balance results in a two-year payoff and $382 in interest paid.

Minimizing Interest Charges

Interest on loans can be calculated in a number of ways:

Simple interest. The finance charge is computed by applying a percentage rate to the balance outstanding during each payment period. This is the most attractive method. As you make payments, the interest charged decreases along with the loan balance due. Credit unions always charge simple interest; banks normally do as well. Ask for it!

Add-on Interest. The finance charge is calculated on the amount financed and then added on to it. The sum total has to be repaid. No matter how many payments you have made, the interest charged always will stay the same. Read all financing contracts carefully before signing! Example: $1,000 at 12 percent for one year. Using simple interest, you will pay $66 in interest. Using add-on interest, you will pay $120 in interest.
Saving on the Cost of Credit Cards

To save on the cost of credit cards, inquire about issues such as those listed below so you can make comparisons.

- Is there an annual fee, and if so, how much? Can it be waived?
- What is the interest rate on any balances? If there is a low introductory rate, how long is it in effect? What rate will be charged after the introductory period?
- What is the grace period on purchases — the time you have to pay before any interest is charged? (Some cards have a zero grace period.)
- What are the terms for a cash advance? Most cards charge a higher interest rate for cash advances, and the interest starts to accrue immediately.
- What additional fees apply, such as late payment, over credit limit, cash advances and others? Are there other hidden charges, such as a rise in the interest rate in the event of a late payment?
- One easy way to save money is to call your existing credit-card company, tell them you plan to switch to a card with a lower interest rate, and ask what they can do for you. In many cases, they will lower your interest rate to keep you as a customer. This can be effective if you have been a client with an account in good standing for a year or more, carry a balance, and are being charged over 14 percent.
- If you pay off your balance each month, get an account with a low or no annual fee. If you carry a balance, look for low APR and low or no fees.
- Avoid high priced add-ons such as credit life, credit disability, or credit unemployment insurance.
Military Cards

Military Star Card

The Military Star Card is a credit card that can be utilized at all military exchanges. This is a regular credit card, and the government does not run the program. This card allows you to make purchases and defer payment over time just like any other credit card. The application and screening process is similar to other credit cards, and finance charges will be assessed if the bill is not paid in full each month. The interest rate is variable, which means it will change with changes in overall interest rates. There also is a uniform purchase plan available under the Military Star Card. Under this plan, you can purchase uniforms and uniform-related items, pay for them over time, and no interest will be charged.

Military Star Card debts are considered debts owed to the government. This means it is easy for them to reach into your paycheck to get the money you owe.

Government Travel Cards

General. Unless otherwise exempted in accordance with the provisions of the relevant sections of the FMR, all DoD personnel are required to use the government-sponsored, contractor-issued travel charge cards for all expenses arising from official government travel. Although a traveler may be required to use the government travel charge card, failure to use the government travel charge card shall not be a basis for refusing to reimburse the traveler for otherwise appropriate charges. Such failure, however, may subject the traveler to appropriate administrative or disciplinary action.

Credit Checks. Title 10 U.S.C. 2764a requires the evaluation of credit-worthiness before issuing a government travel charge card to an individual. The card contractor will perform a credit check on each new card applicant. Applicants will receive a standard card, a restricted card, or may not be eligible for a card depending on their credit score. If the applicant agrees to a credit check, the fact that a credit check has been performed will appear on the credit bureau's record for the applicant and will be evident to subsequent credit grantors who request a credit check. The issuance of a travel card and the credit limit on the card are not reported to credit bureaus. This process is similar to instances when the applicant personally applies for credit, except that the only information evident to subsequent credit grantors is that an inquiry was made and has little impact on a credit score. Applicants who refuse to permit a credit check may be asked to self-certify to their credit-worthiness in order to obtain a restricted travel card.

Misuse of Government Travel Cards. Government travel cards are issued only for official travel-related expenses. Examples of misuse include but are not limited to: (1) expenses related to personal family or household purposes; (2) cash withdrawals from ATMs or banks when not related to official travel requirements; and (3) intentional failure to pay undisputed charges in a timely manner. Cardholders who misuse their DoD travel cards shall be subject to administrative or disciplinary action, as appropriate. While these cards generally shall be used only for reimbursable expenses
associated with official travel, certain expenses, while not reimbursable, are considered related to official travel. Guidelines should be consulted for specific details.

Split Disbursement. To assist the traveler in fulfilling his or her payment responsibility, DD Form 1351-2 (Travel Voucher or Subvoucher) has been modified to permit reimbursement for travel card charges to the travel charge card contractor with the remainder of any entitlement to be sent to the traveler. This process is known as split disbursement. All military personnel are required to split disburse the total outstanding charges against the travel charge card.

Monthly Statements. Cardholders are responsible for payment in full of the amount stated on the monthly billing statement by the due date on the statement. Accounts are considered delinquent if unpaid 60 days after the billing date.

Disputed Charges. In the event that the billed amount contains charges that are disputed by the traveler, he or she shall obtain a dispute form or use the dispute form included with monthly account statements sent to each cardholder. The cardholder shall complete and send the form to the travel card contractor.

Salary Offset. Under regulations promulgated in Volumes 7A and 8 of the FMR, and upon written request of the card contractor, the department will, on behalf of the government travel charge card contractor, collect by deduction from the amount of pay owed to the cardholder any funds the cardholder owes to the government travel charge card contractor as a result of delinquencies not disputed by the cardholder on the government travel charge card. Specifics on the procedures are contained in Volume 7A of the Financial Management Regulation.
Ten Things to Think about **Before:**

**Getting a New Credit Card . . .**

1. **Don't apply for a credit card until you are ready.** Unfortunately, bankruptcy may not have permanently resolved all of your financial problems. It is a bad idea to apply for new credit before you can afford it.

2. **Avoid accepting too many offers.** There is rarely a good reason to have more than one or two credit cards. Having too much credit can lead to bad decisions and unmanageable debts, and it will lower your credit rating. This can make it harder for you to get other lower interest rate loans. Avoid accepting a credit card just to get a discount at a store or a “free” gift.

3. **Remember that lenders are looking for people who run up big balances, because these consumers pay the most interest.** You may find that credit card companies are pursuing you aggressively by mail and phone even though you filed bankruptcy. Do not view this as a sign that you can afford more credit. The lender may have a marketing profile telling them you are someone who is likely to carry a big credit card balance and pay a good deal of interest. Or they may see you as a good credit risk because you cannot file a Chapter 7 bankruptcy again for quite a few years.

4. **Interest rate is important in choosing a card, but not the only consideration.** You should always try to get a card with an interest rate as low as possible. But it is rarely a good idea to take a new card just because of a low rate. The rate only matters if you carry a balance from month to month. Also, the rate can easily change, with or without a reason. Remember that even the best credit cards are expensive unless you pay your balance in full every month. And other credit terms can add to your cost, like annual fees, late charges, over-the-limit fees, account set-up fees, cash advance fees, and the method of calculating balances. Sometimes a credit card that appears cheaper is actually more expensive.

5. **Beware of temporary “teaser” rates.** A teaser rate is an artificially low initial rate that applies only for a limited time. Most teaser rates are good only for six months or less. After that, the rate automatically goes up. Remember that if you build up a balance under the teaser rate, the much higher permanent rate will apply when you repay the bill. This means that the permanent long-term rate on the card is much more important than the temporary rate.

6. **If your rate is variable, understand how it may change.** Variable interest rates can be very confusing. Some variable rate terms can make your rate go up steeply over time. Read the credit contract to understand how and when your rate may change. And don't be misled by advertisements that claim “fixed rate,” as this may mean the rate is fixed only until the lender decides to change it again.

7. **Check terms related to late payment charges and penalty rates of interest.** Most credit card contracts have terms in the small print for late charges or penalty interest rates that increase if you make even a single late payment. Try to avoid cards with late fees as high as $25-35 or penalty interest rates of 21-24% or higher. Even if you are not having financial problems, these terms may become important, because they apply equally to accidental late payments.

8. **Get a card with a grace period and learn the billing method.** It is important to understand how you will be billed. Look for a card with a grace period that lets you pay off the balance each month without interest. If the card does not have a grace period and interest will apply from the date of your purchase, a low interest rate may actually be higher than it looks. The terms of the grace period are also important, as it may not apply to balance transfers and cash advances. And look out for different interest rates that may apply depending upon the type of charge: these usually include a higher rate for cash advances.

9. **Don't accept a card just because you qualify for a high credit limit.** It is easy to assume that because a card offer includes a high credit limit, this means the lender thinks you can afford more credit. In fact, the opposite may be true. Lenders often give high credit limits to consumers hoping that they think will carry a bigger balance and pay more interest. You must evaluate whether you can afford more credit based on your individual circumstances.

10. **Always read both the disclosures and the credit contract.** You will find disclosures about the terms of a credit card offer, usually in small print on the reverse or at the bottom of the offer. Review these carefully. However, the law does not require that all relevant information be disclosed. For this reason, you must also read your credit contract, which comes with the card. This will include terms such as late payment fees, default rates of interest, and a description of the billing method. Since these terms are not easy to understand, you may want to call the lender for an explanation. Or better yet, refuse credit with too many complex provisions, because those terms are likely to work to your disadvantage.
1. Establish a realistic budget. Before using a credit card after bankruptcy, try paying cash for a while. This will help you learn how much money you need each month to pay the basic necessities. Don’t forget to budget for the payments on any debts you reaffirmed in your bankruptcy.

2. It is important not to use credit cards to make up for a budget shortfall. Credit card debt is expensive. Sometimes credit cards are so easy to use that people forget they are loans. Be sure to charge only things you really need and plan to pay the balance off in full each month. If you find you are constantly using your card without being able to pay the bill in full each month, you need to consider that you are using cards to finance an unaffordable lifestyle.

3. If you get into financial trouble, do not make it worse by using credit cards to make ends meet. If you find that you are using credit cards to get through a period of financial difficulty, it is likely that additional credit will only make things worse. For example, if you use cash advances on your credit card to pay bills, the interest due will only add to your debt burden sooner rather than later.

4. Don’t get hooked on minimum payments. Credit card lenders usually offer an optional “minimum payment” in their monthly billing. These are usually set very low (usually 2% of the balance), barely covering the monthly interest charge. If you pay only the minimum, chances are that you will be paying your debt very slowly or not at all, and you may think you are managing the debt when you are really getting in over your head. For example, if you make only the monthly minimum payments to pay off a $1,000 balance at a 17% interest rate, it will take over 7 years to pay your debt! If you are also making new purchases every month while making minimum payments, your debt will grow and take even longer to pay off. This means that your monthly interest obligations will increase and you will have less money in the monthly budget for necessities.

5. Don’t run up the balance based on a temporary “teaser” interest rate. Money borrowed during a temporary rate period of 6% is likely to be paid back at a much higher permanent rate of 15% or more. Also be careful about juggling cards to take advantage of teaser rates and balance transfer options. It takes a great deal of time and effort to take advantage of terms designed to be temporary. Remember that all teaser rate offers are designed to get you locked into the higher rate for the long term, because that is how the lender makes the most money.

6. Avoid the special services and programs credit card lenders offer to bill to your card. You are likely to get many mail offers and telemarketer calls from your credit card lender about special services such as credit card fraud protection plans, credit report protection, travel clubs, life and unemployment insurance, and other similar offers. These products are generally overpriced. It is best to throw out and refuse these offers, or at a minimum, treat them with a high degree of caution. And avoid “free trial” offers as you will be billed automatically if you forget to cancel the service.

7. If you can afford to do so, always make your credit card payments on time. Be careful to avoid late payment charges and penalty rates if you can do so while still paying higher priority debts. Bad problems get worse fast when you have a new higher interest rate and late charge to pay during a time of financial difficulty. Most lenders will waive a late charge or default interest rate one time only. It is worth calling to ask for a waiver if you make a late payment accidentally or with a good excuse.

8. Know exactly when the grace period ends. The grace period usually ends on the payment “due date,” which may change every month. Many lenders do not mail bills until late in the grace period, so your payment may be due quite soon after you receive the bill. This also means that the grace period may be less than a full month, usually about 20-25 days. Some lenders are slow in posting payments or have strange rules about deadlines (like payments received after 10:00 a.m. on the due date are considered late). Try to mail your payment well before the due date so there will be no question it gets there on time. Paying credit cards on time not only saves you interest and late fees but is a good way to improve your credit rating after bankruptcy.

9. Beware of unsolicited increases by a credit card lender to your credit card limit. Some lenders increase your credit limit even when you have not asked for more credit. Avoid using the full credit line as your debt can easily spiral out of control. And going over the credit limit even by a few dollars can be very costly as you will likely be charged an over-the-limit fee and a higher penalty interest rate.

10. If you do take a credit card and discover terms you do not like: Cancel! You can always cancel any credit card at any time. Although you will be responsible for any balance due at the time of cancellation, you should not keep using a card after you discover that its terms are unfavorable.
How to Establish, Use, and Protect Your Credit
How to Establish, Use, and Protect Your Credit
What you need to know

Good credit is valuable. Having the ability to borrow funds allows us to buy things we would otherwise have to save for years to afford: homes, cars, a college education. Credit is an important financial tool, but it can also be dangerous, leading people into debt far beyond their ability to repay. That is why learning how to use credit wisely is one of the most valuable financial skills anyone can learn.

What Lenders Look For
Before creditors lend money, they need to be assured that the funds will be repaid. In other words, is the prospective borrower creditworthy? To find out, they ask for various types of information:

**Income & Expenses**
Lenders will look at what you earn and your regular expenses, such as rent, utilities, food, and other ongoing items. The amount left tells them whether you can afford to take on additional debt.

**Assets**
Do you have assets that can serve as collateral? Lenders will look for things like bank accounts, insurance, and valuable items such as a house, if you own one.

**Credit History**
How do you manage debt? If you have credit cards or have borrowed money before, you have a history that shows prospective lenders whether you are creditworthy by revealing details about the amount of debt you already have, how many credit cards you have, and whether you make payments on time.

*Creditors obtain much of this information from your credit report, a computerized profile of your borrowing, charging, and repayment activities. For information on credit reports, see “Your Credit Report,” a Federal Reserve Bank of San Francisco brochure.*

It’s easy to qualify for credit if you have a good credit history, but what if you have never used credit before? This is a common problem for people who just started working, those who work in the home, people who always pay in cash, and those who do not have assets or accounts in their own names. For them, the first step is to establish a credit history.

How to Establish Credit
Begin by opening individual savings and checking accounts in your name. Over time, your deposits, withdrawals, and transfers will demonstrate that you can handle money responsibly.

Applying for a loan is another option, but be aware that this method of establishing a credit history will cost, since loans require the payment of interest.

You could take out a bank loan secured by the funds you have on deposit or by items you own, such as a car. You could also ask a friend or relative who has good credit to cosign a loan, which means that he or she shares liability for the loan with you.
You could also apply for department store and gasoline credit cards, which generally are easier to obtain than major credit cards. Before you apply for any credit, however, make sure you understand the terms. For example, how long is the grace period or the time you have to pay the current balance in full before finance charges are added? Is there an annual fee or other fees associated with the credit? If you believe that you will carry a balance, you need to know how finance charges are calculated.

Patience is important in this process. It takes time to establish credit and build a record of consistency in making payments to demonstrate your creditworthiness. And it is much better to go slowly and develop a strong credit record than to apply for too many credit cards or a loan that is larger than you can handle.

Start slowly, be cautious, keep track of your overall debt, and pay on time. Most importantly, remember that credit actually represents real money and has to be repaid with interest.

**Protecting Credit**

Once you have obtained credit, it is necessary to protect it. This means being careful with your credit, debit, and ATM cards, as well as your account and personal identification numbers (PIN).

Carry only the cards you expect to use, and keep the others in a safe place. Maintain a list of account and telephone numbers of the companies that issued your cards. Then, if the cards are lost or stolen, you can notify the companies quickly. If your notification is received before the cards are used, you have no legal responsibility for the bills; if it is received after the cards are used, your legal responsibility is $50 for each card.

Be cautious about giving anyone your account numbers, especially over the telephone when someone calls you. Save sales receipts to compare with your bill, and when you discard documents with account numbers on them, be certain that the numbers can’t be read.

If you disagree with an item on a bill, you are responsible for notifying the creditor in writing within 60 days of receiving the bill. You should include your name, account number, the item you believe is in error, and the reasons why.

**Common Reasons for Denying Credit**

Among the most common reasons people are turned down when they apply for credit are:

- Too little time in current job or at current residence.
- Too much outstanding debt.
- Unreasonable purpose for requesting credit.
- Cosigner cannot take on additional debt liability.
- Errors on applicant’s credit report.**
- Strict creditor’s standards.

**For information on correcting credit report errors, see “Your Credit Report,” a brochure published by the Federal Reserve Bank of San Francisco.**

In general, creditworthiness must be determined on the basis of criteria that relate to your ability and willingness to repay debt. You cannot be denied credit based on your sex, marital status, race, religion, national origin, age, or dependence on income from public assistance.
If you are denied credit, the creditor must provide you with a written statement of the action and your rights, as well as the reason for denial or how to request the reason. For information on the laws applying to credit, see “Your Credit Rights,” a Federal Reserve Bank of San Francisco brochure.

**Improving Poor Credit**

If you have fallen behind in your payments, begin immediately to repair your credit record. Here’s how:

- **Face up to the problem.** Recognize that you are overextended, and contact your creditors to see if they will set up a new payment schedule that you can maintain. In any case, don’t ignore your bills.
- **Immediately stop purchasing with credit.** Take your credit cards out of your wallet. Store them in a spot that is hard to reach, or even cut them up.
- **Consider consolidating debts.** You may find it easier to make a single payment rather than several. You might also get a lower interest rate that will make it easier to keep up with payments. Remember that debt consolidation is not a cure-all. You have to learn to control your spending to avoid future debt.
- **Contact a credit counseling organization.** You can obtain referrals for organizations in your area through the National Foundation for Consumer Credit, (800) 388-2227.
- **Don’t expect miracles.** Don’t believe companies that promise to fix a poor credit rating quickly and painlessly for a fee. As long as it is accurate and timely, negative information cannot be removed from your credit record. The only way to improve a credit record is to let time pass and establish a record of on-time payment.

**Divorce and Credit**

Aside from its non-financial effects, divorce can cause problems with your credit record. The end of a marriage does not erase the debts you and your former spouse took on as a couple. Even if your former spouse is ordered by the court to pay debts from the marriage, you can become liable if they are not paid. Here are a few suggestions to protect your financial standing:

- Decide how to divide or dispose of property. If necessary, you can use a mediator to work through this with your former spouse.
- Close or separate joint accounts. Decide with your former spouse who will be responsible for paying bills, and notify your creditors of your divorce.
- Establish independent credit, if you do not already have it.
- Make sure bills are paid.

**Paying Off a Loan Early**

If you are applying for a loan and think you may want to pay it off before it has run its full term, you should be aware that lenders have several methods of calculating interest. The method they use affects the amount you will owe if you decide to pay off early. Since lenders are not required to disclose which method they use, you may have to ask. Here is a brief description of the most common interest-calculation methods.

**Rule of 78**

This method uses tables based on a mathematical formula to determine how much interest you have paid at any point during a loan. It requires that you pay more interest at the beginning of a loan when you have the use of more of the money and that you pay less interest as the debt is reduced. Since all of your payments are the same in amount, the amount of your payment that is going toward the principal increases while the amount going toward interest decreases. State law may mandate the use of the Rule of 78.
Generally, the longer the term of a loan and the higher the interest rate, the less favorable the Rule of 78 is to borrowers who wish to pay off early. However, for loans of less than five years and with interest lower than 15 percent, the payoff calculated by the Rule of 78 is similar to that calculated with the actuarial method, described below.

**Actuarial Method**

This method is most often used for mortgages and other loans in which a periodic rate is applied to a declining balance. It does not take into consideration whether a payment is made before or after the due date. Late payments are subject to a flat penalty, but interest does not continue to accrue.

**Daily Simple Interest**

In this method, a daily periodic rate is applied to an outstanding balance. Therefore, borrowers benefit by reducing the outstanding balance through early payments or lump-sum payments, both of which reduce the balance and the interest due. Under a simple interest system, late payers will end up owing more.

**For More Information**

The Federal Reserve Bank of San Francisco has several other consumer brochures. These brochures are posted on our web site at: http://www.frbsf.org.

Learn about . . .

- Bank Products
- Credit and Charge Cards
- Frauds and Scams
- Your Credit Rights
- Private Mortgage Insurance (PMI)
- Your Credit Report
- Plastic Fraud

Questions and concerns about credit agencies and credit practices can be directed to:

Federal Trade Commission
Consumer Response Center - FCRA
600 Pennsylvania Avenue, NW
Washington, D.C. 20580
http://www.ftc.gov
(877) FTC-HELP

For information on organizations that help with credit counseling, contact:

National Foundation for Consumer Credit
8611 Second Avenue
Silver Spring, MD 20910
http://www.nfcc.org
(800) 388-2227
Choosing A Credit Card: The Deal is in the Disclosures

A credit card lets you buy things and pay for them over time. Using a credit card is a form of borrowing; you have to pay the money back.

When you are choosing a credit card, there are many features – and several kinds of cards – to consider: fees, charges, interest rates, and benefits can vary among credit card issuers. As a result, some credit cards that look like a great deal at first glance may lose their appeal once you read the terms and conditions of use and calculate how the fees could affect your available credit.

Credit Card Terms
Important terms of use generally must be disclosed in any credit card application and even in solicitations that don’t require an application. Here are the most important terms to understand – or ask about – when you are choosing among credit offers.

Fees
Many credit cards charge membership and/or participation fees. Issuers have a variety of names for these fees, including “annual,” “activation,” “acceptance,” “participation,” and “monthly maintenance” fees. These fees may appear monthly, periodically, or as one-time charges, and can range from $6 to $150. What’s more, they can have an immediate effect on your available credit. For example, a card with a $250 credit limit and $150 in fees leaves you with $100 in available credit.

Transaction Fees and Other Charges
Some issuers charge a fee if you use the card to get a cash advance or make a late payment, or if you exceed your credit limit.

Annual Percentage Rate
The APR is a measure of the cost of credit, expressed as a yearly rate. It must be disclosed before your account can be activated, and it must appear on your account statements.

The card issuer also must disclose the “periodic rate.” That’s the rate the issuer applies to your outstanding balance to determine the finance charge for each billing period.

Some credit card plans let the issuer change the APR when interest rates or other economic indicators – called indexes – change. Because the rate
change is linked to the index’s performance and varies, these plans are called “variable rate” programs. Rate changes also can raise or lower the finance charge on your account. If you’re considering a variable rate card, the issuer must tell you that the rate may change and how the rate is determined.

Before your account is activated, you also must be given information about any limits on how much your rate may change – and how often.

**Grace Period**
A grace period, also called a “free period,” lets you avoid finance charges if you pay your balance in full before the date it is due. Knowing whether a card gives you a grace period is important if you plan to pay your account in full each month. Without a grace period, the card issuer may impose a finance charge from the date you use your card or from the date each transaction is posted to your account.

**Balance Computation Method for the Finance Charge**
If you don’t have a grace period – or if you plan to pay for your purchases over time – it’s important to know how the issuer calculates your finance charge. Which balance computation method is used can make a big difference in how much of a finance charge you’ll pay – even if the APR and your buying patterns stay pretty much the same.

**Balance Transfer Offers**
Many credit card companies offer incentives for balance transfers – moving your debt from one credit card (Card Issuer A) to another (Card Issuer B). All offers are not the same, and their terms can be complicated.

For example, many credit card issuers offer transfers with low introductory rates. Some issuers also charge balance transfer fees. If Card Issuer B charges four percent to transfer $5,000 from Card Issuer A, your fee would be $200. In addition, if you pay late or fail to pay off your transferred balance before the introductory period ends, Card Issuer B may raise the introductory rate and/or charge you interest retroactively. And if you use your card from Card Issuer B to make new purchases, any payments you make will go toward your balance with the lowest interest rate – and finance charges at the higher interest rate will be assessed on the portion of your balance that came from new purchases.

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When choosing a credit card, consider fees, charges, interest rates, and benefits.

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**Balance Computation Methods**

**Average Daily Balance**
This is the most common calculation method. It credits your account from the day the issuer receives your payment. To figure the balance due, the issuer totals the beginning balance for each day in the billing period and subtracts any credits made to your account that day. While new purchases may or may not be added to the balance, cash advances typically are included. The resulting daily balances are added for the billing cycle. Then, the total is divided by the number of days in the billing period to get the “average daily balance.”
Adjusted Balance
This usually is the most advantageous method for cardholders. The issuer determines your balance by subtracting payments or credits received during the current billing period from the balance at the end of the previous billing period. Purchases made during the billing period aren't included.

This method gives you until the end of the billing period to pay a portion of your balance to avoid the interest charges on that amount. Some creditors exclude prior unpaid finance charges from the previous balance.

Previous Balance
This is the amount you owed at the end of the previous billing period. Payments, credits, and purchases made during the current billing period are not included. Some creditors exclude unpaid finance charges.

Two-cycle or Double-cycle Balances
Issuers sometimes calculate your balance using your last two month’s account activity. This approach eliminates the interest-free period if you go from paying your balance in full each month to paying only a portion each month of what you owe. For example, if you have no previous balance, but you fail to pay the entire balance of new purchases by the payment due date, the issuer will compute the interest on the original balance that previously had been subject to an interest-free period. Read your agreement to find out if your issuer uses this approach and, if so, what specific two-cycle method is used.

How do these methods of calculating finance charges affect the cost of credit?
Suppose your monthly interest rate is 1.5 percent, your APR is 18 percent, and your previous balance is $400. On the 15th day of your billing cycle, the card issuer receives and posts your payment of $300. On the 18th day, you make a $50 purchase. Using the:

- Average Daily Balance method (including new purchases), your finance charge would be $4.05.
- Average Daily Balance method (excluding new purchases), your finance charge would be $3.75.
- Adjusted Balance method, your finance charge would be $1.50.
- Average Daily Balance Double-cycle method (including new purchase and the previous month’s balance), your finance charge would be $6.53.

If you don't understand how your balance is calculated, ask your card issuer. An explanation also must appear on your billing statements.

Other Costs and Features
Credit Terms Vary Among Issuers
When considering a credit card, think about how you plan to use it: If you expect to pay your bills in full each month, the annual fee and other charges may be more important than the periodic rate and the APR, and whether there is a grace period for purchases. If you use the cash advance feature, many cards do not permit a grace period for the amounts due – even if they have a grace period for purchases.
That makes considering the APR and balance computation method a good idea. But if you plan to pay for purchases over time, the APR and the balance computation method definitely are major considerations.

You’ll also want to consider if the credit limit is high enough, how widely the card is accepted, and the plan’s services and features. For example, you may be interested in “affinity cards” – all-purpose credit cards sponsored by professional organizations, alumni associations, and some members of the travel industry. An affinity card issuer often donates a portion of the annual fees or charges to the sponsoring organization, or qualifies you for free travel or other bonuses.

Default and Universal Default

Your credit card agreement explains what may happen if you “default” on your account. For example, if you are one day late with your payment, your issuer may be able to take certain actions, including raising the interest rate on your card. Some issuers’ agreements even state that if you are in default on any financial account – even one with another company – those issuers’ will consider you in default for them as well. This is known as “universal default.”

Special Delinquency Rates

Some cards with low rates for on-time payments apply a very high APR if you are late a certain number of times in any specified time period. This can exceed 20 percent. Information about delinquency rates should be disclosed in credit card applications and in solicitations that do not require an application.

For Help & Information

Questions about a particular issuer should be sent to the agency with jurisdiction.

Office of the Comptroller of the Currency:
Regulates banks with “national” in the name or “N.A.” after the name:
Office of the Ombudsman
Customer Assistance Group
1301 McKinney Street, Suite 3450
Houston, TX 77010
800-613-6743 toll-free
www.occ.treas.gov

Board of Governors of the Federal Reserve System:
Regulates state-chartered banks that are members of the Federal Reserve System, bank holding companies, and branches of foreign banks:
Federal Reserve Consumer Help
PO Box 1200
Minneapolis, MN 55480
888-851-1920 (TTY: 877-766-8533) toll-free
ConsumerHelp@FederalReserve.gov

Federal Deposit Insurance Corporation:
Regulates state-chartered banks that are not members of the Federal Reserve System:
Division of Supervision & Consumer Protection
550 17th Street, NW
Washington, DC 20429
877-ASK-FDIC (275-3342) toll-free
www.fdic.gov
National Credit Union Administration:
Regulates federally chartered credit unions:
Office of Public and Congressional Affairs
1775 Duke Street
Alexandria, VA 22314-3428
703-518-6330
www.ncua.gov

Office of Thrift Supervision:
Regulates federal savings and loan associations
and federal savings banks:
Consumer Programs
1700 G Street, NW
Washington, DC 20552
800-842-6929 toll-free
www.ots.treas.gov

Federal Trade Commission:
Regulates non-bank lenders:
Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
877-FTC-HELP (382-4357) toll-free
www.ftc.gov

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.
1. Which one of the following is NOT one of the three C’s of qualifying for credit?
   a. Character
   b. Collateral
   c. Capability
   d. Capacity

2. Cardholders who misuse their government travel cards shall be subject to administrative or disciplinary action.
   a. True
   b. False

3. Which one of the following is considered a wise use of credit?
   a. Purchasing everyday living expenses
   b. Purchasing to relieve stress
   c. Purchasing consumables
   d. Purchasing assets

4. Which of the following is likely to have the best credit rates?
   a. Retail merchants
   b. Credit unions
   c. Consumer finance companies
   d. Rent-to-own companies

5. Which finance charge computation method totals the beginning balance for each day in the billing period and subtracts any credits made to your account that day?
   a. Previous balance method
   b. Adjusted balance method
   c. Two-cycle balance method
   d. Average daily balance method

6. If you have multiple credit cards with one company, under the Credit CARD Act of 2009, the company must apply above-the-minimum payments to which of your cards?
   a. The card with the highest rate
   b. The card with the lowest rate
   c. The card with the highest balance
   d. The card with the lowest balance

7. Debts accrued using a Military Star Card are owed to the government and can result in garnishment of the service member’s pay.
   a. True
   b. False

8. What is the period that allows you to make credit-card purchases and avoid finance charges by paying your balance in full before the due date?
   a. Double-cycle balance period
   b. Grace period
   c. Average daily balance period
   d. Adjusted method period

9. What is interest calculated on the full amount of the original principal and then immediately added to the original principal for a sum total?
   a. Simple interest
   b. Compound interest
   c. Add-on interest
   d. Adjusted interest
10. Which one of the following is NOT a way to establish a credit history?
   a. Open a bank account
   b. Obtain credit from a local retailer
   c. Use a co-signed loan
   d. Pay existing bills on time

11. As a rule, you always should pay only the minimum payment on a loan or credit card, since that frees up your cash to spend on other important things.
   a. True
   b. False

12. The various fees often associated with credit cards are billed separately and do not affect your available balance.
   a. True
   b. False

13. Which type of finance calculation is prohibited under the Credit CARD Act of 2009?
   a. Average daily balance
   b. Adjusted balance
   c. Previous balance
   d. Two-cycle balance

14. Which of the following statements is true about reducing the cost of credit?
   a. To reduce the cost of credit, extend the repayment period and/or decrease the monthly payment.
   b. To reduce the cost of credit, shorten the repayment period and/or increase the interest rate.
   c. To reduce the cost of credit, increase the monthly payment and/or increase the interest rate.
   d. To reduce the cost of credit, increase the monthly payment and/or decrease the repayment period.

15. Which of the following statements is not true?
   a. You usually can tell if you should borrow money by who is willing to lend it to you; a credit union usually is a good deal, while predatory lenders are not.
   b. The military consumer has no safeguards against predatory lenders.
   c. Contacting your current credit-card issuer and asking for a lower rate is a great way to save on the cost of credit.
   d. When it comes to credit, the primary role of the CFS is to educate members on using it wisely.
Summary of the Credit Card Accountability, Responsibility and Disclosure (Credit CARD) Act of 2009

On May 22, 2009, President Barack Obama signed the Credit CARD Act into law. The legislation will improve consumer disclosures and end some egregious practices in the credit card industry, but it stops short of capping interest rates and fees. Most of the provisions go into effect February 22, 2010, but some will go into effect August of 2009.

The CFS Curriculum, 2009 edition, went to print before the Credit CARD Act went into effect. This section-by-section Summary includes all provisions of the Act. Command Financial Specialists should be familiar with all relevant portions of the Act.

Title I—CONSUMER PROTECTION

Sec. 101. Prior notice of rate increases required. Prohibits increase in APR without 45 days-notice. Prohibits applying rate increases retroactively to existing balances. Requires clear notice of right to cancel credit card when APR is raised.

Sec. 102. Freeze on interest rate terms and fees on canceled cards. Prevents APR from being raised, or repayment terms being cancelled, if a cardholder cancels a card.

Sec. 103. Limits on fees and interest charges.

Prohibits double cycle billing; Prohibits credit card issuers imposing interest charges on any portion of a balance that is paid by the due date.

Over-the-limit fee restrictions: Cardholders must be given the option of having a fixed credit limit that cannot be exceeded, and card companies cannot charge overlimit fees on cardholders with fixed limits. Cardholders may elect to prohibit the creditor from completing overlimit transactions that will result in a fee or constitute a default under the credit agreement. Overlimit charges can only be charged when an extension of credit, rather than a fee or interest charge, causes the credit limit to be exceeded. Overlimit charges can only be applied once during a billing cycle.

Prohibits charging interest on fees: Prohibits the charging of interest on credit card transaction fees, such as late fees and overlimit fees.

Limits on charging certain fees: Prohibits credit card issuers from charging a fee to allow a credit card holder to pay a credit card debt, whether payment is by mail, telephone, electronic transfer, or otherwise. Requires fees to be reasonably related to cost. Foreign currency exchange fees may only be imposed in an account transaction if the fee reasonably reflects costs incurred by the creditor and the creditor publicly discloses its method for calculating the fee.

Sec. 104. Consumer right to reject card before notice is provided of open account. Gives cardholders who get preapproved the right to reject the card up until they activate it without having their credit adversely affected.

Sec. 105. Use of terms clarified. Prevents card companies from using the terms “fixed rate” and “prime rate” in a misleading way by establishing a single definition.

Sec. 106. Application of card payments. Prohibits credit card companies from setting early deadlines for credit card payments. Requires payments to be applied first to the credit card balance with the highest rate of interest, and to minimize finance charges. Prohibits late fees if the card issuer delayed crediting the payment. Prohibits card companies from charging late fees when a cardholder presents proof of mailing payment within 7 days of the due date.

Sec. 107. Length of billing period. Requires credit card statements to be mailed 21 days before the bill is due (current requirement is 14 days).

Sec. 108. Prohibition on universal default and unilateral changes to cardholder agreements. Prevents credit card issuers from increasing interest rates on cardholders in good standing for reasons unrelated to the cardholder’s behavior with respect to that card. Prevents credit card issuers from changing the terms of a credit card contract for the length of the card agreement. Allows penalty rate increases only for specific, material actions or omissions of the consumer specified in the card agreement. Requires issuers to lower penalty rates that have been imposed on a cardholder after 6 months if the cardholder commits no further violations.

Sec. 109. Enhanced penalties. Increases existing penalties for companies that violate the Truth in Lending Act for credit card customers.

Sec. 110. Enhanced oversight. Requires the credit card issuer’s primary regulator to evaluate the credit card policies and procedures of card issuers to ensure compliance with credit card requirements and prohibitions. Improves existing data collection efforts related to credit card interest rates, fees, and profits.

Sec. 111. Clerical amendments.

Title II—ENHANCED CONSUMER DISCLOSURES

Sec. 201. Payoff timing disclosures. Requires credit card issuers to provide individual consumer account information and to disclose the period of time it will take the cardholder to pay off the card balance if only minimum monthly payments are made. Also requires issuers to disclose the total amount of interest the cardholder will pay to pay off the card balance if only minimum monthly payments are made.
Sec. 202. Requirements relating to late payment deadlines and penalties. Requires full disclosure in billing statements of required payment due dates and applicable late payment penalties. Requires that cardholders be given a reasonable period to make payment. Requires that payment at local branches be credited same-day.

Sec. 203. Renewal disclosures. Requires card issuers to provide account disclosures to consumers upon card renewal when the terms of the card have changed.

Title III—PROTECTION OF YOUNG CONSUMERS

Sec. 301. Extensions of credit to underage consumers. Requires that credit card issuers, when soliciting to persons under the age of 21, obtain an application that contains either: (1) the signature of a parent, guardian, other qualified individual willing to take financial responsibility for the debt; (2) information indicating an independent means of repaying any credit extended; or (3) proof that the applicant has completed a certified financial literacy or financial education course.

Sec. 302. Restrictions on certain affinity cards. Mandates that credit card issuers, as a condition for entering into commission-based affinity cards with higher education institutions, require that all affinity card customers under the age of 21 comply with the requirements listed above.

Sec. 303. Protection of young consumers from prescreened offers of credit. Prohibits consumer reporting agencies from furnishing reports in connection with firm offers of credit or insurance that are not initiated by consumers under age 21. Allows consumers who are at least 18, but not yet 21, to elect, in writing, to have their names and addresses included in any list of names provided by such agencies in connection with such transactions.

Title IV—FEDERAL AGENCY COORDINATION

Sec. 401. Inclusion of all Federal banking agencies. Amends the Federal Trade Commission Act to transfer to each federal banking agency, with respect to depository institutions it supervises, the authority to prescribe regulations governing unfair or deceptive practices by banks and savings and loan institutions. Requires the federal banking agencies to prescribe such regulations: (1) jointly to the extent practicable; and (2) in consultation with the Federal Trade Commission (FTC). Instructs the Comptroller General to report to Congress on the status of regulations of the federal banking agencies and the NCUA regarding unfair and deceptive acts or practices by depository institutions.

Title V—MISCELLANEOUS PROVISIONS

Sec. 501. Study and report on interchange fees. Requires the Comptroller General of the GAO to conduct a study on interchange fees and their effects on merchants and consumers, and to report the findings to Congress in 180 days.

Sec. 502. Study and report on credit card rating system. Requires the Comptroller General of the GAO to establish a Credit Card Safety Rating Commission that will determine whether a rating system to allow cardholders to quickly assess the level of safety of credit card agreements would be beneficial to consumers, and to make recommendations to Congress concerning how such a system should be devised.
Credit Reports and Scores

I. INTRODUCTION

This chapter will teach you how to help clients obtain, review and, if necessary, correct their credit reports and scores. You should have a copy of your own credit report for this session (available at www.annualcreditreport.com). You also will be asked to obtain your Brightscore Action Plan for this session. Your instructor will provide you with a promotion code which will allow you free access to your score and Action Plan. Both your credit report and your Brightscore will remain confidential and are for your use only.

Chapter correlation to major OPNAVINST task areas:

1. **Education and Training:** This chapter directly correlates to the PFMSC Credit Management module, credit report and score section. Although the PFMSC chapter is not strictly modeled, you have adequate exposure to the topic to allow you to present this segment of training. You also will be introduced to a quick method for prioritizing training information.

2. **Information and Referral:** Appropriate credit-report and score referral resources are discussed.

3. **Counseling:** As a CFS you often will meet with clients interested in credit-report and score issues. One of your key tasks is to help members obtain, review and, if necessary, correct their credit report. You also will be assisting clients with a high debt-to-income ratio obtain their credit score and take appropriate action to raise it.

II. LEARNING OBJECTIVES

Using their personal credit report, learners will demonstrate the ability to obtain a credit report and identify the four major sections of a credit report.

Working with their personal credit report, learners will identify common credit-reporting errors and appropriate corrective actions.

Working in pairs or groups, learners will use short case studies to identify appropriate corrective actions to improve a credit score.

Using their Brightscore Action Plan, learners will demonstrate the ability to obtain a score, determine if a score needs improvement, and identify ways to increase a score.

Participating in a group exercise, learners will prioritize credit-report and score issues that should be taught to command members.
III. REFERENCES
See reference list for Chapter 12.


www.brightscore.com (InCharge Institute of America Credit Score Web site, accessed April 2009)

IV. CONTENT

Activity: Personal Credit Report Review
(This information will remain confidential.)

1. Source of Report ________________

2. Date of Report ________________

3. Is your personal information up-to-date? ___ Yes ___ No

4. Is your payment history accurate? ___ Yes ___ No

5. How many inquiries are on your report? ________________

6. What public record information is listed? ________________

7. Do you need to take any action to correct your report? ___ Yes ___ No

   If yes, what action will you take? _______________________________

8. What is your credit score? ________________

9. Do you need to take any action to improve your score? ___ Yes ___ No

   If yes, what action will you take?
What’s Worth Knowing?

Need to Know information:

Nice to Know information

Where to Go information:

Possible training techniques:
Source for Obtaining Credit Reports

A free copy of a credit report is available annually from each of the three credit-reporting agencies through www.annualcreditreport.com.

Components of a Credit Report

Personal Identification and Employment Information. Your name, date of birth, Social Security number, employer, and spouse's name are noted routinely. The credit-reporting agency also may provide information about your employment history, home ownership, income and previous address, if a creditor requests this type of information.

Payment History. Current and past loans and credit accounts, credit limits, current balances and payment histories are noted. Payment history includes late payments, repossessions, charge-offs, and collection activity. This data also is known as “trade lines.”

Inquiries. Credit-reporting agencies must maintain a record of all creditors who have asked for your credit history within the past year, and a record of those persons or businesses requesting your credit history for employment purposes for the past two years. There are two types of inquiries: “hard” inquiries, which are inquiries a creditor makes because you have applied for credit and thus triggered the inquiry; and “soft” inquiries, which are inquiries a creditor makes for marketing purposes and are not triggered by the consumer. This distinction will be important when we look at the components of the credit score.

Public Record Information. Events that are a matter of public record, such as bankruptcies, foreclosures or tax liens, may appear in your report.

NOTE: Credit reports do not contain information about race, religion or political preference.

Steps to Fix a Credit Report

The Fair Credit Reporting Act (FCRA) requires that credit reports be accurate and specifies what can be done to have errors on a report removed or corrected. The CFS should help members with inaccurate reports take the following steps to fix their reports:

- Missing accounts should be added to the report. To add missing accounts, contact the credit-reporting agency and the creditor and ask that the credit history be updated to show the missing account.
- Errors should be removed. To remove an error in a credit report, send a letter to the credit-reporting agency that clearly explains the error and includes supporting documentation.

Consumers can put a statement on a report. If the credit-reporting agency doesn't agree with a disputed item and will not remove it, consumers may send a 100-word consumer statement along with a cover letter to the credit-reporting agency asking that the statement be added to the credit report.
Sources for Obtaining a Credit Score

Multiple sources are available for a fee, including www.annualcreditreport.com. A free score and analysis/action plan is available through Brightscore for military members with credit problems and a score of 620 and below. Command Financial Specialists should help members determine if they qualify for a Brightscore report.

Components of a Credit Score

Payment history (35 percent) details your record of paying your debts on time. This component encompasses your payments on credit cards; retail accounts; installment loans such as automobile loans; finance-company accounts; and mortgages. Public records and reports detailing such items as bankruptcies, foreclosures, suits, liens, judgments and wage attachments also are considered.

Amounts owed or credit utilization (30 percent) reveals the extent of your debt and contributes to determining if you can handle what you owe. If you have high outstanding balances or nearly are “maxed-out” on your credit cards, your score will be affected negatively.

Length of credit history (15 percent) refers to how long you have had and used credit. The longer your history of responsible credit management, the better your score will be because lenders have a better opportunity to see your repayment pattern. If you have paid on time, every time, then you will look particularly good in this area.

Type of credit (10 percent) concerns the “mix” of credit you have, including credit cards, retail accounts, installment loans, finance-company accounts, and mortgage loans. You do not have to have each type of account. Instead, this factor considers the various types of credit you have and whether you use that credit appropriately.

New credit or inquiries (10 percent) suggest that you have or are about to take on more debt. Each time you apply for a new line of credit, it counts as an inquiry or a “hard” hit. When you rate-shop for a mortgage or a car loan, there may be multiple inquiries. However, because you are looking for only one loan, inquiries of this sort in any 14-day period count as a single “hard” hit. By contrast, applying for numerous credit cards in a short period will count as multiple “hard” hits and potentially lower your score. “Soft” hits — including your personal request for your credit report, requests from lenders to make you “pre-approved” credit offers, and those coming from employers — will not affect your score.

Steps to Improve a Credit Score

To improve a credit score, start by ensuring that the credit report is accurate and up-to-date. Then focus on the components of the score by following the steps below. Command Financial Specialists should assist members in developing written plans to improve their scores. The plans should specify what needs to be done and steps to be taken to fix the problem.
1. **Payment History.** A history of prompt payments of at least the minimum amount due helps your score. Late or missed payments hurt your score. Action: Make all payments promptly and stay within your limits; use automatic payment plans or set up a bill-paying calendar to ensure that you pay all your bills on time.

2. **Amounts Owed or Credit Utilization.** A good rule of thumb is not to exceed 30 percent of the credit limit on a credit card. Large account balances can be a negative. Paying down an installment loan is viewed favorably. For example, if you borrowed $20,000 to buy a car and have paid back $5,000 on time, even though you still owe a considerable amount on the original loan, your payment pattern demonstrates responsible debt management, which favorably affects your credit score. Action: Pay down your existing credit balances.

3. **Length of Credit History.** It helps your score to have older accounts that you have kept in good standing. Financial experts agree that you should not open multiple new accounts just to show a credit history. Action: Do not add new accounts in order to lower balances on old accounts, and do not close long-term accounts. Establish new credit but only if you have little or no existing credit history.

4. **Type of Credit.** This factor considers the various types of credit you have and whether you use that credit appropriately. For example, using a credit card to purchase a boat could hurt your score, but matching a bank loan with the purchase of a boat looks better.

5. **New Credit or Inquiries.** Opening many credit accounts in a short amount of time can be riskier, especially for people who do not have a long-established credit history.
Credit and Divorce

Command Financial Specialists can play an important role in helping members navigate the financial perils associated with a divorce. This especially is true when it comes to credit issues. Here is a list of things to bring to the attention of a member involved in a divorce:

1. Know the current credit and debt situation. Divorcing members should obtain a copy of their credit report as well as their spouse’s credit report, if possible. Make a list of all debts and decide who is responsible for each account. **Any negative information in joint accounts affects the credit histories of both spouses.**

2. The divorce decree should state what will happen (frozen assets, wage garnishment, etc.) if a spouse stops making payments. Tell the member to ensure that he or she has quick legal recourse if a spouse stops paying, and ensure that the member has the ability to make those payments, if necessary.

3. A divorce decree has no impact on joint debts, including credit cards, car loans, home mortgages and lines of credit. The CFS should emphasize strongly to divorcing members that a consumer still is obligated to repay any joint debts incurred while married — NO MATTER WHAT THE DIVORCE DECREE SAYS. Creditors typically are not party to a divorce decree and only care that the responsible parties (that is, those who signed the credit application) pay on time. Joint accounts mean joint liability. The member should contact the creditor immediately if they anticipate that their ex-spouse will not pay debts as agreed. (In community-property states, spouses are considered co-owners of all debts, regardless of whose name is on the account.)

4. Divorcing members should contact each credit grantor and either close all joint accounts or convert them to individual accounts. All authorized users should be removed from individual accounts.

5. Even if a member is an authorized user on a spouse’s account, the member may have no credit history at all. Members should request a copy of their individual credit report and get at least one individual credit card and utility in their own name to begin to establish a credit history.

6. If a member fears that a former spouse is going to file for bankruptcy, advise the member to contact his or her divorce attorney immediately to protect credit and finances.
Directions: Working in pairs or groups, as directed by your trainer, provide suggestions for the following scenarios:

1. A member comes to you because she pulled her credit report and it has the following discrepancies: wrong address; two credit-card accounts missing; one account for which she doesn't remember applying; and incorrect payment information on her car loan showing she has been 60 days late two times in the past year. The member says she never has been late and is concerned about taking care of this issue before she deploys next month. What steps will you tell this member to take to correct her report?

2. When completing a member’s Financial Planning Worksheet, you calculate a 45 percent debt-to-income ratio. The member says he has missed several payments on his credit cards due to over-extending himself but is up-to-date now. He sometimes rotates paying his bills if money is tight. His credit report is accurate, and his credit score is 540. He wants to apply for a mortgage but is worried he won't get one, and he is asking you what he can do to improve his score. When you ask him what steps he already had taken, he says he has heard that the more credit he has, the better his score, so he has three credit-card applications at home he is about to submit to three banks. What do you recommend?

3. A senior chief comes to you absolutely furious about his financial situation. He recently pulled his credit report because he and his wife want to buy a home, and he had five delinquent accounts listed and a credit score of 620. He said all the delinquent accounts were supposed to be paid by his ex-wife (to whom he hasn't spoken in five years), and he has the divorce decree to prove it. He asks what you know about this type of situation and what he should do. What do you suggest to the senior chief?
Debt Management

I. INTRODUCTION

This chapter focuses on debt management. In cases where proactive PFM credit education has failed to keep a Sailor away from debt problems, the Command Financial Specialist will be asked to work with the Sailor in resolving his or her debt problems. Chapter 14 helps the CFS recognize the warning signs of credit abuse, assess the extent of a debt problem, assist the Sailor in prioritizing debt and, if applicable, develop a “Full Steam” power-pay plan. The CFS also is trained to identify alternative solutions for the client when debt issues exceed the CFS’s capabilities. Included as part of Chapter 14 is the option of having a guest speaker from a debt-management program such as Consumer Credit Counseling Service (or local equivalent resource) speak with the learners.

II. LEARNING OBJECTIVES

Using short scenarios, the learner will indicate the appropriate questions to ask and referrals to make for debt-management problems.

Working with their group case study, the learner will apply the appropriate debt-management options for the debt problem presented.

III. REFERENCES

See the reference listing in Chapter 12

IV. CONTENT
Warning Signs of Credit Abuse

**Moderate** — Client having trouble with:
- Seasonal bills
- Routine gifts for birthdays, holidays, etc.
- Car, appliance, home repair
- Lack of money for unexpected events or special needs
- Little or no savings
- Worry, anxiety, family arguments about money
- Increasing balances on credit cards and charge accounts
- Using credit to pay credit; seeking consolidation loans for the wrong reason
- Debt-to-income ratio approaching 20 percent

**Serious** — Client experiencing:
- Spending 4 percent or more of take-home pay on alcohol or non-prescribed drugs
- Can't afford basic essentials
- No auto insurance
- Money often runs out before payday
- Frequent worry, family arguments regarding money
- Interference in job, family duties or relationships
- Paying only the minimum on credit cards
- Receiving late notices
- Using cash advances to pay regular living expenses
- Debt-to-income ratio 20 to 30 percent
- Being denied additional credit

**Severe** — Client experiencing:
- Spending 6 percent or more of take-home pay on alcohol or non-prescribed drugs
- Rotating bills or inability to pay bills
- Threat (possibility) of loss of food, housing, utilities
- Legal action threatened by creditors, collection agencies
- Litigation fees from divorce, civil suits, etc.
- Negative cash flow
- Some reduction in family income
- Debt–to-income ratio 30 to 40 percent
- Hiding bills, dishonesty with family
- Considering bankruptcy

**Very Severe** — Client experiencing:
- Spending 6 percent or more of take-home pay on alcohol or non-prescribed drugs
- Physical survival endangered
- Loss of food, housing or utilities
- Legal action by creditors in process
- Filing or decision to file bankruptcy
- Defendant in a criminal case
- Large medical expenses
- Loss or severe reduction in family income
- Debt-to-income ratio 40 percent or higher
## Implications of Financial Problems

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**Information to Remember**
Collection Issues

Collection Procedures

1. The original creditor has three options:
   ▶ Stop doing business with the consumer.
   ▶ Report the default to a credit-reporting agency.
   ▶ Sue the consumer.
2. In-house collection departments:
   ▶ Send a series of letters and notices at 15- and 30-day intervals.
   ▶ Write off the debt.
   ▶ File a legal action.
   ▶ Turn over the debt to a collection agency.
3. Collection agencies:
   ▶ Take their cues from the original creditor.
   ▶ Are experts in tracking down the debtor.
   ▶ Consumers have more rights with collection agencies due to the Fair Debt Collections Practices Act (FDCPA).

Responding to Collectors

- Try to contact the original creditor and negotiate with them.
- Offer a lump sum or a payment plan.
- Try the same with the collection agency.
- Ask the collection agency to stop contacting you under the FDCPA.

Fair Debt Collection Practices Act

Besides the ability to ask a collection agency to stop contact, consumers have other important rights under the FDCPA, including:

- Debt collectors can't go public with your debt.
- Debt collectors can't call you at all hours — not before 8 a.m. or after 9 p.m.
- Unfair practices are prohibited — they can't force you to send a postdated check; they can't collect more than the amount you owe on the original debt.
- Harassment is illegal — they can't use threats, violence or criminal means against you or your family, abusive or obscene language, or call you repeatedly.
- Debt collectors can't use false or deceptive collection methods.
- You are entitled to written notification of your debt.

Student Loans

Student loans are a unique area of credit where collections efforts vary.

- Determine the type of loan and the identity of the creditor.
- Go back to the original creditor and inquire about options for keeping the loan current.
Options for dealing with student loans may include:
   ▶ Deferring payments for a predetermined period of time
   ▶ Getting a forbearance (payments are decreased or postponed until the client is in a better financial position)
   ▶ Outright cancellation
- Work with the holder of the debt to determine options.
Sample Letter to Collection Agency

Date

Address of Collection Agency

To whom it may concern:

I have been contacted by your company about a debt you allege I owe. I am instructing you not to contact me any further in connection with this debt. Under the Fair Debt Collections Practices Act, a federal law, you may not contact me further once I have notified you not to do so.

Sincerely,

Name
Address
Account No.
Enclosures (copies of correspondence)

(Use certified mail, return receipt requested. Keep copies of all correspondence.)
Developing an Action Plan

Ways you can help the client:

1. **Track Spending.** Clients must track all of their spending. In order to decrease their indebtedness, they will need to come up with the money needed to pay at least the minimum monthly payments.

2. **Set Goals.** The client will need to set some goals, such as pay off certain debts within certain periods of time. Reinforce the importance of goal-setting, and ensure your client has set some SMART goals.

3. **Develop a Spending Plan.** Be sure the budget has been completed and a flexible and agreed-to spending plan is in place so the client and/or you can make reasonable commitments to a debt-management plan and therefore reliable commitments to the creditors. Reinforce with the client that they be flexible, work on increasing their income, and seriously dedicate time to decreasing their living expenses.

4. **Plastic Surgery.** Depending on the severity of the debt situation, it may be necessary for the client to conduct “plastic surgery” — that is, cut up their credit cards and close the accounts. The client will need to request in writing that the creditor close the account, and keep copies of everything.

5. **Develop a Debt-Repayment Plan.** In preventive financial counseling and planning, it is recommended that one should try to keep debt payments to within 20 percent of net income (debt-to-income ratio). Most clients and families will need at least 70 to 75 percent of their net income for basic living expenses. Using this as a gauge, a realistic debt-management program could use as much as 25 percent of the client’s net pay.

   If the client does not have money for at least the minimum, review the following options to see if there are any possibilities:

6. **Examine All Debt.** Analyze the list of creditors on the Indebtedness page, considering the following:
   a. Have any debts been turned over to an attorney or collection agency/department?
   b. Which debts need to be repaid first? Priority should be given to secured creditors, or the collateral probably will be repossessed.
   c. Other priorities include bills that are current, bills owed to the government, and any bills that could result in jail (traffic tickets, bounced checks, etc.). It is recommended that you prioritize the creditors by numbering each in terms of urgency.
   d. Has legal action been taken or pending by any of the creditors?
   e. What is the total balance owed and payment due each month for each creditor?
   f. What is the original monthly payment, according to the contract?
   g. How much was the last payment to each creditor, and when was it made?
   h. When was the last time you heard from the creditor? How old is the last bill? Has the bill been written off?

7. **Use Savings.** Are any savings available to pay down some debts, pay off smaller debts, or provide a lump-sum offering to a creditor?
8. **Consider All Options.** Examine each of these options with the client very carefully. Try to expand the client's options and create solutions to the debt problem.

   a. **Defer Payments.** Can the client work with the creditor to extend the life of the loan by the number of delinquent payments? This is done by adding the payments to the end of the loan, and the client's account is considered current. An extension fee equal to the interest for the deferred months usually is charged and must be paid before the creditor will agree to a deferment plan. This applies only to pre-computed installment loans.

   b. **Refinancing.** Can the client negotiate a new loan agreement with a creditor making it possible for the client to extend the life of the loan and reduce payments each month? Refinancing can be accomplished with no additional money being borrowed other than what is needed to pay off the outstanding balance on the existing loan; or with proceeds, where more money is borrowed than is needed to pay off the loan.

   c. **Credit Cards.** Does the client have credit cards that can be used to "consolidate" other cards into one account? Is the interest rate lower, and would it be to the client's benefit to pursue this option?

   d. **Secured Loans.** Does the client qualify for a secured loan? Would the cost of the loan be lower than the debt currently held? What collateral does the client have to secure the loan?

   e. **Personal Loans.** Does the client qualify for an unsecured loan? Would the cost of the loan be lower than the debt currently held?

   f. **Liquidate Assets.** Can the client sell any assets to generate cash to pay off some of the debts? This can be done only if the client has clear title to these assets or has the permission of the individual or financial institution holding title to sell the property.

   g. **Home-Equity Loans.** Does the client have a home on which she can get a home-equity loan or line of credit? Would the cost of a home-equity loan be lower than the debt currently held? What are the chances that the client would default on the loan and lose her home?

   h. **Refinance a Mortgage.** Can the client take out a new loan on his home for the present value and use the money to pay off the balance on the original loan? The leftover money can be used to pay other creditors.

   i. **Life Insurance Policies.** Does the client have any whole life insurance policies with a cash value that can be borrowed? An insurance agent can inform the client as to how much cash value, if any, that is available to be borrowed.

   j. **Retirement Plans.** Does the client have any retirement plans with loan provisions? Is there any money that can be borrowed from the plan?

   k. **Family and Friends.** Does the client have any family or friends who can help with a short-term loan or gift to help pay down the debts?

   l. **Brokerage Margin Accounts.** Does the client have a brokerage account on which they can take out a loan? This is very risky and not recommended.
m. Repossession. Can the client relinquish property that has been pledged as security on a loan?
   i. Voluntary repossession. In a voluntary repossession, the client returns the secured property (collateral) to the lender voluntarily. The client will be responsible for paying any outstanding balances due, known as the "deficiency balance." The client may save some repossession or foreclosure fees in a voluntary repossession.
   ii. Involuntary repossession. In an involuntary repossession, the creditor takes back the secured property. The client will be responsible for paying any outstanding balance on the loan after the property is sold or auctioned by the creditor. This has a more negative impact on the credit rating of the client.

n. Foreclosure. Does the client want to give up their house and let the bank foreclose on it? If the client is facing foreclosure, they need to get professional counseling from someone knowledgeable about housing options. The lender may be willing to work with the client; They may be able to offer a deed in lieu of foreclosure, or defer payments. They also may be able to sell fast instead of walking away.

9. **Power Payment Plan.** Once you have explored all options with your client, you should know whether a debt-management plan can be developed for them. If so, you can use the Full Steam section of the FPW program. It is recommended that a debt-management plan take no more than three years to pay off all creditors, and to get the debt-to-income ratio down to a workable level — 20 percent or less.

10. **Present Plan to Creditors.** Once you have put together the debt-management plan and the client is confident they can stick to it, present the plan to the creditors, as necessary. If no changes in payments need to be made, there is no need to talk with the creditor. However, if you need to work with a creditor to request lower or deferred payments, you will need to contact them and get their agreement. If one or more creditors won't work with the client or the CFS, you may need to rework the plan, or it may be time to refer the client to a non-profit debt-management program.

**Debt-Management Program Resources:**

www.nfcc.org (National Foundation for Consumer Credit)

www.aiccca.org (Association of Independent Consumer Credit Counseling Agencies)

www.myvesta.org (non-profit debt-management counseling)

www.militaryonseource.com (Military OneSource Web site)
Sample Letter to Creditor From an Individual

Date
Address of Creditor

Dear sir:

I understand that my account is past due. Due to present financial difficulties that resulted from (explain personal reason why account is delinquent), I am unable to continue paying on my account as was originally agreed.

I plan to meet all of my financial obligations in full. Currently, I am working with the financial specialist at my command. We have developed a spending plan that my Command Financial Specialist will help me monitor and follow.

In order to provide for necessary household expenses plus credit payments, it is necessary that I ask each creditor to accept a reduced payment. I request that all past-due balances be transferred to the final amount on my account. Instead of my regular payment of $______, I propose that you accept payments of $______ per month due on the ______th day of each month.

Enclosed is my first payment (if a payment can be sent) and my destroyed credit card. Please ensure that my account remains closed until my balance is paid in full. You can be assured that I will increase my payments as my situation improves.

I would appreciate your cooperation in making the payment plan work and a written response to this letter within 30 days to aid my Command Financial Specialist in monitoring my progress.

Sincerely,

Name
Account No.
Enclosures

(Send by certified mail, return receipt requested. Keep copies of all correspondence.)
Sample Letter to Creditor from a CFS

Date
Address of creditor
Re: (name of client) (client’s address)
Account number:
Total indebtedness:
Proposed payment:

Dear sir:

I have met recently with (client’s name) regarding his/her budgeting and debt problems. Due to (explain problem briefly), he/she has not been able to make regular payments on the above account.

(Client’s name) understands that his/her account is past due and plans to meet all financial obligations in full. A spending plan has been developed outlining an equitable payment schedule for all creditors. He/she is willing to make whatever changes are necessary to overcome these financial difficulties and has agreed not to create any new credit until current obligations are met.

Enclosed is his/her first payment (if a payment can be sent) and his/her destroyed credit card. Please ensure that this account remains closed until the balance is paid in full. You can be assured that payments will be increased as his/her situation changes.

On behalf of (client’s name), I am asking that you accept the proposed monthly payment shown above. By so doing, you not only will help in his/her efforts to get out of debt but also will be helping a service member learn to budget and use credit wisely.

If I can be of any help or if you have any questions, please call me at (phone number).

Sincerely,

Name
Command Financial Specialist
Enclosures

(Use certified mail, return receipt requested. Keep copies of all correspondence.)
Debt Management in Practice

Directions: Using the information from the class discussion and contained in your Student Manual, what questions would you ask each client, and what resources would you suggest?

1. A Sailor and her husband with a 25 percent debt-to-income ratio tell you they have difficulty meeting all their monthly payments.

2. A single E-4 tells you he has been late paying his rent for two months. You calculate his debt-to-income ratio, and it is 38 percent. He often eats on the ship because he is short of food money. He has four credit cards and all are maxed out, for $7,800 in total debt. The trouble started three months ago when he bought a brand new truck.

3. A Sailor with a black eye asks you where he can get help with his utility bills and food expenses for the month. He says he is over his head in debt, has no food in the house, needs diapers for the baby, and has a shut-off notice from the electric company. Three of his bills are in collection. He tells you the “debt thing” is taking a toll on his marriage — he and his wife are fighting all the time, and last night she took a swing at him. He says he tried to sell his second car to eliminate a large car payment, but he is “upside-down” on the debt.

4. A chief asks you what you know about student loans. He says he has two problems. One is his young wife's student loans, which are about to come due, and he doesn't have the money to pay them. Also, his daughter from his first marriage just got accepted at Brown University, he can't afford the tuition, and he is desperate to find a way to work it out. He mentions he has a lot of equity in his home (his credit score is 680). When he shows you his budget, you see he pays on a consolidation loan.

5. A day after conducting a session for command members on credit reports, a senior member of the command tells you she pulled her report the previous night and it is a disaster. She has fallen two months behind on all her bills, and her bank is threatening to foreclose on her home if she doesn't bring her account up-to-date. When you suggest sitting down and putting together a budget, she tells you she doesn't really have the time but wants to know if you know anything about Chapter 7 bankruptcy.
The Two LOI’s: Letters of Indebtedness and Letters of Intent

I. INTRODUCTION

When service members become delinquent on their debts, creditors frequently send letters to commanding officers requesting their assistance. They are hoping that official pressure will be used to encourage payment. These letters are called Letters of Indebtedness. Your CFS duties may include assisting the command by processing these letters and in providing counseling assistance to the members who are the subject of these letters.

Command Financial Specialists also may play a role in assisting members when they receive a Letter of Intent. These letters are sent to a member from the Department of the Navy Central Adjudicating Facility (DoN CAF) when they are considering denying or revoking a security clearance. If the reason for the denial or revocation is financial considerations, you can assist the member in responding to the letter and in putting his or her financial house in order.

This chapter discusses both Letters of Indebtedness and Letters of Intent as well as garnishments, and it explains Navy policy, procedures for processing, and the role of the CFS.

Chapter correlation to major OPNAVINST task areas:

1. Education and Training: No direct correlation to any PFMSC modules, although general information may be incorporated into any training on credit and indebtedness. Training techniques include lecture and training tools (flowchart).

2. Information and Referral: No direct correlation.

3. Counseling: The CFS often is asked to provide counseling to members because the command has received a Letter of Indebtedness, garnishment or Letter of Intent regarding a member. This chapter will prepare the CFS to assist with these issues.

II. LEARNING OBJECTIVES

After participating in the session, the learner should be able to explain Navy policy on indebtedness, explain garnishment, and discuss procedures for processing Letters of Indebtedness and assisting with Letters of Intent.

Using a flowchart, the learner should be able to recognize a legal Letter of Indebtedness.
III. REFERENCES

Military Personnel Manual 7000-020

Navy Security Manual

SECNAV Instruction M-5510.30

DoN CAF Brief “Financial Issues That Affect Clearances” (2009)

IV. CONTENT

Garnishment

A garnishment occurs when a creditor gets a court order to have pay taken directly from the military paycheck and sent to the creditor. By the time a wage garnishment occurs, the member has had ample opportunity to make good on the debt. Creditors usually will send a series of letters and notices to try to collect on an unpaid debt and may send the debt to a collection agent before they ever go to court for a judgment to garnish.

Garnishment facts:

- It can take up to 25 percent of a member’s disposable pay.
- Disposable pay consists of:
  - Basic pay
  - Special pay
  - Accrued leave payments
  - Severance pay
  - Disability severance pay
  - Inactive duty training pay
- DFAS processes all garnishment requests.
- The commanding officer is responsible for processing the final action at the command.

A Legal Letter of Indebtedness

A legal Letter of Indebtedness requires full disclosure by the creditor. It has four parts:

1. The Letter of Indebtedness
2. A copy of the signed contract (or cancelled check)
3. A Certificate of Compliance
4. A statement that the Standards of Fairness have been met

If the Letter of Indebtedness is from a third-party debt collector, the letter falls under the rules of the Fair Debt Collections Practices Act, which prohibits contact by a debt collector with third parties, such as a commanding officer, for the purpose of aiding debt collection unless there has been prior consent by the debtor or a court order has been obtained.
06/1/09

COMMANDING OFFICER
USS ALWAYS SAIL
FPO AE 09557-1516
RE: ET1 JOHN DOUGH

Dear Sir:

We wish to inform you of one of the activities of your crew members. ET1 John Dough is currently delinquent two payments on his account with Fibs Auto. The total amount due is $650.00 and his balance is $4,872.00.

We have attempted to work out an arrangement with him, but he has not responded to our requests. Let us assure you that we are in total compliance with all standards of fairness and disclosures.

Please assist us in counseling your crew member.
Sincerely,

Butch Cassidy

Butch Cassidy
Collections Manager
Fibs Auto
9603 Shore Drive
Anywhere, USA
Certificate of Compliance

I certify that FIBS AUTO, upon extending credit to John Dough six months ago, complied with the full disclosure requirements of the Truth-in-Lending Act and Regulation Z, and the Fair Debt Collection Practices Act (or the laws and regulations of the Commonwealth of Virginia), and that the attached statement is a true copy of the general and specific disclosures provided the obligor as required by law.

I further certify that the Standards of Fairness set forth in DoD Directive 1344.9 have been applied to the consumer credit transaction to which this form refers. (If the unpaid balance has been adjusted as a consequence, the specific adjustments in the finance charge and the annual percentage rate should be set forth below.)

Authorized Representative

9603 Shore Drive
Street Address

Anywhere, USA
City, State and Zip Code
Standards of Fairness

1. No finance charge contracted for, made, or received under any contract shall be in excess of the charge which could be made for such contract under the law of the place in which the contract is signed in the United States by the military member.
   a. In the event a contract is signed with a U.S. company in a foreign country, the lowest interest rate of the State or States in which the company is chartered or does business shall apply.
   b. However, interest rates and service charges applicable to overseas military banking facilities will be as established by the Department of Defense.

2. No contract or loan agreement shall provide for an attorney’s fee in the event of default unless suit is filed, in which event the fee provided in the contract shall not exceed twenty percent of the obligation found due. No attorney fees shall be authorized if the attorney is a salaried employee of the holder.

3. In loan transactions, defenses which the debtor may have against the original lender or its agent shall be good against any subsequent holder of the obligation. In credit transactions, defenses against the seller or its agent shall be good against any subsequent holder of the obligation, provided that the holder had actual knowledge of the defense or under conditions where reasonable inquiry would have appraised the holder of this fact.

4. The military member shall have the right to remove any security for the obligation beyond State or national boundaries if the military member or family moves beyond such boundaries under military orders and notifies the creditor in advance of the removal, of the new address where the security will be located. Removal of the security shall not accelerate payment of the obligation.

5. No late charge shall be made in excess of 5 percent of the late payment or $5.00 whichever is the lesser amount, or as provided by law or applicable regulatory agency determination. Only one late charge may be made for any tardy installment. Late charges will not be levied where an allotment has been timely filed, but payment of the allotment has been delayed. Late charges by overseas banking facilities are a matter of contract with the Department of Defense. Late charges by Federal credit unions are set at 20 percent of the interest due with a minimum of not less than 5 cents.

6. The obligation may be paid in full at any time or through accelerated payments of any amount. There shall be no penalty for prepayment and in the event of prepayment, that portion of the finance charges which has incurred to the benefit of the seller or creditor shall be prorated on the basis of the charges which would have been ratably payable had finance charges been calculated and payable as equal periodic payments over the terms of the contract and only the prorated amount to the date of prepayment shall be due. As an alternative the "Rule of 78" shall be applied.

7. If a charge is made for loan insurance protection, it must be evidenced by delivery of a policy or certificate of insurance to the military member within 30 days.

8. If the loan or contract agreement provides for payments in installments, each payment, other than the down payment shall be in equal or substantially equal amounts, and installments shall be successive and of equal or substantially equal duration.

9. If the security for the debt is repossessed and sold in order to satisfy or reduce the debt, the repossession and resale will be governed by the laws of the State in which the security is requested.

10. A contract for personal goods and services may be terminated at any time before delivery of the goods or services without charge to the purchaser. However, if goods made to the special order of the purchaser result on reproduction costs, or require preparation for delivery, such additional costs will be listed in order form or contract.
   a. No termination charge will be made in excess of this amount. Contracts for delivery at future intervals may be terminated as to the undelivered portion.
   b. The purchaser shall be chargeable only for that proportion of the total cost which the goods or services delivered bear to the total goods called for by the contract. (This is in addition to the right to rescind certain credit transactions involving a security interest in real estate provided by P.L. 90-321 (reference (b)) and the FRB Regulation Z (reference (k)).)
Processing Letters of Indebtedness

Is this a letter requesting information concerning the personal credit rating of a member? **YES** Reply in format of Sample Letter 6.

Is this a letter from the Navy-Marine Corps Relief Society or American Red Cross? **NO**

Does this letter concern nonsupport of dependents? **NO**

Is this a letter from a Congressman on behalf of a constituent? **YES** Reply in format of Sample Letter 5.

Is this a letter from a debt collector other than the original creditor? **NO**

Is the letter from a public utility company (electric, telephone, etc.)? **YES** Is certification enclosed that no interest, finance charge, or fee in excess of that permitted by law has been charged? **YES** Reply in format of Sample Letter 3. Forward correspondence to member. Counsel member.

Is this letter from a foreign country? **NO**

Is the letter from a creditor who has procured a judgement in a civil court? **YES**

Has the creditor enclosed a copy of the Statement of Full Disclosure and Certificate of Compliance, signed by both parties and date? (See Enclosure 1, MILPERSMAN 7000-020) **NO**

Has there been previous correspondence on this matter with this creditor? **YES**

Return all correspondence and reply in format of Sample Letter 2.

1. The federal Fair Debt Collection Practices Act prohibits contact by a debt collector with third parties such as a commanding officer for the purposes of aiding debt collection unless there has been prior consent by the debtor or a court order has been obtained.

Note: Copies of sample letters referred to are contained in NAVAL MILITARY PERSONNEL MANUAL, ARTICLE 7000-020.
Sample Letter No. 1
Dear Sir/Madam:

This is in reply to your letter of (date) concerning the alleged indebtedness of (grade/rate, name).

It is the policy of the Department of the Navy that members of the Naval Service shall honorably discharge their just and fair debts. The Department of the Navy, however, has no authority to enforce settlement of any private claims made against members of the naval service, nor is adjudication of disputed claims a matter under the cognizance of the Department of the Navy.

The Navy will forward complaints of indebtedness to members advising them to communicate directly with the claimant regarding his/her intention in the matter, provided that the letter of indebtedness complies with statutory and regulatory requirements.

A careful review of the contents of your correspondence suggests that it is in violation of (statute, federal or state or both), in that (brief description of apparent violation, i.e., correspondent is a member of the class of persons prohibited from contacting third parties.) Therefore, the correspondence is returned to you without action.

You are advised to communicate directly with (grade/rate, name) about this matter.

Sincerely,

Enclosure(s)

Sample Letter No. 2
Dear Mr./Miss/Mrs. (surname):

This is in reply to your letter of (date) concerning the alleged indebtedness of (grade/rate, name).

It is the policy of the Department of the Navy that members of the Naval service shall honorably discharge their just and fair debts. The Department of the Navy has no authority to enforce settlement of any private claims made against members in the Naval service nor is adjudication of disputed claims a matter under the cognizance of the Department of the Navy.

Department of Defense directives require that as a condition precedent to forwarding complaints of indebtedness to a service member, the enclosed forms must be completed and the Standards of Fairness complied with. If, after review, it appears that the provisions of the Department of Defense directives have been fully satisfied, the matter will be referred to the service member for reply directly to you.

Sincerely yours,

Encl: (1) Standards of Fairness and forms for a statement of Full Disclosure and a Certificate of Compliance.

Sample Letter No. 3
Dear Mr./Miss/Mrs. (surname):

This is in reply to your letter (date) concerning the alleged indebtedness of (grade/rate, name).

In view of your letter, the service member has been advised to communicate directly with you regarding his/her intention in the matter. It is hoped that the above action will result in the matter being satisfactorily resolved.

Sincerely yours,

Sample Letter No. 4
Dear Mr./Miss/Mrs. (surname):

This is in reply to your letter of (date) concerning the alleged indebtedness of (grade/rate, name).

After a careful review of the contents of your correspondence, it does not appear that the Full Disclosure test and the Standards of Fairness requirement have as yet been met. (Specify particulars to the extent appropriate.) This command is not permitted to assist you until the Standards of Fairness have been complied with or until such time as you have obtained a civil judgment in a court of competent jurisdiction which complies with the provisions of the Soldiers’ and Sailors’ Civil Relief Act.

By copy of this letter, the Chief of Naval Personnel is being advised of the foregoing.

Sincerely,

End: (1) Correspondence in this case.

Copy to : NAVPERSCOM

Sample Letter No. 5
My Dear Mr./Miss/Mrs. (Congressman/Congresswoman):

This is in reply to your letter (date) concerning the alleged indebtedness of (grade/rate, name), United States Navy.

Naval personnel are well-indoctrinated in the Department of the Navy’s policy of expecting all members of the Naval service to discharge their acknowledged debts and just obligations. The department desires to cooperate and be of assistance to persons who are experiencing difficulty in collecting from Naval personnel acknowledged personal debts. There is no legal authority to exercise control or direction over Federal pay in matters of personal indebtedness. Cooperation is restricted to bringing the matter of delinquency in indebtedness to the attention of the member concerned, with the request that he/she communicate with the creditor regarding her/his intentions in the matter.

Department of Defense directives require that, as a condition precedent to forwarding complaints of indebtedness to a service member, the enclosed forms must be completed and the Standards of Fairness complied with. Your constituent should be advised to forward the forms to the Commanding Officer, (fill in).

Sincerely yours,

End: (1) Standards of Fairness and forms for a Statement of Full Disclosure and a Certificate of Compliance

Copy to : NAVPERSCOM

Sample Letter No. 6
My Dear Sir/Madam:

This is in reply to your letter of (date) requesting certain information relative to the credit rating of (grade/rate, name), United States Navy.

(Grade/rate, name) is currently a member of the Naval service on active duty. His/Her official address is (fill in). His/Her basic rate of pay is (fill in) per month. Current policy of the Department of the Navy precludes furnishing further information in this regard. If more detailed data is required, it is suggested that it be requested directly from (grade/rate, name) or from credit bureaus or other commercial rating agencies.

It is hoped that the foregoing information satisfactorily answers your inquiry.

Sincerely yours,

End: (1) Standards of Fairness and forms for a Statement of Full Disclosure and a Certificate of Compliance

Copy to : NAVPERSCOM
Action Items for Letters of Intent

Disqualifying Factors (behavior or condition falls within one or more of the following categories)

- Inability or unwillingness to satisfy debts.
- Indebtedness caused by frivolous or irresponsible spending and the absence of any evidence of willingness or intent to pay the debt or establish a realistic plan to pay the debt.
- A history of not meeting financial obligations.
- Deceptive or illegal financial practices such as embezzlement, employee theft, check fraud, income-tax evasion, expense-account fraud, filing deceptive loan statements, and other intentional financial breaches of trust.
- Consistent spending beyond one’s means, which may be indicated by excessive indebtedness, significant negative cash flow, high debt-to-income ratio, and/or other financial analysis.
- Financial problems linked to other security concerns, such as drug abuse, alcoholism, gambling problems, or other issues of security concern.
- Failure to file annual federal, state or local income-tax returns as required or the fraudulent filing of the same.
- Unexplained affluence, as shown by a lifestyle or standard of living, increase in net worth, or money transfers that cannot be explained by the subject’s known legal sources of income.
- Compulsive or addictive gambling as indicated by an unsuccessful attempt to stop gambling; “chasing losses” (i.e., increasing the bets or returning another day in an effort to get even); concealment of gambling losses; borrowing money to fund gambling or pay gambling debts; family conflict or other problems caused by gambling.

Mitigating Factors (circumstances which may mitigate disqualifying information)

- The behavior occurred so long ago, was so infrequent, or occurred under such circumstances that it is unlikely to recur and does not cast doubt on the individual’s current reliability, trustworthiness or good judgment.
- The conditions that resulted in the financial problem largely were beyond the person’s control (e.g., loss of employment; a business downturn; medical emergency; or a death, divorce or separation), and the individual acted responsibly under the circumstances.
- The person has received or is receiving counseling for the problem and/or there are clear indications that the problem is being resolved or is under control.
- The individual initiated a good-faith effort to repay overdue creditors or otherwise resolve debts.
- The individual has a reasonable basis to dispute the legitimacy of the past-due debt that is the cause of the problem and provides documented proof to substantiate the basis of the dispute or provides evidence of actions to resolve the issue.
- The affluence resulted from a legal source of income.

CFS Action Items for Letters of Intent

- Stress the importance of a member being proactive in contacting you or another financial-counseling resource when experiencing financial difficulties.
- Provide a realistic Financial Planning Worksheet.
- Assist the member in obtaining a credit report from www.annualcreditreport.com.
- Assist the member in developing a good-faith action plan to resolve financial issues.
- Ensure that the member formally disputes to one of the three credit-reporting agencies account(s) that he or she does not believe they are obligated to pay. The agencies have 30 days to provide a resolution to the dispute.
- Ensure the member has documentation to support all claims made in his or her response to the Letter of Intent. (DoN CAF indicates this is the most important action a CFS can take to assist a member.)
Insurance and Survivor Benefits

I. INTRODUCTION

This chapter covers the basics of insurance and survivor benefits and is designed to help you help command members make insurance-buying decisions. This assistance may come in the form of educating command members, providing information and referral, and/or providing one-on-one counseling. The information starts with major life-cycle events, such as births, marriages, home purchases and death, and shows how you can use those events as triggers for exploring and assessing the need for insurance.

Chapter correlation to major OPNAVINST task areas:

1. Education and Training: This chapter directly correlates to the PFMSC Your Insurance Needs module. Learners have adequate exposure to the topic to allow them to conduct this training at the command. Training techniques include quiz, lecture and case scenario.

2. Information and Referral: Some insurance resources are discussed in the chapter.

3. Counseling: Command Financial Specialists often are asked to help with insurance questions, whether it be to explain an existing policy or help to buy a new one. This chapter will equip the CFS with the basic information to help members make an insurance-buying decision by understanding the benefits they already have provided to them, and how to assess the need for additional coverage.

II. LEARNING OBJECTIVES

Learners will demonstrate sufficient knowledge to educate command members on the life-cycle approach to insurance by participating in the “Life Cycle” activity.

Learners will demonstrate knowledge of survivor benefits by participating in the Survivor Benefits Fact or Fiction? activity.

III. REFERENCES


www.ambest.com (A.M. Best Co.)

www.annualcreditreport.com (free annual credit report)

www.ssa.gov (Social Security Administration)

www.lifelines.navy.mil (Lifelines Services Network)

www.consumerworld.org (Consumer World — insurance section)

www.insurancefraud.org (Coalition Against Insurance Fraud)

www.iii.org (Insurance Information Institute)

www.insweb.com (InsWeb.com — learning center)

www.tricare.mil (TRICARE military health system)

www.defenselink.mil (OSD — military compensation)

www.ffsp.navy.mil (Fleet and Family Support Program)

www.insurance.va.gov (Department of Veterans Affairs — VA Insurance Home Page)

www.ltcfeds.com (Federal Long-Term Care Insurance Program)

www.cem.va.gov (National Cemetery Administration)

**VI. CONTENT**
Life Cycle Approach to Insurance Needs

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

**Single in Quarters**

“I don’t need any insurance. I live in government quarters. I don’t even have a car.”

- Renters policy — Still necessary to cover your possessions.
- Life insurance — Only if someone depends on your income, otherwise consider a small amount to cover final expenses. SGLI is enough.

**Moving Off-Base**

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

- Renters policy — Absolutely necessary to replace your possessions including those you are paying off.

**Buying a Car**

“I am buying a car with a big monthly payment, there’s no way I can afford insurance. I’ll just take my chances.”

- Auto insurance — required for on-base driving. Required by state law at set minimums.
  1. Liability coverage pays for others’ losses if you are responsible.
  2. Collision and Comprehensive coverage
  3. Uninsured/Underinsured motorist coverage
  4. Medical payments

**Getting Married**

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

- Life Insurance — If someone depends on your income, review your plan and determine your needs. FSGLI offers inexpensive spousal coverage.
- Health — Use the Tricare system at low or no cost. Consider a supplemental policy if far away from a military treatment facility or there are special health needs. Sign up for DEERS and add to Page 2.
- Dental — Remember to sign your new family member up for the Dental Health Program.
- Auto — Review and adjust as necessary.
- Renters policy — Review and adjust as necessary.

**Having Children**

“I have a baby now. I’m supposed to be responsible but I don’t even know where to begin.”

- Life insurance — Needs will increase now due to the long-term financial responsibilities of raising a child. In addition, insure the other parent. FSGLI is available up to $100,000. Children under 18 get $10,000 automatic coverage under FSGLI.
- Health — Add child to DEERS and Page 2.
- Dental — Wait until the child has teeth and/or needs to begin care, first visit around age 2–3 years.
- Auto — Review and adjust as necessary.
- Renters policy — Review and adjust as necessary.
**Divorce**

"My spouse said she would continue to cover me on the auto insurance policy, but now it's been cancelled. What should I do?"

- Divorce can happen anytime in the lifecycle. Review all policies and adjust as necessary.
- Reconsider your life insurance needs and who you list as your beneficiary.

**Retirement/ Separation**

“I am getting out of the military in a few months, will my insurance needs change?”

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

- Life insurance — Increase your policy to cover the loss of SGLI or consider VGLI (Veterans Group Life Insurance).
- Health/Dental — Shop for a policy if not provided by your next employer. Personal health policies can be very expensive. Even if you are eligible for Medicare/Medicaid, you may need a supplemental policy.
- Disability — You may be provided coverage by your employer, otherwise you should look for a policy to replace a portion of your income should you be injured or become ill.
- Auto — Review and adjust as necessary.
- Homeowner’s — Review and adjust as necessary.

**Death**

“My spouse just passed away, what can I expect financially now?”

Active Duty members:

- Death Gratuity: $100,000 paid within 36 hours
- SGLI: Up to $400,000
- Dependency and Indemnity Compensation
- Accumulated leave and/or arrears in pay
- Burial
- Travel or funeral
- 12 months BAH or time in quarters
- Final household goods shipment

- Survivor Benefit Plan (SBP) Automatic
- Social Security Survivor Benefits
- VA Education Benefits

Out of Military:

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

Retirees:

- SBP if elected
- Social Security
- Burial
Shopping Tips for Insurance

Save Money on Auto Insurance

- Compare prices. Get at least 3 quotes.
- Use the auto-insurance buyer's guide.
- Don't buy collision and comprehensive coverage from the lender.
- Buy a car that is inexpensive to repair.
- Raise the deductibles (but have money in savings).
- Have sufficient liability coverage.
- Consider dropping collision insurance on older cars.
- Take advantage of discounts: good driver, safe vehicle, good student, low mileage, occupational, internet.
- Describe exactly how your car is used.
- Notify insurer about changes that could lower rates.
- Pay entire premium when due.
- Share your car with a teenager (insurance for a car they own is even more expensive!)
- Drive safely.
- Check with the Insurance Institute for Highway Safety for vehicle ratings.
- Multi-policy Insurance: Buy all policies from the same company.

Save Money on Homeowner’s Insurance

- Compare prices. Get at least 3 quotes.
- Buy all your property and casualty insurance from the same company.
- Install deadbolt locks, smoke detectors, a fire extinguisher, and burglar alarms.
- Pay annually.
- Raise the deductible.
- Quit smoking.
- Buy replacement-cost coverage.
- Have sufficient liability coverage.
- Buy a recently built house.
- Don’t over-insure (don’t include price of the land your house is on).

Tips to Remember

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

Websites

Military Specific:

www.va.gov
www.tricare.osd.mil
www.ltcfeds.gov
www.insurance.va.gov

Consumer Infomation:

www.consumerworld.org
www.insurancefraud.org
www.iii.org
www.insweb.com
www.ambest.com
www.standardandpoors.com
www.naic.org
www.term4sale.com
www.accuquote.com
www.ssa.gov
www.quotesmith.com
INFORMATION TO KEEP:

1. For each individual life insurance policy on your life, record the following information:
   - The full name of the life insurance company that issued the policy.
   - The city and state of the home office of the company that issued the policy.
   - The name and U.S. headquarters of the group, if the issuing company belongs to a group of companies.
   - The policy number.
   - The date the policy was issued.
   - The amount of the death benefit.
   - The name and address of the agent/broker who sold you the policy.
   - The type of policy (e.g., term, whole life, etc.).
   - The location of the original life insurance policy.

2. For each employer-provided or group (trade association, etc.) insurance benefit, record the following information:
   - The name of the employer or group that sponsors the insurance.
   - The office or person to contact when it’s time to file a claim.
   - The certificate number (comparable to the policy number under an individual policy).
   - The date the insurance was started.

3. For death benefits that are features of annuities, workers compensation programs, disability insurance, travel accident insurance, etc., record the following information:
   - The type of policy that has a death benefit as part of its features.
   - The full name of the life insurance company that issued the policy.
   - The city and state of the home office of the company that issued the policy.
   - The policy number.
   - The date the policy was issued.
   - The amount of the death benefit.
   - The name and address of the agent/broker who sold you the policy.
   - The location of the original insurance policy.

4. For each life insurance benefit on your life dedicated to paying off a loan (credit cards, etc.), record the following information:
   - The full name of the lending institution through which you obtained the life insurance.
   - The loan number and issue date of the loan.
   - The name of the person or office to contact when it’s time to file a claim.
   - The policy number of the life insurance policy that pays off the loan.

WHERE TO KEEP THE INFORMATION:

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

## Financial Obligations: Immediate Cash Needs
- **Death Expenses** (Burial and Funeral Costs, Uninsured Medical Costs, Estate Taxes, and Estate Settlement expenses such as legal fees)
- **Housing Costs**
  - [ ] I own my home.
  - [ ] I rent my home.
- **Total Estimated Education Costs**
  - [ ] I want to estimate educational costs for my children.
  - [ ] I don’t need to estimate educational costs.
- **Car Loans Outstanding Balance**
- **Home Equity Loans Outstanding Balance**
- **Credit Card and Other Personal Debt**
- **Emergency Fund**

## Income Available to Your Survivors
- **Annual VA Dependency and Indemnity Compensation (DIC) or Death Pension Income**
- **Annual Social Security Survivor Benefit**
- **Annual Survivor Benefit Plan Income**
- **Annual Pension Plan Amount**
- **Survivor’s Annual Earnings from Work**
- **Survivor’s Annual Earnings from Dividends and Interest**
- **Survivor’s Other Annual Income** (Money from Rental Properties, Private Loan Payments from Others, Annuities)

## Income Needed to Support Your Survivors
- **Annual Income Amount Needed**
- **Number of Years Income will be Needed**
- **Net Income Needed to Support Survivors**

## Assets: Lump Sum Payments Available to Your Survivors
- **Thrift Savings Plan Benefit**
- **Current Investments**
- **Servicemembers’ or Veterans’ Group Life Insurance Coverage**
- **Other Life Insurance Coverage**
- **VA Educational Benefits for Spouses and Children**
- **Other Lump Sum Payments**

**Life Insurance Needed:**
[ ]
**AT1 George Flier**

Petty Officer Flier, age 35, is married and has three children, ages 3, 6 and 14. He and his wife, Susan, have just purchased their first home for $180,000 using a no down payment loan option. They spent their emergency fund during the move to the new house and to put in landscaping. They have begun furnishing their home buying $6,500 of furniture on installment. In addition to this, they have $3000 in personal debt. Susan’s Taurus station wagon is paid off and is 5 years old. George used his SRB for the down payment on a new truck and to pay off other bills. His truck loan is $10,000. As yet they have not had the opportunity to start college funds for the kids, but have agreed that they would like to have the kids work or get loans/scholarships and hope that the VA has some benefits for them too. They have added up all their living expenses and find they total $3,800 per month. They would like to have an emergency fund of three months living expenses ($11,400). They have no other sources of income.

They have not made any life insurance plans other than SGLI for $400,000. George has heard that the military will pay for his funeral, but thinks they will still need $2,000 to cover other final expenses. George figures his family would still need $3,800 per month to live even if he was not around, and doesn’t see that number changing until the youngest leaves the house in 15 years. Susan thinks she would go back to work part-time and could earn at least $10,000 a year.

George’s no cost monthly SBP benefit is $1,566 but is offset (reduced) by $1,067 for the DIC his spouse would receive (but not the $265 per child they would get monthly.) The family monthly maximum for Social Security Survivors Benefits is $2,517.

At the moment, the Fliers do not have any money stashed away, other than $1,000 that George has accumulated in the TSP, which he started contributing to last year.

Utilize this worksheet to help the Fliers figure how much additional life insurance they need to purchase on George.
**SURVIVOR BENEFITS:**
**FACT OR FICTION**

<table>
<thead>
<tr>
<th>Fact</th>
<th>Fiction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>An immediate gratuity will be paid to my survivors, usually within 36 hours.</td>
</tr>
<tr>
<td>2.</td>
<td>SGLI will be paid to my spouse or next-of-kin immediately upon confirmation of my death.</td>
</tr>
<tr>
<td>3.</td>
<td>Any unused leave or arrears in pay is lost at the time of my death.</td>
</tr>
<tr>
<td>4.</td>
<td>My spouse and any children will receive monthly compensation from the government.</td>
</tr>
<tr>
<td>5.</td>
<td>Social Security provides survivors benefits to both my spouse and/or my children.</td>
</tr>
<tr>
<td>6.</td>
<td>Paying for my funeral is the responsibility of my family. The government does not provide any financial assistance in this area.</td>
</tr>
<tr>
<td>7.</td>
<td>My family must vacate housing or will lose BAH within 180 days of my death.</td>
</tr>
<tr>
<td>8.</td>
<td>My family will be provided a no-cost final move.</td>
</tr>
<tr>
<td>9.</td>
<td>The government will provide a flag, headstone, and a burial spot in a national cemetery.</td>
</tr>
<tr>
<td>10.</td>
<td>My survivors are guaranteed acceptance at any college which receives federal funds.</td>
</tr>
<tr>
<td>11.</td>
<td>My family will be provided transportation to and from my funeral.</td>
</tr>
<tr>
<td>12.</td>
<td>My children will receive free childcare at on base Child Development Centers while my spouse attends college courses.</td>
</tr>
<tr>
<td>13.</td>
<td>My dependents will lose their commissary and exchange privileges at the end of one year.</td>
</tr>
<tr>
<td>14.</td>
<td>VA provides a survivors’ and dependents’ education assistance program that provides monthly payments for college enrollment.</td>
</tr>
<tr>
<td>15.</td>
<td>The Survivors Benefit Program will pay my spouse or children a portion of my monthly retirement pay.</td>
</tr>
<tr>
<td>16.</td>
<td>A surviving spouse gets both SBP and DIC.</td>
</tr>
<tr>
<td>17.</td>
<td>Retirees’ survivors get the same survivor benefits as active duty survivors.</td>
</tr>
<tr>
<td>18.</td>
<td>A surviving spouse continues to receive all survivor benefits, even upon remarriage.</td>
</tr>
</tbody>
</table>

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**www.ssa.gov** (Social Security Administration)
**www.defenselink.mil** (OSD — Military Compensation)
**www.insurance.va.gov** (Veteran’s Affairs Home Page)
eFPW Demonstration

I. INTRODUCTION

You have been provided with an important tool in financial planning, the Financial Planning Worksheet. This chapter will introduce and demonstrate the Excel version of the FPW. There will be situations in which the paper copy will be the best form to use and others in which you will want to use the Excel version.

The eFPW demonstration consists of an overview of the format of the Excel version of the FPW, and a brief demonstration of inputting information. Upon completion of the demonstration, you will practice using the spreadsheet with your group case study.

II. LEARNING OBJECTIVE

The learner will demonstrate proficiency with the eFPW by using it for their group case studies.

III. REFERENCES

N/A

IV. CONTENT

Accessing FPW

- Access Excel
- Show name of FPW file (use the most current version)
- Select FPW
- Enable macros. Many people have expressed difficulties with the eFPW after the initial download due to the macros. The macros are integral to the worksheet working properly. If you do not get a pop-up message on your screen asking whether you want to enable the macros when you open the worksheet, it will not work properly. What has been discovered is that many systems have the security-level settings in Excel set automatically to high. If you encounter this difficulty, here are the directions to change your settings so the worksheet will open properly:
  - Open a blank Excel worksheet.
  - On the Excel menu bar, select Tools.
  - Under Tools, select Macro.
  - Under Macro, select Security.
Under Security Level, select Medium.

Click OK.

Customizing the BAH information for your local area is a fairly simple process.

1. Have at hand your local area BAH rate charts (with dependents and without dependents). These can be obtained at: http://www.perdiem.osd.mil/bah/acrobat/2009. Partial BAH and Diff BAH are the same for every duty station and do not need to be modified.

2. Open the current version of the standard e-fpw (enabling macros per usual).

3. Select the “PayScale” tab at the bottom of the page.

4. Using your local BAH information, overwrite the data in cells C34-D60.

5. Save the worksheet under a new file name.

Save. Always save a new file under a different name immediately, to ensure you don’t write on the template.

Tabs.

- Net Worth: Personal Information and Net Worth Calculation. Several cells on this page must be filled out first for the rest of the form to calculate income and expenses.
- Income: Calculates income, both actual and projected, and feeds into summary.
- Living Expenses: Calculates Savings and Living Expenses, both actual and projected, and feeds into summary.
- Indebtedness: Calculates indebtedness, summary, debt-to-income ratio and feeds into summary and net worth statement.
- Spending Plan: Calculates the spending plan based on the projected (or actual) column of the budget.
- Monthly Spending Record: Prints out a two-page form for daily expense tracking.
- FullSteam: Contains a debt-reduction program through the use of power payments. Indebtedness/loan information entered on the “Indebtedness” page is entered automatically on the FullSteam page.
- TSP: [Not functional in 2009 version.]
- Pay Scale: Contains the pay scales as of the date of the template. Must be updated when pay scales change or download a new file from the Web site.
- Help: [Not functional in 2009 version.]
**Net Worth (Page 1)**

Information entered on the Net Worth page is used throughout the worksheets. Cells MUST BE FILLED IN. If they are not, the spreadsheet will not work properly. This information feeds to the Income page to calculate income. This page provides an Actual and Projected column for data entry. The Projected Column on this page must be completed for the worksheet to calculate Projections properly on the other pages.

**Personal Information Section**

The following information must be filled in for the worksheet to function properly:

- **Age:** This field is required to calculate the estimated TSP earnings.
- **Pay grade:** Select from drop-down menu.
- **Years in Service:** Select from drop-down menu.
- **Marital Status:** Select marital status (for BAH purposes) from the drop-down menu.
- **Spouse's Age:** This field is required to determine the amount of FSGLI. The FSGLI amount is dependent on the spouse's age and amount of coverage. If the spouse's age is left blank, FSGLI will be zero, regardless of coverage amount selected from the FSGLI drop-down menu.
- **FSGLI and SGLI:** Select amounts from the drop-down menus. Amounts are in thousands of dollars.
- **TSP Base Pay Contribution:** Enter percentage amount.
- **TSP Bonus/Incentive/Special Pay:** Enter dollar amount.
- **MGIB:** Select from the drop-down menu. This defaults to zero unless selected.

**Statement of Net Worth Section**

- **Assets:** Enter dollar amounts for total value of assets.
- **Liabilities:** These amounts will be entered automatically when Page 4, Indebtedness, is completed.
- **Mortgage-Balances Due:** Enter dollar amounts.

**Monthly Income (Page 2)**

Information entered on the Monthly Income page is used throughout the worksheet. This page provides an Actual and Projected column for data entry. If information from the Net Worth page is filled in properly, you already will have information on this page. Use the drop-down menus for other pays and allowances the client may be getting.

**WARNING:** Fields that have yellow backgrounds contain formulas in which amounts are generated automatically. You may override any calculated entry, but it will result in the permanent loss of the formula used to generate the entry.
Entitlements

- **Base Pay**: Amount is calculated automatically from the pay grade and number of years selected on the Net Worth page.

- **BAH**: Amount is calculated automatically from the Marital status entered on the Net Worth page.

- **BAS**: Select from drop-down menu.
  - “Standard” is the standard amount.
  - “Partial” is partial BAS and no longer is paid directly. However, the member may have a surplus left from BAS after the cost of meals is deducted.
  - “Rations not Avail” is when rations in kind are not available.
  - “None” if no BAS is received.
  - “Cooking not Avail” applies when living in government quarters with no cooking facilities, and government meals are not available.
  - BAS for officers will be the standard amount regardless of the BAS entry.

- **FSA**: Defaults to none unless “Yes” is selected from the drop-down menu.

- **Submarine Pay**: Defaults to “None” unless the number of qualified years is selected from the drop-down menu.

- **Sea Pay**: Defaults to “None” unless the number of qualified years is selected from the drop-down menu.

- All other entitlements such as Hazardous Duty and Flight Pay must be entered manually.

- **Total Military Compensation (A) and Taxable Pay**: This is calculated automatically based on information entered.

Deductions

- **Allotment**: Enter the allotment amounts. If the allotment is not for a specific purpose (i.e., it is deposited into a checking account for general spending), then check the box next to the allotment amount to include the allotment in the Spending Plan.

- **For/Ends?** The right-hand column can be used to provide details on line items, such as the purpose for which the money was used and when the payment ends.

- **FSGLI, SGLI, TSP and MGIB**: Amounts are calculated automatically from the entries on the Net Worth page.

- **FITW Filing Status**: Defaults to Married with zero exemptions. To change filing status and/or number of exemptions claimed, select from respective drop-down menus.

- **State Income Tax**: Must be entered manually. (Obtain this amount from Leave and Earnings Statement.)

**NOTE:** Taxable pays not listed on this form can be entered on the “Taxable COLA” line. This will ensure that amounts entered will be factored into the “taxable pay” amount. Non-taxable allowances not listed on this form can be entered on the “Other” line and will ensure that amounts entered will not be factored into the “taxable pay” amount.
● AFRH: Amount is calculated automatically from pay grade entered on the Net Worth page.

● TRICARE Dental Plan: Defaults to None. Select payment amounts from the drop-down menu.
  ▶ “Single” is the premium for one dependent.
  ▶ “Family” is the premium for two or more dependents.

● Advance and Over Payments: Enter amounts; values will be entered automatically on the Indebtedness page and Spending Plan page, if Net Pay options are used.

● Other Entries: To calculate net monthly income, manually enter other earnings and income received.

● Other Items to Note:
  ▶ Double-clicking in the “Remarks” column allows you to edit them without deleting the existing contents.
  ▶ Amounts that are deducted or allotted from pay are inserted automatically in the bottom section and then taken out on Page 3 or Page 4 as appropriate.
  ▶ Total Net Monthly Income is calculated automatically, and the amount is transferred to the Summary at the bottom of Page 4.

Monthly Savings and Living Expenses (Page 3)

Savings
● Savings and Investments are totaled separately from Living Expenses.
● TSP is entered automatically from Income page.
● A calculated Savings-to-Income ratio is displayed in the remarks column.
● Be sure to use MONTHLY AMOUNTS saved or invested, not total balances, which should be entered in the Net Worth assets section of the first page.
● Total amounts are carried over to the Summary section at the bottom of page 4.

Living Expenses
● Relevant allotments and deductions entered on Page 1 or Page 2 are transferred automatically to this section.
● Monthly living expenses are totaled separately and do not include monthly savings and investment amounts from the top of the page.
● A calculated Living Expenses-to-Income ratio is displayed in the remarks column.
● If a line item is not used, it can be changed/overwritten to reflect other expenses a client may have.
● Total amounts are carried over to the Summary at the bottom of page 4.
● Encourage the Command Financial Specialists to use the “Remarks” column copiously.
**Indebtedness (Page 4)**

Information entered on this page will be used to fill in the liability totals automatically on the Net Worth page. Use the drop-down menu to select the appropriate purpose/category.

- Advance payments and overpayments are entered automatically, but outstanding balances for each must be entered.
- Enter remainder of creditors using required MINIMUM MONTHLY PAYMENT amounts, even if the member pays more than the minimum. This will result in a more accurate debt-to-income ratio calculation.
- Total amounts are transferred to the Summary section at the bottom of the page.
- The eFPW automatically calculated the debt-to-income ratio.

**Action Plan (Page 5)**

Use with client to develop a plan. Type information directly into the appropriate sections.

**Spending Plan (Page 6)**

The four methods of using the Spending Plan are Actual or Projected Take Home Pay or Actual or Projected Net Pay; each method varies how data is entered automatically.

- Pay is calculated in the upper left corner dependent on the method selected from the drop-down menu. Any allotments that are checked on the Income page will be included in Total Take Home Pay. All allotments are included in Monthly Net Pay. Pay is divided evenly between the 1st and 15th pay periods. Allotments are included only in the 1st pay period.
- “B” Column amounts are dependent on the drop-down menu in the upper left. Default amounts are from each section of Savings and Living Expenses and Payments from the Indebtedness page. Use the drop-down menu to select either “Projected” or “Actual” and “Take Home” or “Net” amount.

**NOTE:** FSGLI, SGLI and TRICARE Dental are not included in the total for insurance; MGIB is not included in total for education; and advance payments and overpayments are not included as creditors when using the Take Home Pay Method.

- It will be necessary to subtract any other savings and living expenses that are deducted automatically from pay or are paid by allotment (e.g., other insurance and charity allotments when using the Take Home Pay method). When using the Net Pay option, advance payments and overpayments will be added automatically to the creditor’s section.
- If using take-home pay, it will be necessary to delete any creditor paid by allotment. To delete creditors that are paid by allotment, use the checkbox next to the creditor name to remove amounts from the Spending Plan.
• Savings and Living Expenses are divided equally between the 1st and 15th. To move all or part of an expense, enter the amount paid on the 1st (“C” Column) and the remaining amount will be entered for the 15th automatically.

• Creditor amounts are entered automatically on the 1st by default. To move all or part of a payment, enter the amount paid on the 1st (“C” Column) and the remaining will be entered on the 15th automatically.

• To reset all formulas to the default settings, use the Control Button above Column “C.”

• Clients must fill in what they are planning on paying on the 1st and 15th, and then track what they actually pay on the 1st and 15th.

• For debts, clients should enter what they actually plan on paying, if it differs from the minimum monthly payment.

• Suggest that the client print this page to monitor expenses.

**Monthly Spending Record (Pages 7 & 8)**

These two pages are used to track daily expenditures. They can be printed out and used manually by the client.

**FullSteam (Page 9)**

FullSteam shows how to achieve debt reduction through the use of power payments. FullSteam uses the total amount of all indebtedness payments until all debts are paid in full. When a loan/indebtedness is paid in full, FullSteam will use that payment amount or any portion left to apply it toward another debt in accordance with the method of repayment selected. All payments are estimated values. Actual payments and terms may vary depending on indebtedness due dates.

**Using FullSteam**

• Indebtedness/loan information is entered on the “Indebtedness” page. This data is entered automatically on the FullSteam page. MO.PYMT/PROJ.PMT and BALANCE are mandatory entries. Creditor name and APR are optional. In order to make this a realistic and useful tool, APR should be entered.

• After data is entered on the “Indebtedness” page, select one of the FullSteam methods of repayment from the menu or by right-clicking on the “Indebtedness” or “FullSteam” page. Depending on the speed of the computer, this might take up to 10 seconds.

• After calculations occur, FullSteam will fill in the loan amortization. The user may view the amortization by scrolling through the worksheet or using the amortization menu to skip quickly to a specified loan.

• FullSteam contains cells for adding extra money (Extra Steam) each month and/or up to three lump sums of money (Blast of Steam) in a given month/year.

• FullSteam is limited to 23 loans/creditors with no more than 360 payments (30 years).
Printing FullSteam

- Best accomplished by using the FullSteam print menu.
- Each loan amortization is printed on a separate sheet.
- A Summary and a Repayment printout also are available on this menu.
- When using Excel's printing functions, only the Summary page will print. To print an amortization or repayment schedule, use the custom print menu.

TSP Investments (Page 10)
[This function is unavailable in the 2009 version.]

Pay Scales
The Pay Scales page contains the Base Pay, Sub Pay, Sea Pay, BAH, BAS, SGLI, FSGLI, FSA, AFRH, Dental and TSP 10-year average tables. Entries in these tables can be changed or updated as necessary and then saved. Typically the pay scales are updated annually and then the revised eFPW is promulgated to field practitioners by the CNIC PFM Program Manager. BAH must be customized for each locale.

Customizing the BAH information for your local area is a fairly simple process:

1. Have at hand your local area BAH rate charts (with dependents and without dependents). These can be obtained at: http://www.perdiem.osd.mil/bah/acrobat/2009/. Partial BAH and Diff BAH are the same for every duty station and do not need to be modified.

2. Open the standard eFPW (enabling macros per usual).

3. Select the “Pay Scale” tab at the bottom of the page.

4. Using your local BAH information, overwrite the data in cells C34-D60.

5. Save the worksheet under a new file name.

Printing
Use Excel's built-in print features to print the pages one at a time, the entire workbook, or selected pages by one of the following methods:

- To print the current page, you can use the printer icon on the tool bar.

- To print the entire workbook, use File, Print and select “print entire workbook.” Be aware this workbook is over 25 pages.

- To print selected pages, hold down the CTRL key and click on the tabs of the pages you would like to print. Click once to select, and click the same tab again to deselect. Once you have selected the pages, click on the printer icon on the tool bar to print.


**Frequently Asked Questions**

1. The worksheet does not function correctly.
   
   Macro settings may be too high. To set the macro security setting to Low or Medium, open a blank worksheet. On the menu bar, select Tools, Macro, and then Security. Choose either Low or Medium. Close the blank worksheet and reopen the FPW.

2. How do I use a local pay scale or change the pay scale?
   
   The pay scales, with the exception of BAH, are updated annually by the CNIC PFM Program Manager. If additional updates are needed, the amounts can be entered manually. Access the current pay scales at the DFAS Web site and input the new amounts in the pay scale tab. Current BAH rates must be entered manually for each locale each time the rates change.

3. The Pick Lists on the Net Worth do not work.
   
   Set macro security settings lower (see No. 1 above).

4. I cannot enter data into the Net Worth Liabilities section.
   
   This area of the Net Worth page has formulas that calculate the totals for these categories entered on the Indebtedness page and cannot be changed.

5. Pick Lists are blank or a solid color.
   
   This usually occurs when the desktop theme or a display appearance has a background and font set to the same color. Change the desktop theme/appearance back to “Windows Standard.”
I. INTRODUCTION

This chapter focuses on counseling skills and assists you in developing a counseling strategy. The session will build on the introduction to counseling provided at the beginning of the week by providing Solution-Focused Financial Counseling techniques to use within the eight-step financial counseling model.

Chapter correlation to major OPNAVINST Task Areas:

1. **Education and Training**: This chapter has no direct correlation to the PF-MSC. Training techniques used include active lecturing and role-play.

2. **Information and Referral**: Referrals to appropriate resources should be provided by the CFS during the role-play portion of this session.

3. **Counseling**: Solution-Focused Financial Counseling skills introduced in Chapter 6 are used to build additional counseling skills, procedures and techniques. Students have the opportunity to practice financial-counseling skills via counseling role-play practical applications.

II. LEARNING OBJECTIVE

Participating in a role-play activity, learners will demonstrate effective Solution-Focused Financial Counseling techniques.

III. REFERENCES


All Solution-Focused Financial Counseling components are adapted from Dr. Fred Waddell's manual, *Solution Focused Financial Counseling in the New Millennium*.

IV. CONTENT
Interviewing Checklist

☐ Are you ready for the session? Right frame of mind? Counseling materials at hand?
☐ Is the client ready for the session? Appointment? LES? Expenses? Supporting documentation?
☐ Cordial greeting
☐ Explain your role
☐ Remain objective
☐ Privacy Act Statement
☐ What does the client want to achieve? What does the client perceive as the problem?
☐ What does the client believe has lead to/contributed to this problem?
☐ What has the client identified as immediate concerns/needs?
☐ Are there any immediate needs (i.e., basic security, food, housing, transportation, clothing, medical attention, childcare, safety issues?) These must be addressed before attempting any further rehabilitative counseling.
☐ Long-term concerns/needs? Referrals?
☐ Are there situations requiring change or crisis intervention?
☐ Evaluate needs vs. wants
☐ Eye contact
☐ Active listening skills
☐ Who is talking more, you or the client?
☐ Tell me…
☐ Pay attention to what the client is saying and what the client is NOT saying. Is there a big gap in the story?
☐ What action has the client already taken?
☐ What are possible options/solutions? Benefits and risks of each? Ramifications of action and/or inaction?
☐ Develop a plan — client must choose the options that are right for his/her family/life.
☐ Spending log/record
☐ Is monitoring/follow-up an option? Internal? External?
☐ Referrals?
☐ Leading questions/lead-ins:
  ▶ How can I help you today?
  ▶ What do you see going on financially in your life?
  ▶ What do you see as the cause of the situation?
  ▶ How do you want to handle this?
  ▶ What options have you considered?
  ▶ What have you done so far?
  ▶ How did that work?

Reminder: These are cues/clues to you. The client should be providing the information and solutions. Your job is to guide them into solving their own problems.
**Prepare for the Session:** Includes:
- Case background research
- Explanation of role of CFS
- Providing client with forms prior to session
- Preparing site and self

**Gather Data:** Includes:
- Client’s goal(s) for session
- Client’s view of situation (presenting problem)
- Steps client has taken
- Financial Planning Worksheet (pp. 1-4, actual)

**Implement Plan:** Includes:
- FPW pg. 6—Monthly Spending Plan
- Choose which tasks will be started ‘today’
- Tracking expenditures, if necessary
- Make referral appointments
- Make follow-up appointments

**Monitor and Follow-up:** Includes:
- Determining if plan is working
- Following up with any referrals
- Determining necessary modifications to plan
- Revisiting the 8-step cycle
- Client is in recovery

**Construct Solutions:** Includes:
- FPW pg. 5 and Projected columns
- Choose options/combination of options that will work
- Complete projected columns
- Break down solutions into mini-tasks if necessary
- Compute new ‘bottom line’

**Explore Options:** Includes:
- FPW pg. 5—Action Plan
- Increase income, decrease living expenses, decrease indebtedness options based on ‘real reason’ for financial problems or concerns
- Client’s thoughts and feelings on potential options
- Implications of inaction

**Prioritize Concerns:** Includes:
- Separating immediate/critical, pressing and long-term concerns
- Referral for any “emotional fallout”

**The 8-Step Counseling Cycle:**

1. **Prepare for the Counseling Session**
2. **Build the Relationship**
3. **Gather Data**
4. **Prioritize Concerns**
5. **Explore Options**
6. **Construct Solutions**
7. **Implement Plan**
8. **Monitor & Follow-up**

The cycle is designed to guide the counselor through a structured process of building a relationship with the client, gathering necessary data, prioritizing concerns, exploring options, constructing solutions, implementing plans, monitoring progress, and following up as needed. This approach helps ensure that each session is comprehensive and tailored to the client’s specific needs.
Solution-focused counseling is a way of thinking, a way of conversing with clients, and a way of constructing solutions interactively.

The Solution Focused Financial Counseling session structure is:

1. Short-term
2. Goal-oriented
3. Task-Centered
4. Positive
5. Encouraging

SFFC builds on basic techniques such as eye contact, reflective listening, attentive posture, nodding to indicate understanding, positive attitude, mutual respect, empathy vice sympathy, self-disclosure, genuineness, sincerity, honesty, remaining non-judgmental, and asking open-ended vice closed-ended questions.

Counseling Fundamentals

1. Normal People, Normal Problems: remember that clients are normal people with normal problems. Initially, most clients will be experiencing one or more of the full range of normal human emotions and feelings such as anxiety, sadness, anger, mild depression, failure, or frustration.

2. Situation will get better or worse without your help: realize that whatever the client's financial situation, it will either get better or worse even without any intervention by a CFS. Recognize that regardless of what you do, things will change, and with the help of a trained CFS, we increase the likelihood of change in a positive direction.

3. Client has the ability to solve their problem: they just need help in discovering what options and solutions exist. The CFS's can help clients better understand their present situation and motivate them to explore various options that will improve their situation.

4. Clients feel vulnerable: this is why building trust and confidence is so important to the SFFC process.

5. Couples have unique needs: by the time couples seek or are referred for financial counseling, they have already had a number of “intense discussions” about spending money and who played what role in their present financial situation. There is a tendency to blame each other for their present difficulties. It's important for a CFS to remember that couples have different values regarding the use of money. Avoid playing the role of referee. It is extremely important to get both spouses involved in being part of the solution. In cases where a CFS can work with only one spouse, recognize that whatever plan is developed must be “sold” to the spouse who is not present. Joint ownership and joint commitment are essential for any financial plan to succeed.
Financial Counseling Procedures and Techniques

1. **Initial contact** should start with a smile and warm greeting. Recognize that people may be apprehensive. It is important to make small talk or use humor to help them relax. Compliment them on their willingness to work with you, for being on time, or for bringing spouse, etc.

   “I want to congratulate you on your willingness to work with me to improve your financial situation.”

   “Thanks for being on time and for bringing your spouse.”

   “It looks like you came prepared!”

2. **Privacy Act Statement** — Explain the Privacy Act Statement and get client to sign.

   “Because I keep a record system, I need you to read and sign a Privacy Act Statement. You need to know that personal information discussed here stays here, unless you disclose something illegal or that is a violation of the UCMJ. Then I’ll have to report that up the chain of command.”

3. **Normalize** client’s feelings and past experience with personal finances.

   “Most of us have experienced a financial crisis at some time in our lives.”

   “I understand it can be uncomfortable to discuss personal finances with others, however, we will need to take a close look at what’s going on in order for both of us to understand your financial situation. Once we know exactly how things stand, we can then focus on solutions to improve your situation.”

4. **Expectation question** — This is used to find out what the client wants or expects.

   “What would you like to accomplish in the (short) time we have available? In other words, what would you like to leave here with?”

   This will also serve to help you and your clients identify their presenting financial problems.

5. **Cost Question** — Helps the client to see how their presenting financial problem/s is/are affecting their life.

   “I’m wondering, what [problem] has cost you already, not just in terms of dollars, but also in terms of your ability to concentrate on your work, your job performance, your relationship with other key people in your life (e.g. your family), in terms of self-confidence and self-respect, or in terms of peace of mind?”

   After they respond to this question, follow-up with what they want to change.

   “What specifically do you want to change?”

   Compliment client(s) on identifying what’s going on and their desire to want to make some changes in how they manage their personal finances. This is a good time to introduce the Financial Planning Worksheet (FPW).

   “Congratulations on taking positive action to do something about your current financial situation. What I would like to recommend is that we use a Financial Planning Worksheet that has been developed especially for military members and their families. It will help us take a ‘financial snapshot’ so that we can see exactly what your financial situation is as of today.”

   Emphasize to your client(s) that their FPW and the resulting plan that you will help them develop will only be as good as the information they provide. You can also remind them that it works like the old saying regarding the use of computers.

   “This plan will only be as good as the figures that you provide. It’s sort of like that old saying about using computers, garbage in garbage out.”
6. **Data gathering time.** Use the FPW to begin the financial planning process once you feel the client is ready. Avoid any judgments or assessments. Just **gather** or **review** the **information** provided. Avoid verbally or non-verbally confirming client's self-limiting beliefs and statements. This is data gathering time, it's **not** problem solving time. **TRUST THE PROCESS! IT REALLY WORKS!** Once you have calculated the surplus or deficit and the debt-to-income ratio, ask the client how they feel about the **accuracy** of the numbers.

“**Does a $200 dollar-a-month deficit sound about right to you?**”

“**Do you feel this is really accurate, or is it too high or low?**”

If the client says it is not accurate, you may want to go back and review the income, expense and indebtedness information and look for discrepancies. Know that clients often underestimate their monthly expenses because they usually keep no records. If the client confirms the bottom line, then you are ready to look at options or solutions that the client can implement.

7. **Miracles and Exceptions** — For clients who are ‘stuck’ on their problem, or who are particularly negative, now is an appropriate time to ask the miracle question.

“This enables the client to view their future without their [problem]. It allows the client to imagine what life would be like when their [problem] has been resolved. Give the client time to reflect on this question. This will move the client toward wanting to achieve resolution and will be a good opportunity for you to return to the FPW to complete the remaining sections.

You may also want to ask stuck or ‘tough’ clients what the exceptions to the problem are.

“**When does [the problem] not occur? What is happening when [the problem] doesn’t occur? When was the last time [the problem] wasn’t occurring? What was different about that time?**”

Focusing on exceptions also enables the client to view their life without the problem. It allows you to ‘catch the client in their successes, not their failures.’

8. **Discuss options.** This is **problem-solving time** where the focus is on options and solutions to the client’s financial situation.

“This is an opportunity to get the client involved in solutions to their own problems. Remember, **compliment** the client on their solutions.
9. **Complete the projected column** on the three pages of the FPW involving Income, Living Expenses and Indebtedness. Enter new dollar amounts in the Projected or "P" column based on the effect of implementing the various options discussed. When finished, calculate a new bottom line (surplus or deficit). If there is a surplus, **compliment** them on their hard work and willingness to consider new options or solutions to their financial situation.

   "You've done some really good work here and have come up with a number of options that will help your current financial situation."

10. **Spending Plan** — Next show the client how to set up a Spending Plan based on their new spending targets using the **projected column** figures. It's important to point out to your clients that the spending plan concerns how they **spend** their take home pay and does not include any expenses or creditors paid by allotment. In the eyes of some financial experts, this is the most important part of the whole process, since the spending plan is really the “road map” for the client to use which will help them change their spending behavior. It will also give them the opportunity to assess their progress toward achieving their new spending targets.

   "I will help you set up your spending plan for the first month and show you how it works and how you can use it to measure your success in achieving your new spending targets. Please remember that this plan only includes those expenses and creditors paid out of your take home pay. We do not need to include those expenses or creditors paid by allotment, since they are already taken care of."

11. **Monthly Spending Record** — At this time you will want to introduce the Monthly Spending Record, which is a method of tracking their actual spending in the various categories on a daily basis. Again we are only concerned about expenditures involving **take home pay**. At the end of each pay period, the expenditures in each category are totaled and entered in the **Actual** (what they actually spent) or "A" column.

   "What you will want to do is to carefully track your expenses on a daily basis each pay period for several months. I will show you how to do the first month. This will allow you to discover where the 'leaks' are and how well you are doing in terms of achieving your new spending goals. It may also indicate where you need to make adjustments in future months. You will know that you have met your spending targets when the 'A' column totals for each month either equal or are less than the 'P' column totals. This will be a giant step on the road toward reaching your financial goals."

12. **Closure** — Ask about client's expectations and **bring closure** to the session. Ask the client what they see themselves doing first when they leave your office.

   "What do you see yourself doing first after you leave here today?"

   Look for opportunities to **reinforce** and **compliment** your client's willingness to take action. **Help** the client **visualize implementing** the **options** and any difficulties they might have.

   "What options will you implement immediately?"

   "How will you know when they have been implemented?"

   "What difficulties do you foresee in implementing these options?"

   **Establish a can-do mindset.** Rehearse accomplishing the various options and the likely outcomes when the client completes them. Lastly, set up a day and time for **follow-up** to review client's progress. Close by saying something positive.

   "I can hardly wait to hear about your successes when we get together again."
Financial Counseling Planning Sheet

1. **Prepare for the Session**
   - Case background research

2. **Build the Relationship**
   - Smile and warm greeting
   - Compliment
   - Privacy Act Statement
   - Normalize feelings

3. **Gather Data**
   - What is the presenting problem? _____________________________________________________
   - Expectations _____________________________________________________________________
   - Cost Question _____________________________________________________________________
   - What steps has client has taken? ___________________________________________________
   - Financial Planning Worksheet (pp. 1-4, actual)

4. **Prioritize Concerns**
   - Immediate/critical: ________________________________________________________________
   - Pressing: ______________________________________________________________________
   - Long-term: _______________________________________________________________________  
   - Referrals: _______________________________________________________________________
   - (Miracle Question) ________________________________________________________________
   - (Exceptions) _____________________________________________________________________

5. **Explore Options**
   - FPW pg. 5—Action Plan
   - Increase income: __________________________________________________________________
   - Decrease living expenses: __________________________________________________________________
   - Decrease indebtedness: __________________________________________________________________

6. **Construct Solutions**
   - FPW pg. 5—Action Plan
   - Projected column
   - New ‘bottom line’
   - Compliment the client

7. **Implement Plan**
   - FPW Pg. 6—complete the Monthly Spending Plan
   - Tracking expenditures—Monthly Spending Record
   - Bring Closure to Session
   - Visualize Implementing Options
   - Can-do mind set

8. **Monitor and Follow-up**
   - Day and time
PFM Client Information Sheet

Form is used to collect client information. For a married couple, the active duty member is the primary client. File the completed form in the PFM case record.

Date Case Opened:  Date Case Closed:

Client’s Last Name:  Client’s First Name:

If spouse accompanies client, last and first name:

**Client Contact Information**

Work Phone:  Home Phone:  E-mail:

Command:  Rank:

Assigned FFSP Counselor:

**Command Contact Information (For Command-Directed Clients Only)**

Name:  Phone Number:

Corresponding case activity note is written to document contact made with Command to provide required feedback.

**Quality Control Reviews**

If this case is reviewed for quality control purposes, document date and reviewer name in this section. Not all case records will have a QC notation.

Reviewer:  Date:

Reviewer:  Date:
**PFM Case Activity Notes**

Use this form to document contact and activity pertaining to a PFM case record. File this form in the PFM case record.

<table>
<thead>
<tr>
<th>Client’s Name:</th>
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<tbody>
<tr>
<td><strong>Initial Contact Date:</strong></td>
<td></td>
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<tr>
<td>Nature of Financial Issue(s):</td>
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<td>Next Scheduled Appointment:</td>
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<table>
<thead>
<tr>
<th>Follow-up Contact Date:</th>
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<tbody>
<tr>
<td>Summary/Changes to Plan of Action:</td>
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<td>Next Scheduled Appointment:</td>
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<td>PFM Counselor:</td>
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<td>Closing Summary:</td>
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<tr>
<td>PFM Counselor:</td>
<td>Signature:</td>
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</tbody>
</table>
**PFM Case Closing Form**

*E&T Supervisor uses this form to conduct a quality control review of all closed PFM cases. File completed form in the PFM case record.*

<table>
<thead>
<tr>
<th>Client’s Name:</th>
<th>Review Date:</th>
</tr>
</thead>
</table>

**PFM case record should include the following items. Provide comments as appropriate.**

- [ ] 1. Signed and witnessed Privacy Act Statement
- [ ] 2. Completed Financial Planning Worksheet
- [ ] 3. Summary of client’s financial issues and plan of remediation on the first case activity note.
- [ ] 4. Follow-up activity notes, signed and dated.
- [ ] 5. Case closing summary completed by assigned FFSP staff member.
- [ ] 6. Case closed when assistance is no longer needed or after 45 days (but not more than 60 days) of no client contact.
- [ ] 7. Client Information Sheet present.
- [ ] 8. Ensure electronic record is deleted.
Role Play Instructions—ET1 John Dough

1. In your group, you will select one person to act as a Command Financial Specialist (CFS).

2. The role of the Command Financial Specialist is as follows:

   Two days ago, ET1 John Dough’s division officer made an appointment with you, the Command Financial Specialist, because the command received a letter of indebtedness from Fib’s Auto. Apparently, PO Dough has missed payments for the last two months. His division officer told you that normally Dough is a good worker, but last week was caught sleeping in his compartment.

   You called ET1 Dough after the appointment was arranged and asked him to bring in a copy of his LES and a list of his monthly living expenses and indebtedness. He stated that it would not be possible for his wife to accompany him for the appointment.

3. ET1 Dough will receive a role profile, with background information, from the instructor. The person acting as ET1 Dough is the client.

4. In your group, arrange the chairs as shown below. The CFS will counsel ET1 Dough. Remaining members of the group will act collectively as advisors to the CFS and may observe, but should not speak to the client. (As far as the CFS and ET1 Dough are concerned, they are not present.) If the advisors have suggestions or the CFS needs advice, someone calls “freeze,” at which time the CFS and advisors have a conference to discuss strategy. ET1 Dough should walk away from the group as they discuss their strategy. After the discussion, call “unfreeze,” and resume the role play. At any point, the group can decide to designate another CFS to provide opportunities for everyone to practice counseling skills.

5. Allow about five minutes for the Command Financial Specialist and advisors to plan their strategy for the counseling session.

6. Once the counseling encounter is over, the class will discuss ways in which the Command Financial Specialist and the advisors applied financial counseling and communication techniques.
I. INTRODUCTION

The Wealth-Building Seminar consists of two parts: Saving and Investing and Retirement Planning. The goal of personal financial management is to build wealth. Success in this endeavor largely will depend on an individual's ability to develop and follow an effective saving and investing plan. This money comes from the positive cash flow produced by creating and implementing an effective spending plan (budget). The savings plan is what enables your clients to reach their financial goals. This chapter will assist you in your role to motivate individuals to develop a savings plan; help them to clarify and prioritize their goals; provide educational information; and recommend resources for research. You are not a financial adviser and cannot give specific investment advice or recommendations. You may present knowledge and ideas, but do not veer into giving advice.

Chapter correlation to major OPNAVINST task areas:

1. Education and Training: This chapter directly correlates to the PFMSC Saving and Investing Main Module. This module provides the opportunity to model the PFMSC. Students have adequate exposure to the topic to allow them to present this training. Training techniques include quiz, match game, lecture and review activities.

2. Information and Referral: The Command Financial Specialist is charged with disseminating financial information to the command, and this chapter provides the student with information that can be shared in a variety of ways, whether through training, bulletin boards, handouts, and/or POD/POW notes.

3. Counseling: The CFS often will meet with clients regarding saving and investing issues. At a minimum, a main goal of financial counseling is to move the client in the direction of wealth-building. This chapter will equip the CFS to counsel clients who face saving and investing issues.

II. LEARNING OBJECTIVES

Learners will demonstrate knowledge of the content presented by participating in a group listening exercise.

Learners will differentiate between components of the financial markets by participating in a group “What Is ‘The Market?’” activity.

Learners will demonstrate an understanding of the impact of inflation by completing the “Has Inflation Affected You?” activity.
Using a group case study, learners will apply appropriate saving and investing suggestions to case study scenarios.

**IV. REFERENCES**


[www.bankrate.com](http://www.bankrate.com) (current rate information)

[www.bls.gov](http://www.bls.gov) (Bureau of Labor and Statistics)


[www.lifelines.navy.mil](http://www.lifelines.navy.mil) (Lifelines Services Network)

[www.militaryonesource.com](http://www.militaryonesource.com) (Military OneSource Network)

[www.savingsbonds.gov](http://www.savingsbonds.gov) (TreasuryDirect and Savings Bond information)

[www.militarysaves.org](http://www.militarysaves.org) (Military Saves Campaign)

[www.saveandinvest.org](http://www.saveandinvest.org) (FINRA Investor Education Web site)

[www.nko.navy.mil](http://www.nko.navy.mil) (Navy Knowledge Online)
www.ffsc.navy.mil (Fleet and Family Support Programs)

www.npc.navy.mil/careerinfo/staynavytools/ (StayNavy Web site)

IV. CONTENT

Reminder: All content for this session can be found in the 2007 PFM Standardized Curriculum, Saving and Investing Module.
Listening Teams

My role is: _____________________________________________________

My assignment is: _____________________________________________
                                                                 __________________________________________________________________
                                                                 __________________________________________________________________
                                                                 __________________________________________________________________
                                                                 __________________________________________________________________
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## Compound Interest and Time
(Rate of Return=10%)

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<td>$403,898</td>
</tr>
</tbody>
</table>

**Total Payments:** $18,000  $18,000  $105,000  $30,000
Financial Planning Pyramid

INVESTMENT LEVELS
- Options, Commodities, etc.
- Real Estate
- Stocks
- Bonds
- Mutual Funds

SAVINGS LEVEL
- Reserve
- Emergency
- Goal-Getter

MANAGEMENT LEVEL
- Adequate Income
- Controlled Spending
- Adequate Insurance

Has Inflation Affected You?
Has Inflation Affected You?

The government reports that inflation is relatively low about four percent a year.

It may not seem like much, however it does add up fast. Over time, inflation erodes the purchasing power of present-day dollars. Prices have jumped over the last 25-30 years. See if you can guess the prices of the following items from 1975 compared to 2005.

<table>
<thead>
<tr>
<th>Item</th>
<th>1975</th>
<th>2009</th>
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</thead>
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<tr>
<td>First-Class Stamp</td>
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<td>$0.42</td>
</tr>
<tr>
<td>Box of Corn Flakes (24 oz.)</td>
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<td>$3.19</td>
</tr>
<tr>
<td>Jar of Instant Coffee (8 oz.)</td>
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<td>$3.99</td>
</tr>
<tr>
<td>60-Watt Light Bulbs (2-pack)</td>
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<td>$1.29</td>
</tr>
<tr>
<td>Ford Mustang (V6 standard coupe)</td>
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<tr>
<td>Oil Change</td>
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<td>$39.99</td>
</tr>
<tr>
<td>Bayer Aspirin (100 count)</td>
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<td>$8.59</td>
</tr>
<tr>
<td>Pork Chops - (1 lb)</td>
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<td>$4.89</td>
</tr>
</tbody>
</table>
What is “The Market”?

1. An index that tracks the large company stock population and can comprise from 70 to 75% of the economic base of this country.

2. A place in Japan where stocks are bought and sold, and there is also an index computed on it.

3. Tracks the daily gains and losses of thirty stocks from the New York Stock Exchange that are considered to be key players in the market and the economy.

4. An actual building in New York City where stocks are bought and sold. There is also an index computed on it.

5. An index designed as a measure of the entire U.S. Stock market.

6. An index designed to measure both government and corporate bonds.

7. One of the most commonly referred to indexes of small-company stocks.

8. A computerized trading system on which stocks (typically smaller companies or high tech companies) are bought and sold.

9. This index tracks the performance of approximately 1200 non-US companies representing 18 stock markets in Europe, Australia, New Zealand and the Far East.

10. The second largest options exchange market, this is another brick and mortar building where stocks are bought and sold which also an index computed on it.

AMEX
Barclays Capital U.S. Aggregate Index
Dow
EAFE
NASDAQ
Nikkei
NYSE
S&P 500
Wilshire 4500
Wilshire 5000
Ivivagin dit; ium tem. Catus
Tips for Using the Internet

The internet has provided widespread access to even the most specialized investment information, giving the small investor research and information they never before had access to. On-line trading provides instant access to accounts and near instantaneous executions of trades. In this fast-moving environment, users must exercise caution to know investment risks and guard against loss.

If you are thinking of using the internet for investment research, the National Association of Securities Dealers Regulation (NASDR) suggests these guidelines to safe surfing:

1. Be your own watchdog. The internet is vast, and regulator resources are limited.
2. Question all advice.
3. Always consult other resources in addition to the internet.
4. Do your own homework—don't take the word of an unknown source on the internet.
5. Use good judgment. If it seems too good to be true, it probably is.
6. Ask for professional help if something appears suspect. Notify regulators before you act.

If you are thinking of using the internet to conduct securities trades, the Securities Exchange Commission (SEC) offers these tips:

1. Before you trade, know why you are buying or selling, and the risk of your investment.
2. Set your price limits on fast-moving stocks: use limit orders to protect from fast-moving stock prices.
3. Know your options for placing a trade if you are unable to access your account online.
4. If you place an order, don't assume it didn't go through (and place subsequent orders). Talk to your firm if you are unsure.
5. If you cancel an order, make sure the cancellation worked before placing another trade.
6. If you trade on margin, your broker can sell your securities without giving you a margin call.
7. No regulations require a trade to be executed within a certain time. However, firms should not exaggerate or fail to tell investors about the possibility of delays.

Tips for Hiring a Financial Professional

Be sure to comparison shop for a financial professional just like you would for any other service. Financial professionals include:

- Financial Planners and Advisors (CFP, CFA, PFS)
- Insurance agents and brokers (CLU, ChFC)
- Tax preparers and Enrolled Agents
- Certified Public Accountants (CPA)
- Attorneys (Tax, Estate)
- Bankers
- Real Estate Agents and Brokers

Financial professionals get paid for their services in a variety of ways—commissions, fees, a combination of commission and fees.

The Securities Exchange Commission recommends the following questions to ask before hiring a financial professional:

1. Are you licensed with the states or the SEC?
2. Do you have disciplinary problems on file with the NASD or states?
3. How are you compensated?
4. What is your relevant experience as a financial professional?
5. What kind of special education or training have you received?
6. How would you describe your investment philosophy?
7. Do you understand my financial goals and risk tolerance?
8. What other clients do you have whom I could speak to?
9. What kind of periodic reports on my money should I expect from you?

Interview at least three financial professionals and choose the one that you feel most comfortable with, that you like, and that has satisfactorily answered the above questions.
Investing Resources

Books
- *Barron's Dictionary of Finance and Investment Terms.*
- *Making the Most of Your Money,* by Jane Bryant Quinn.
- *Master Your Money Type,* by Jordan E. Goodman.
- *The Millionaire Next Door (Series)*, by Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D.
- *The Total Money Makeover,* by Dave Ramsey.
- *The Wealthy Barber,* by David Chilton.
- *Who's Afraid to be a Millionaire,* by Kelvin Boston.
- *Women and Money,* by Suze Orman.

Newspapers and Magazines
- Barron's
- Fortune
- Investor's Business Daily
- Kiplingers
- Money
- Mutual Funds
- Smartmoney
- Wall Street Journal

Internet Sites

Consumer Organizations
- www.consumerreports.org
- www.consumerworld.org

Financial Planning and Education
- www.aaii.com
- www.afcpe.org
- www.choosetosave.org
- www.fpanet.org
- www.kiplinger.com
- www.militarysaves.org
- www.nefe.org
- www.ffsp.navy.mil
- www.ricedelman.com
- www.saveandinvest.org

Government Agencies
- www.bls.gov
- www.consumer.gov
- www.fdic.gov
- www.federalreserve.gov
- www.ftc.gov
- www.loanconsolidation.ed.gov
- www.pueblo.gsa.gov
- www.sec.gov

Investing
- www.411stocks.com
- www.businessweek.com
- www.dailystocks.com
- www.fool.com
- www.fundalarm.com
- www.hoovers.com
- www.iclub.com
- www.moneycentral.msn.com
- www.morningstar.com
- www.savingforcollege.com
- www.savingsbonds.gov
- www.smartmoney.com
- www.superstarinvestor.com
- www.valueline.com
- www.zacks.com

Retirement
- www.choosetosave.org/asec
- www.defenselink.mil/militarypay
- www.lifelines.navy.mil
- www.militaryonesource.com
- www.ssa.gov
- www.tsp.gov

Taxes
- www.irs.gov
Wealth-Building Part II: Retirement Planning

I. INTRODUCTION

Part II of the Wealth-Building Seminar focuses on Retirement Planning, discussing some of the basics of retirement planning; the military defined-benefit and defined-contribution plans; the role of Social Security and personal savings; and resources available for further information on the topic. The information provided in this chapter builds on the investment information presented in Part I of the seminar. In preparation for this program, you should have completed the Ballpark Estimate for Retirement Savings. The interactive version is available on the www.choosetosave.org Web site. It also can be done using the hard-copy version included in this chapter.

This training seminar is concluded with an active review session involving the listening teams created in Part I. This is an important step, as it enables you to summarize and clarify lecture material while enhancing retention and comprehension.

Chapter correlation to major OPNAVINST task areas:

1. **Education and Training:** This chapter directly correlates to the PFMSC Retirement Planning Main Module. This module provides the opportunity again to model the PFMSC training techniques. Students have adequate exposure to the topic to allow them to present this training. Training techniques include lecture, PowerPoint quizzes and worksheets.

2. **Information and Referral:** Retirement information resources are presented and reviewed to assist in the dissemination of information.

3. **Counseling:** The Command Financial Specialist often is asked to provide counseling for members regarding their choice of retirement plan and retirement planning in general. This chapter will assist the CFS in meeting the needs of clients with retirement-planning issues.

II. LEARNING OBJECTIVES

Learners will complete a “Ballpark Estimate” worksheet to estimate their retirement-funding needs.

Learners will differentiate between three forms of individual retirement accounts — traditional, Roth and rollover — by correctly completing the “IRAs: What’s the Difference?” activity.

Participating in the Listening Teams exercise, learners will designate key “need to know” topics for command members.
Using the Group Case Studies, learners will apply appropriate retirement-planning solutions to their specific scenario.

III. REFERENCES


www.defenselink.mil/militarypay/retirement/calc (OSD military compensation retirement calculator)

www.npc.navy.mil (StayNavy Web site with retirement calculators)

www.lifelines.navy.mil (Lifelines Services Network)

http://gosset.wharton.upenn.edu/~foster/mortality/perl/CalcForm.html (longevity calculator)

www.militaryonesource.com (Military OneSource Site)

www.tsp.gov (Thrift Savings Plan of the Uniformed Services)

www.ssa.gov (The Social Security Administration)

www.choosetosave.org/asec (The American Savings Education Council)

www.smartmoney.com (SmartMoney Educational Web site)

www.financialengines.com (Financial Engines Educational Web site)

www.morningstar.com (Morningstar Mutual Fund and Financial Research Web Site, also available on NKO)

www.cna.org/nationalsecurity/rad/retirementcalc.aspx (CNA 2009 report and retirement calculator)

IV. CONTENT
Planning for Your Retirement

Five Basic Steps to Take Command of Your Future

1. Re-evaluate
   - Consider the Factors
     - Pre-Retirement Income
     - Date of Retirement
     - Life Expectancy
     - Compound Interest and Time
   - Sources of Income
     - Earned Income
     - Social Security
     - Employer-Provided Pensions
     - Your Personal Savings and Investments

2. Commit to the Goals
   - Calculate Income Needed

3. Revise
   - Re-evaluate

4. Resources
   - Command Financial Specialist
   - Fleet and Family Support Center Financial Educator
   - Financial Professionals

Web sites
- www.saveandinvest.org
- https://mypay.dfas.mil
- www.militarysaves.org
- www.tsp.gov
- www.smartmoney.com
- www.kiplinger.com
- www.ssa.gov
- www.militaryonesource.com
- www.morningstar.com
- www.defenselink.mil/militarypay
- www.choosetosave.org
- www.npc.navy.mil

Wealth-Building Part II: Retirement Planning 20.3
Get a Ballpark E$timate® of Your Retirement Needs.
The ChoosetoSave.org and American Savings Education Council’s Planning and Saving Tool

Forget, for a moment, the complexity of planning and saving for a comfortable retirement. Use this print form Ballpark E$timate® worksheet to get an initial fix. Want a more “sophisticated” number? Go online at www.choosetosave.org and use the interactive version with more assumptions that you can change. By simplifying some issues, such as projected Social Security benefits and earnings assumptions on savings, the print version of Ballpark offers users a way to obtain a rough first estimate of what Americans need for retirement. The worksheet assumes you’ll realize a constant real rate of return of 3% and that wages will grow at the same rate as inflation; however, it does provide the user an opportunity to take into account longevity risk.

For example, let’s say Jane is a 35-year-old woman with two children, earning $30,000 per year. Jane has determined that she will need 70% of her current annual income to maintain her standard of living in retirement. Seventy percent of Jane’s current annual income ($30,000) is $21,000 (Question 1). Jane would then subtract the income she expects to receive from Social Security ($12,000 in her case) from $21,000, equaling $9,000 (Question 2). This is how much Jane needs to make up for each retirement year.

Jane expects to retire at age 65 and if she is willing to assume that her life expectancy will be equal to the average female at that age (86), she would multiply $9,000 by 15.77 for a result of $141,930 (Question 3). Since Jane does not expect to retire before age 65, she does not answer Question 4. Jane has already saved $2,000 in her 401(k) plan. She plans to retire in 30 years so she multiplies $2,000 x 2.4 equaling $4,800 (Question 5). She subtracts that from her total, making her projected total savings needed at retirement $137,130. Jane then multiplies $137,130 x .020 = $2,742 (Question 6). This is the amount Jane will need to save in the current year for her retirement (it is assumed the annual contribution will increase with inflation in future years).

It is important to note that the calculation above assumed Jane would have an average life expectancy for a female already age 65. However, this will produce an amount that is too low in approximately ½ of all cases. If instead Jane wanted to have a sufficient amount ¾ of the time, she would base her calculations on a life expectancy of 92 (see the grid on step three of the calculation). This would necessitate multiplying $9,000 by 18.79 for a result of $169,110. All the remaining calculations would be similar and the contribution for the first year would increase to $3,286.

If Jane would prefer to save enough to have a sufficient amount 90 percent of the time, she would assume a life expectancy of 97. This would require a first year contribution of $3,671.

Planning for retirement is not a one-size-fits-all exercise. The purpose of Ballpark is simply to give you a basic idea of the savings you’ll need to make today for when you plan to retire.

If you are married, you and your spouse should each fill out your own Ballpark E$timate® worksheet taking your marital status into account when entering your Social Security benefit in number 2 below.

1. How much annual income will you want in retirement? (Figure at least 70% of your current annual gross income just to maintain your current standard of living; however, you may want to enter a larger number. See the tips below.)

   $__________________________

   Tips to help you select a goal:
   ➔ 70% to 80% — You will need to pay for the basics in retirement, but you won’t have to pay many medical expenses as your employer pays the Medicare Part B and D premium and provides employer-paid retiree health insurance. You're planning for a comfortable retirement without much travel. You are older and/or in your prime earning years.
   ➔ 80% to 90% — You will need to pay your Medicare Part B and D premiums and pay for insurance to cover medical costs above Medicare, which on average covers about 50%. You plan to take some small trips, and you know that you will need to continue saving some money.
   ➔ 100% to 120% — You will need to cover all Medicare and other health care costs. You are very young and/or your prime earning years are ahead of you. You would like a retirement lifestyle that is more than comfortable. You need to save for the possibility of long-term care.

2. Subtract the income you expect to receive annually from:
   • Social Security — If you make under $25,000, enter $8,000; between $25,000 - $40,000, enter $12,000; over $40,000, enter $14,500 (For married couples - the lower earning spouse should enter either their own benefit based on their income or 50% of the higher earning spouse's benefit, whichever is higher.)
   ➔ $__________________________
   • Traditional Employer Pension — a plan that pays a set dollar amount for life, where the dollar amount depends on salary and years of service (in today’s dollars)
   ➔ $__________________________
   • Part-time income
   ➔ $__________________________
   • Other (reverse annuity mortgage payments, earnings on assets, etc.)
   ➔ $__________________________

This is how much you need to make up for each retirement year: = $__________________________
Now you want a Ballpark E$tim estimate of how much money you'll need in the bank the day you retire. For the record, we assume you'll realize a constant real rate of return of 3% after inflation and you'll begin to receive income from Social Security at age 65.

3. To determine the amount you'll need to save, multiply the amount you need to make up by the factor below.

<table>
<thead>
<tr>
<th>Age you expect to retire:</th>
<th>Choose your factor based on life expectancy (at age 65):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male, 50th percentile (age 82)</td>
</tr>
<tr>
<td>55</td>
<td>18.79</td>
</tr>
<tr>
<td>60</td>
<td>16.31</td>
</tr>
<tr>
<td>65</td>
<td>13.45</td>
</tr>
<tr>
<td>70</td>
<td>10.15</td>
</tr>
</tbody>
</table>

$__________________

4. If you expect to retire before age 65, multiply your Social Security benefit from line 2 by the factor below.
   Age you expect to retire: 55, Your factor is: 8.6
   Age you expect to retire: 60, Your factor is: 4.7

+$__________________

5. Multiply your savings to date by the factor below (include money accumulated in a 401(k), IRA, or similar retirement plan).
   If you plan to retire in: 10 years, Your factor is: 1.3
   If you plan to retire in: 15 years, Your factor is: 1.6
   If you plan to retire in: 20 years, Your factor is: 1.8
   If you plan to retire in: 25 years, Your factor is: 2.1
   If you plan to retire in: 30 years, Your factor is: 2.4
   If you plan to retire in: 35 years, Your factor is: 2.8
   If you plan to retire in: 40 years, Your factor is: 3.3

→$__________________

Total additional savings needed at retirement:

=$__________________

Don't panic. We devised another formula to show you how much to save each year in order to reach your goal amount. This factors in compounding. That's where your money not only makes interest, your interest starts making interest as well, creating a snowball effect.

6. To determine the ANNUAL amount you'll need to save, multiply the TOTAL amount by the factor below.
   If you want to retire in: 10 years, Your factor is: .085
   If you want to retire in: 15 years, Your factor is: .052
   If you want to retire in: 20 years, Your factor is: .036
   If you want to retire in: 25 years, Your factor is: .027
   If you want to retire in: 30 years, Your factor is: .020
   If you want to retire in: 35 years, Your factor is: .016
   If you want to retire in: 40 years, Your factor is: .013

=$__________________

This worksheet simplifies several retirement planning issues such as projected Social Security benefits and earnings assumptions on savings. It reflects today’s dollars; therefore, you will need to re-calculate your retirement needs annually and as your salary and circumstances change.

It also assumes that your wages will increase in the future at the same rate as inflation. This compares with the 2005 intermediate assumptions by the Social Security trustees that wages will increase 1.1 percentage points faster than inflation. Situations in which the wage growth is larger than the inflation rate will often require a higher rate of savings than this worksheet suggests. Unfortunately, a paper worksheet using an example where wage growth is not equal to inflation would be much more complicated.

Should you want a ballpark estimate that allows you to assume a wage growth that is different from the rate of inflation, you will need to go to http://www.choosetosave.org/ballpark and use the interactive ballpark estimate worksheet.

The American Savings Education Council (ASEC) mission is to make savings and retirement planning a priority for all Americans. ASEC is a program of the Employee Benefit Research Institute Education and Research Fund. For information on becoming an ASEC Partner, visit www.asec.org

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### Military Retirement Pay Plans

<table>
<thead>
<tr>
<th>PLAN</th>
<th>APPLIES TO</th>
<th>PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Pay Plan</td>
<td>Those who entered service prior to September 8, 1980</td>
<td>After 20 years of service retirees get 50% of their basic pay on the day they retire, plus 2.5% for every additional year of active service. This equals, but is not limited to, 100 percent for 40 years. Annual COLA equal to CPI.</td>
</tr>
<tr>
<td>High Three Plan</td>
<td>Those who entered the military between September 8, 1980, and July 31, 1986</td>
<td>After 20 years of service retirees get 50% of basic pay on the day they retire, plus 2.5% for every additional year of active service. The retired pay is figured on the average basic pay during the service member’s highest paid 36 months of service. Annual COLA equal to CPI.</td>
</tr>
<tr>
<td>CBS/Redux Plan</td>
<td>Those who entered the military on or after August 1, 1986</td>
<td>Service members will choose, on their 15th anniversary of military service, between two plans:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a) “The High Three” Plan,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) A $30,000 cash payment at the 15th year of service and reduced benefits after 20 years of 40% of basic pay, with 3.5% added for each additional year of service up to 75 percent for 30 years of service, and 2.5 percent for each year after 30 years, equaling 100 percent for 40 years of service. (Promise to stay until retirement is a condition of receiving the cash payment.) Annual COLA equal to CPI-1%.</td>
</tr>
</tbody>
</table>
### Description and Benefits
- Defined contribution plan, like a 401(k).
- Optional for participants.
- All contributions and earnings belong to the owner.
- Portable—you can take it with you to another employer or tax-deferred plan.
- Contributions are made with pre-tax dollars, and earnings are tax-deferred.
- Not subject to attachment for commercial debt.
- Choice of investment options.
- Flexible withdrawal/transfer options upon separation from service.
- Individual accounts.
- Personal identification number (PIN) for account access.
- Beneficiary designation.
- Money is invested at all times.
- No sales charges or account fees; very low fund expenses.
- Can join at any time.

### Participation Rules
- Open to uniformed service members.
- Can contribute up to 100 percent of base pay per year (“Elective Deferral”).
- Can contribute up to 100 percent of Special and Incentive pays (including bonuses) per year (“Elective Deferral”).
- Total annual contributions cannot exceed $16,500 (IRS regulations).
- Contributions come directly from pay (unless traditional IRA rolled into TSP).
- Tax-free zone contributions up to $49,000 per year (2009).
- Tax-free zone contributions accounted for separately (once tax-free, always tax-free).

### Investment Options

#### G Fund: The Government Securities Investment Fund
- Managed by Thrift Investment Board.
- U.S. Treasury Securities.
- Rate set monthly by Treasury Department.
- No negative return in its history.

#### F Fund: The Fixed Income Investment Fund
- Tracks Barclay's Capital U.S. Aggregate Index.
- High-quality notes and bonds (no junk bonds) representing all areas of investment-grade bond market.
- Some interest-rate risk, moderate return: 10-year average 5.69 percent (2008).

#### C Fund: The Common Stock Index Investment Fund
- Tracks S&P 500 Index.
- Common stocks of 500 largest U.S. corporations.
- Represents all sectors and industries of the U.S. Stock Market (about 75 percent of the total market).
- Moderate/high risk, higher potential return: 10-year average (-1.40) percent (2008).

#### S Fund: The Small Cap Stock Index Investment Fund
- Tracks Wilshire 4500 Index.
- Represents all listed public companies in the U.S. Stock Market not in the S&P 500.
- High risk, potentially higher return: Average return since inception (May 2001) 1.75 percent (2008).
I Fund: The International Stock Investment Fund
- Tracks Morgan Stanley EAFE Index.
- Diversified holdings from 21 countries in Europe, Australia, Asia and the Far East.
- Additional political risk and foreign-currency risk.
- Highest risk, high potential return: Average return since inception (May 2001) 0.84 percent (2008)

L Funds: The Lifecycle Funds
- Five different funds that are different mixes of the G, F, C, S and I Funds.
- Mixes are tailored to different time horizons based on year of retirement.
- L funds introduced in 2005.
- Diversification across other funds provides the highest possible rate of return for the amount of risk taken.
- 2007 Returns:
  - L2040 — (-31.53) percent
  - L2030 — (-27.50) percent
  - L2020 — (-22.77) percent
  - L2010 — (-10.53) percent
  - L Income — (-5.09) percent

Loans
- Borrowed from personal account.
- General-Purpose Loan: Repay 1 to 5 Years.
- Primary-Residence Loan: Repay 1 to 15 Years.
- Minimum: $1,000/Maximum: the lesser of either one-half of the account balance or $50,000.
- Loan application through TSP service office (usually 6 to 8 weeks to process).
- Not a substitute for an emergency fund.
- Must be repaid in full before separating from service.

Withdrawals
- Withdrawals while on active duty very limited: documented financial hardship.
- Upon separation from service, many withdrawal options for tax-deferred money:
  - Cash-out: Taxes and penalties before age 59½.
  - Leave in TSP: Will continue to grow; still can move money around; cannot make additional contributions.
  - Transfer to next employer’s 401(k).
  - Transfer to traditional IRA.
  - TSP annuity option.
- Tax-deferred contributions and earnings taxable when withdrawn.

Forms
- TSP-U-1: Enrollment; increase contributions; decrease contributions; stop contributions.
- TSP-U-3: Beneficiary designation.
- TSP-U-50: Contribution allocation; interfund transfers (account reallocation).

Resources
- TSP Thriftline.
  - 1-877-968-3778
  - 1-404-233-4400 (OCONUS)
- Command Financial Specialist (CFS).
- Financial Educator at FFSC.
- Booklets available online at TSP Web site:
  - Summary of TSP for the Uniformed Services.
  - Guide to TSP Investments.
  - TSP Loan Programs.
  - TSP In-Service Withdrawals.
  - TSP Annuities.
  - Withdrawing Your TSP Account After Leaving Federal Service.
IRAs: What’s the Difference?

Fill in the blank to indicate to which type of IRA each statement applies.

1. **Traditional IRA**
2. **Rollover IRA**
3. **Roth IRA**

1. _____ Individual accounts only
2. _____ Contributions can be deductible or non-deductible
3. _____ Contributions are limited to $5,000 in 2009
4. _____ Earnings grow tax-deferred
5. _____ Gains are taxed upon withdrawal
6. _____ Catch-up provisions for people over 50
7. _____ Holds money transferred from other qualified retirement plans only
8. _____ Will not accept regular contributions
9. _____ You choose the investments
10. _____ No tax deduction for contributions
11. _____ No taxes paid on withdrawals
12. _____ Penalties for early withdrawal
13. _____ Loan provisions apply
Car-Buying Strategies

I. INTRODUCTION

This topic will prepare you to help command members research and purchase a new or used car; offer suggestions and education on financing a new or used car; and direct members to the appropriate resource when legal issues or complaints arise.

A car often is the single biggest purchase a member will make while on active duty, and it is critical that you leave class prepared to discuss and educate on car-buying strategies.

Buying a car should not be done in a single step but instead viewed as a process that includes three distinct deals — the purchase, the financing and the trade-in. Few people have an appreciation for the costs of owning and operating a vehicle, so a sound financial-education program must include a discussion of wise car-buying strategies.

Chapter correlation to major OPNAVINST task areas:

1. **Education and Training:** This chapter directly correlates to the PFMSC Car-Buying Strategies Module. Students have adequate exposure to the topic to allow them to conduct this training at the command. Training techniques include active lecture and class participation.

2. **Information and Referral:** Referral resources reviewed in this topic assist the CFS in functioning as a car-buying advocate and consumer educator for clients.

3. **Counseling:** The CFS often meets with clients regarding car-buying issues (usually post-purchase). The CFS’s role as a counselor is enhanced by a thorough knowledge of car-buying issues and strategies.

II. LEARNING OBJECTIVES

Learners will demonstrate sufficient topic knowledge to educate command members by participating in the Car-Go Bingo and/or Car-Buying Jackpot review activities.

If using the whole session “Convince Me” option, learners will demonstrate their understanding of the topic by writing an impactful “What’s in It for Me” statement and participating in the jackpot review activity.

If using the student trainer option, learners will use the Instructional Techniques Critique Sheet to demonstrate an understanding of appropriate instructional techniques.

If using the student trainer option, learners will demonstrate the ability to train command members by presenting portions of the Car-Buying Strategies module.
III. REFERENCES


*Consumer Reports Magazine*. April issue.


www.annualcreditreport.gov (free annual credit report)

www.autopedia.com (The Automotive Encyclopedia)

http://autos.msn.com (MSN auto Web site)

www.carfax.com (vehicle history reports)

www.carlemon.com (state lemon law information)

www.consumerworld.org (consumer Web site)

www.edmunds.com (Edmunds car-buying guides)

www.federalreserve.gov/pubs/leasing/ (Federal Reserve “Keys to Leasing” booklet)

www.highwaysafety.org (Insurance Institute for Highway Safety)

www.intellichoice.com (prices and reviews for new and used cars)

www.kbb.com (Kelley Blue Book guides)

www.lifelines.navy.mil (Lifelines Services Network)

www.naag.org (National Association of Attorneys General)

www.nada.org (NADA Guides)

IV. CONTENT
For this assignment, you are going to write a brief “What’s in It for Me” statement for Car-Buying Strategies. A WIIFM typically comes at the start of training, when the trainer convinces the audience in a few short sentences that the training will be worth their time. Impactful WIIFMs are short, simple, clear and creative attention-getters that show the audience that the trainer understands the scope and relevance of the topic to the learners.

Assume you are about to give car-buying training to junior members of your command. Imagine these people sitting in your training room, staring at you, and thinking “Sure, convince me I should be here.” What will you say? What hook will you use to draw them into the topic? Review the entire content of the Car-Buying Strategies module in the PFM Standardized Curriculum and use it to draft your WIIFM. You also can use relevant facts and statistics (check out the Internet). For Car-Buying Strategies, the current WIIFM is the first two paragraphs of the content… but you can do better!
Three Deals of Car Buying

Deal #1: The Purchase
How much can you afford?
- Total Amount
- Down Payment
- Monthly Amount
- Prepare a Spending Plan
- Calculate Debt-to-Income Ratio
- Check Your Credit Report

What type of car should you buy?
- New or Used
- Size and Style
- Safety and Performance
- Cost to Insure

Where should you buy?
- Dealership
- Private Seller
- Internet
- Car Buying Service

What is a Fair Price?
- Invoice vs. MSRP
- Library and Internet
- New and Used Car Cost Guides

Exercise your legal rights
- Read all the contract details
- Do not leave any blanks
- Do not buy unnecessary and unwanted items
- Use the power of the pen
- Have NLSO check out contract before signing
- Take action if you have a complaint

Deal #2: The Financing
Where will you finance?
- Credit Union
- Bank
- Dealership
- Finance Company

How much will the money cost?
- Simple Interest
- Add-on Interest

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

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

Know the ‘Tricks of the Trade’
- Put to Ride
- Low- and High-Balling
- Bait and Switch
- Padding
- Mutt and Jeff Routine
- “Your Car”

Deal #3: The Trade-In
Trading vs. Selling
What if you owe more than the car is worth?

What is a fair price?
- What is the dealer willing to pay?
- Only negotiate after you are done with your purchase and financing on your new vehicle.
Sources of Help—Car Buying

Agencies
- Command Financial Specialist
- FFSC—Financial Educators
- Armed Forces Disciplinary Control Board
- Better Business Bureau
- State Attorney General or Consumer Protection Agencies
- Credit Unions—Car Buying Assistance Programs
- National and local Automobile Dealers Associations (NADA)

Information
- Consumer Magazines
- Kelley Blue Book and NADA Official Used Car Book
- New Car Pricing Guides (Edmunds, Intelliochoice)
- Your Local Library

Remember
- Do your homework.
- Keep it three separate transactions: the purchase, the financing, the trade-in.
- Have used cars checked by a trusted mechanic before purchase.
- Have NLSO check the contract before signing.
- Beware of the “tricks of the trade.”
- Prepare a budget to know what you can afford.

Web Sites
- www.lifelines.navy.mil
- www.consumerworld.org
- www.nada.org
- www.kbb.com
- www.edmunds.com
- www.intelliochoice.com
- www.autobytel.com
- http://autos.msn.com
- www.autoweb.com
- www.autopedia.com
- www.carfax.com
- www.carlemon.com
- www.highwaysafety.org
- www.annualcreditreport.com
- www.federalreserve.gov/pubs/leasing
- www.bankrate.com

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

“How much will my monthly payments be?”

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

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

To use the chart, the following steps apply:

1. Cross the interest rate with the number of months you wish to finance for and locate your multiplier.
   For example:
   6.5% at 36 months is .0306490,
   6.5% at 48 months is .0237150,
   and 6.5% at 60 months is .0195661.

2. Multiply the total amount you plan to finance by the multiplier and you will have your monthly payment.
   For example:
   $10,591.00 at 6.5% for 36 months =
   $10,591.00 x .0306490 = $324.60 per month,
   $10,591.00 at 6.5% for 48 months =
   $10,591.00 x .0237150 = $251.17 per month,
   $10,591.00 at 6.5% for 60 months =
   $10,591.00 x .0195661 = $207.22 per month.

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>36 Months</th>
<th>48 Months</th>
<th>60 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>0.0295240</td>
<td>0.0225791</td>
<td>0.0184165</td>
</tr>
<tr>
<td>4.5%</td>
<td>0.0297469</td>
<td>0.0228035</td>
<td>0.0186430</td>
</tr>
<tr>
<td>5%</td>
<td>0.0299709</td>
<td>0.0230293</td>
<td>0.0188712</td>
</tr>
<tr>
<td>5.5%</td>
<td>0.0301959</td>
<td>0.0232565</td>
<td>0.0191012</td>
</tr>
<tr>
<td>6%</td>
<td>0.0304219</td>
<td>0.0234850</td>
<td>0.0193328</td>
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<tr>
<td>6.5%</td>
<td>0.0306490</td>
<td>0.0237150</td>
<td>0.0195661</td>
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<tr>
<td>7%</td>
<td>0.0308771</td>
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<td>7.5%</td>
<td>0.0311062</td>
<td>0.0241789</td>
<td>0.0200379</td>
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<tr>
<td>8%</td>
<td>0.0313364</td>
<td>0.0244129</td>
<td>0.0202764</td>
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<tr>
<td>8.5%</td>
<td>0.0315675</td>
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<td>0.0205165</td>
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<td>9%</td>
<td>0.0317997</td>
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<td>9.5%</td>
<td>0.0320329</td>
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<td>10.5%</td>
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<td>11%</td>
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<td>11.5%</td>
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<td>12%</td>
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<td>0.0237899</td>
</tr>
</tbody>
</table>
# Leasing vs. Buying

<table>
<thead>
<tr>
<th></th>
<th>Leasing</th>
<th>Buying</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ownership</strong></td>
<td>You do not own the vehicle. You get to use it but must return it at the end of the lease unless you choose to buy it.</td>
<td>You own the vehicle and get to keep it at the end of the financing term.</td>
</tr>
<tr>
<td><strong>Up-front Costs</strong></td>
<td>Up-front costs may include the first month's payment, a refundable security deposit, a capitalized cost reduction (like a down payment), taxes, registration and other fees, and other charges.</td>
<td>Up-front costs include the cash price or a down payment, taxes, registration and other fees, and other charges.</td>
</tr>
<tr>
<td><strong>Monthly Payments</strong></td>
<td>Monthly lease payments are usually lower than monthly loan payments because you are paying only for the vehicle's depreciation during the lease term, plus rent charges (like interest), taxes, and fees.</td>
<td>Monthly loan payments are usually higher than monthly lease payments because you are paying for the entire purchase price of the vehicle, plus interest and other finance charges, taxes, and fees.</td>
</tr>
<tr>
<td><strong>Early Termination</strong></td>
<td>You are responsible for any early termination charges if you end the lease early.</td>
<td>You are responsible for any pay-off amount if you end the loan early.</td>
</tr>
<tr>
<td><strong>Vehicle Return</strong></td>
<td>LEASING: You may return the vehicle at lease-end, pay any end-of-lease costs, and &quot;walk away.&quot;</td>
<td>You may have to sell or trade the vehicle when you decide you want a different vehicle.</td>
</tr>
<tr>
<td><strong>Future Value</strong></td>
<td>LEASING: The lessor has the risk of the future market value of the vehicle.</td>
<td>You have the risk of the vehicle's market value when you trade or sell it.</td>
</tr>
<tr>
<td><strong>Mileage</strong></td>
<td>LEASING: Most leases limit the number of miles you may drive (often 12,000-15,000 per year). You can negotiate a higher mileage limit and pay a higher monthly payment. You will likely have to pay charges for exceeding those limits if you return the vehicle.</td>
<td>You may drive as many miles as you want, but higher mileage will lower the vehicle's trade-in or resale value.</td>
</tr>
<tr>
<td><strong>Excessive Wear</strong></td>
<td>LEASING: Most leases limit wear to the vehicle during the lease term. You will likely have to pay extra charges for exceeding those limits if you return the vehicle.</td>
<td>There are no limits or charges for excessive wear to the vehicle, but excessive wear will lower the vehicle's trade-in or resale value.</td>
</tr>
<tr>
<td><strong>End of Term</strong></td>
<td>At the end of the lease (typically 2-4 years), you may have a new payment either to finance the purchase of the existing vehicle or to lease another vehicle.</td>
<td>At the end of the loan term (typically 4-6 years), you have no further loan payments.</td>
</tr>
</tbody>
</table>

"Keys to Vehicle Leasing" brochure (in English and Spanish) containing some of the information included at this vehicle leasing site is available from Publications Fulfillment, MS-127 Board of Governors of the Federal Reserve System Washington, DC 20551, Telephone: (202) 452-3244 or 3245.
Car Sale Tricks of the Trade

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

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

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

**Solution:** Refuse to take the new car home overnight, and take your trade-in off the dealer’s lot.

**Padding**
Adding charges that increase the dealers’ profit at the time you sign the contract; i.e., undercoating, protection packages, dealer installed options, credit life insurance, disability insurance, extended warranties, etc.

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

**Low-and High-Balling**
Low-balling occurs when the salesperson quotes you a price on a car that is lower than the current market price. This is done to assure that you will return to him/her before signing with anyone else just to see if the offer still stands. At this point, the salesperson will tell you that he/she cannot sell the car for that low a price because the sales manager will not allow it. High-balling is the same as low-balling, except that a high trade-in allowance figure is offered to you. Again, you come in later and the manager will not allow it.

**Your Car**
When the salesperson keeps referring to the car as “your car” to get you unconsciously to accept ownership of the car. Once accomplished, it is easier to get you to sign the contract.

**Solution:** Keep reminding the salesperson that you have not yet decided to purchase the car and make it “your car.”

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

**Solution:** Leave the scene and think about the offer overnight before purchasing the car. Comparison shop in the meantime.
Questions to Ask Car Dealers

About Special Dealer Promotions:

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

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

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

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

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

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

Can you take advantage of all special offers simultaneously?

About Low Interest Dealer Financing:

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

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

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

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

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

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

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

Remember, careful shopping will help you decide which financing, which car, and which options are best for you!
Installment Sale Contract for Titled Vehicle and Equipment

**Account No:**

<table>
<thead>
<tr>
<th>Buyer (and Co-Buyer) Name(s) and Residence Address(es)</th>
<th>Dealer No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Dough</td>
<td></td>
</tr>
<tr>
<td>USS Always Sail</td>
<td></td>
</tr>
<tr>
<td>FPO AE 09557-1516</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Creditor (Seller) - Name and Business Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fib’s Auto</td>
</tr>
</tbody>
</table>

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

**DESCRIPTION OF PROPERTY**

<table>
<thead>
<tr>
<th>New or Used</th>
<th>Year</th>
<th>Make and Model</th>
<th>Body Type</th>
<th>Vehicle Identification Number</th>
<th>Primary Use Intended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Used</td>
<td>02</td>
<td>Ford Focus St Wagon 4</td>
<td>DR Wagon 4</td>
<td>G3RF1234BB567890</td>
<td>X Personal Business</td>
</tr>
</tbody>
</table>

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

**THE FINANCE CHARGE IS CALCULATED ON A**

- □ Precomputed
- □ Simple Interest Basis

**FEDERAL TRUTH-IN-LENDING DISCLOSURES**

<table>
<thead>
<tr>
<th>ANNUAL PERCENTAGE RATE</th>
<th>FINANCE CHARGE</th>
<th>AMOUNT FINANCED</th>
<th>TOTAL OF PAYMENTS</th>
<th>TOTAL SALE PRICE</th>
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</thead>
<tbody>
<tr>
<td>18%</td>
<td>$1290.00</td>
<td>$6509.00</td>
<td>$7800.00</td>
<td>$9100.00</td>
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</tbody>
</table>

**YOUR PAYMENT SCHEDULE WILL BE**

<table>
<thead>
<tr>
<th>NUMBER OF PAYMENTS</th>
<th>AMOUNT OF PAYMENTS</th>
<th>WHEN PAYMENTS ARE DUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>$325.00</td>
<td>Monthly Beginning 6 mos. ago</td>
</tr>
</tbody>
</table>

A Final Payment of $ Due On Late Charge. If a payment is not paid in full within 7 days after it is due, you will pay a late charge of 5% of amount of payment due.

Prepayment. If you pay off early on a Contract with a precomputed finance charge, you will be entitled to a refund of part of finance charge. If the finance charge is calculated on a simple interest method, you may have to pay a prepayment penalty.

Security Interest. You are giving a security interest in the Property and related equipment being purchased and in our right of setoff.

**ITEMIZATION OF AMOUNT FINANCED**

1. Cash Price (including any accessories, services, and taxes) $5997.00

2. Total Downpayment = Net Trade-in $0.00 + Cash Downpayment $1300.00

Your trade-in is a (YEAR) (MAKE) (MODEL) $1300.00

3. Unpaid Balance of Cash Price (1 minus 2) $4697.00

4. Other Charges Including Amounts Paid to Others on Your Behalf:
   A. Cost of Required Physical Damage Insurance Paid to the Insurance Company Named Below - Covering Damage to the Vehicle $710.00
   B. Cost of Optional Mechanical Repair Coverage for Certain Mechanical Repairs $720.86
   C. Cost of Optional Credit Insurance for the Term of this Contract Life $0.00 Accident and Health $0.00 Total $0.00
   D. Official Fees Paid to Government Agencies $19.52
   E. Taxes Not Included in Cash Price $198.62
   F. Government License and/or Registration Fees (itemize) $125.00
   G. Government Certificate of Title Fees $38.00
   H. Other Charges (Seller must identify who will receive payment and describe purpose) to Road USA for Car Club $0.00
   | to for |
   | $1812.00 |
   | $6509.00 |

5. Amount Financed — Unpaid Balance (amount of credit you will receive) (3+4) $6509.00
Insurance. If any insurance is checked below, coverage will become effective only if insurer issues a policy or certificate which will describe the terms and conditions of coverage.

Optional Credit Insurance. Credit life and accident and health insurance are not required to obtain credit and will not be provided unless you sign below and agree to pay the additional cost(s).

### Type | Premium | Signature of Insured Party | Birth Date
--- | --- | --- | ---
Credit Life Insurance | $ | I want Credit Life Insurance |  |
Joint Credit Life | $ | We want Joint Credit Life Insurance |  |
Accident & Health Insurance | $ | I want Accident & Health Insurance (Buyer only) |  |

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

Insurance Company: ____________________________
Guaranteed Expense: $500
Term: 15 months
Cost for Term: $710

Deductible Collision and either
- $500
- Full Comprehensive including Fire, Theft, and Combined Additional Coverage
- $__________Deductible Comprehensive including Fire, Theft, and Combined Additional Coverage
- Fire, Theft, and Combined Additional Coverage

Optional, if desired
- Towing and Labor costs
- Rental Reimbursement
- CB Radio Equipment

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

Insurance CO. _________________________________________________________

Term: 36 months or 36,000 miles, whichever occurs first
Deductible: $25, $50, $__________

NO LIABILITY INSURANCE INCLUDED

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

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

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

**John Dough**

**CO-BUYER’S SIGNATURE**

**ACCEPTED**

**Fredo Auto**

**CREDITOR**

**BY**

**Fred Salesman**

**SIGNATURE AND TITLE**

[FOR DEMONSTRATION PURPOSES ONLY]

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

I. INTRODUCTION

Congratulations on your participation in CFS Training. You have had the opportunity to learn things that not only will help you but also ensure that you leave the class energized and prepared to use this information to help your shipmates. As part of your CFS duties, you may be charged with running a command program, provide leadership and indoctrination briefs, and effectively utilize the services of the FFSC. This chapter will help you to do all these things by reviewing the purpose of the course and the role of the CFS upon return to the command. The discussion includes how to run a command program; how to use the sample leadership and indoctrination briefs you have been provided; FFSC's role in the CFS program; a course-review activity; and the availability of continuing education. The topic concludes with a panel discussion with experienced Command Financial Specialists.

Chapter correlation to major OPNAVINST task areas:

1. **Education and Training:** This chapter does not correlate to any specific module of the PFMSC. Instead, it includes a matching game to determine which trainings are applicable for specific situations. The chapter presents two model briefs: one to market the program to command leadership, and one that can be used in command indoctrinations. Training techniques include active lecture, panel discussion and homework review (Plan of Action and Milestones).

2. **Information and Referral:** Referral resources are reviewed via capstone learning activity.

3. **Counseling:** Techniques are reviewed via capstone learning activity.

II. LEARNING OBJECTIVES

Learners will demonstrate their understanding of how to begin running their program by completing a Plan of Action and Milestones.

Participating in a matching activity, learners will demonstrate an understanding of providing appropriate training from the PFMSC.

If the option is chosen, learners will present a Command Leadership Brief and a Command Indoctrination Brief.

III. REFERENCES


IV. CONTENT
Developing a CFS Program

CFS Tasks:
- Provide financial education and training
- Provide financial information and referral resources
- Provide one-on-one and couples financial counseling

Steps to Setting Up a Command Program

1. Draft a Command PFM Instruction if one does not exist already, based on OPNAVINST 1740.5B.
2. Determine what command members need.
3. Speak with current CFSs at the command. You may have more work to do if you are the first CFS at the command, or if you are rebuilding a program.
4. Gather relevant command statistics that will help you develop your program, including:
   - Demographic information (number of men and women, ages, rate and ranks, marital status, children)
   - Level of security clearances, number of revocations and denials for the past year.
   - Number of Letters of Indebtedness received each month or year, and how they currently are processed. What will be your role in processing LOIs at your command?
   - Number of bounced checks from command members at the Commissary and Exchange
   - Number of personnel who have been to CO’s NJP for financial problems
   - Dollar assistance given so service members in the command by NMCRS during the past year
   - TSP enrollment statistics
   - Types of financial problems experienced by command personnel
   - PFM topics of interest to command members (for training purposes)
5. Conduct a needs assessment to determine what services the command would like from you. A sample needs assessment is included in this chapter as well as a less-involved assessment called “How May We Help You?” that focuses more on the training you can conduct using the PFM Standardized Curriculum. Either of these would provide you with an idea of what command personnel would like.
6. Establish, refine and accomplish program goals using the Plan of Action and Milestones.
Checklist For Command Financial Specialists

Action

- Complete CFS Training
- Meet with other member’s of Command’s CFS Team
- Draft Command PFM Instruction
- Gather Command Data (Needs Assessment)
- Refine Plan of Action and Milestones
- Develop marketing plan for Command PFM program
- Familiarize self with available resources, Command’s PFM library
- Brief Command Leadership
- Establish recordkeeping and reporting system
- Attend CFS Forums/Advanced Training
- Get on FFSC Mailing List, Advertise PFM Programs
- Get on Command Check-In sheet
- Conduct Command Indocs (PFM)
- Provide appropriate PFM information and referral to Command Personnel
- Conduct PFM training as indicated by needs assessments.
- Conduct PFM counseling as requested, include BAH screenings, assistance with letters of indebtedness and letters of intent, and other short-term counseling.
Subj: COMMAND PERSONAL FINANCIAL MANAGEMENT (PFM) EDUCATION, TRAINING, AND COUNSELING PROGRAM

Ref: (a) OPNAVINST 1740.5B, Personal Financial Management Program
(b) NASWHIDBEYINST 5801.1A, Vehicle Purchasing/Financial Counseling
(c) SECNAVINST 5211.5E, Department of the Navy (DON) Privacy Program

Encl: (1) Command Financial Specialist (CFS) Qualifications, Functions, and Training

1. Purpose. To promulgate command policy and assign responsibilities for the Personal Financial Management (PFM) education, training, and counseling program. This policy implements specific requirements that establish a systemic approach to address PFM issues for NOPF Sailors and families.

2. Discussion

   a. Reference (a) establishes PFM policy for all DON components. This instruction provides amplification of that policy.

   b. Management of personal finances presents an increasing challenge to Sailors and their families. For some, the lack of basic consumer skills and training in how to prudently manage finances sets the stage for financial difficulty. Other contributing factors include:

      (1) High cost of living.
      (2) Prevalence of easy credit and predatory lenders.
      (3) High-pressure sales tactics.
      (4) Clever and deceptive advertising techniques that include internet ads.
      (5) Undisciplined buying and the tendency to live beyond one’s means.
      (6) Consumer rip-off schemes.
c. In many cases, resultant financial problems have a serious negative impact on Sailors and their families, as well as a debilitating effect on operational readiness, morale, and retention.

3. Mission

   a. The PFM program exists to provide education, counseling, information and referral to command personnel in order to increase personal, family, and operational readiness. The PFM program assists in achieving a higher state of mission readiness, thereby improving service member performance and retention through personal financial readiness.

   b. Although the PFM program has a counseling mission, its primary focus is on prevention of financial difficulties and mismanagement through education of Sailors and their legal dependents (hereafter referred to as family members).

4. Action

   a. All Sailors shall become familiar with PFM program policies and objectives, use prudent PFM practices in pursuit of personal excellence and support their shipmates by sharing their PFM knowledge.

   b. The PFM program consists of three major elements:

      (1) Financial education and training.

      (2) Financial information and referral.

      (3) Financial counseling.

   c. NOPF Whidbey Island shall have a trained Command Financial Specialist (CFS) to coordinate the program and to assist the Commanding Officer in providing financial training, information, and counseling to command members. In accordance with reference (a), NOPF Whidbey Island will maintain one CFS for every 75 personnel assigned, including those assigned Temporary Duty (TEMDU), Temporary Duty Under Instruction (TEMDUINS), and members from other services. Personnel assigned as a CFS shall meet the criteria established in enclosure (1).

   d. A qualified CFS will counsel command personnel, family members, and other DOD personnel experiencing financial difficulties or seeking information on PFM concerns. If the CFS cannot provide assistance, referrals shall be made to other authorized agencies (e.g., Fleet and Family Support Center (FFSC); Navy Marine Corps Relief Society (NMCRS); National Credit Counseling Services (CCCS); Navy Mutual Aid.) Navy Mutual Aid Association will be a primary referral and educational resource concerning Survivor Benefit Plans.
e. Command personnel will be required to receive financial counseling by a qualified CFS under the following circumstances:

   (1) Command receives a Letter of Indebtedness (LOI).

   (2) Any E-3 and below intending to buy a vehicle.

   (3) Any E-4 and below requesting BAS.

   (4) Any member sent to Commanding Officer’s NJP.

   (5) Any screening process requiring CFS counseling (i.e., Overseas Screening.)

f. All Command Financial Specialists shall be appointed in writing by the Commanding Officer.

g. PFM counseling records shall be maintained in accordance with reference (c) to ensure confidentiality and compliance with the Privacy Act.

5. General Responsibilities

   a. Specific CFS responsibilities and duties in support of the PFM program are delineated in enclosure (l). It is of critical importance to the readiness of Sailors and the Navy that all leaders, at all levels, engage on this issue and serve as mentors to those in their charge.

   D. Service members are responsible for prudently maintaining their day-to-day personal financial matters and to adequately prepare for the management of personal responsibilities prior to departing on an extended absence.

Distribution:
NOPFWIINST 5216.1D
List I (Case 1)
COMMAND FINANCIAL SPECIALIST (CFS) QUALIFICATIONS, FUNCTIONS, AND TRAINING

1. Qualifications of the Command Financial Specialist (CFS). The CFS shall function as the command’s principal advisor on policies and matters related to PFM. The following qualifications apply:

   a. Military members in pay grade E6 and above (including officers) may be appointed a CFS.

   b. CPS’s must be highly motivated, financially stable, and must meet the financial overseas screening standards prior to training.

   c. Successfully complete the authorized CFS training course provided by an FFSC.

   d. Have at least one year remaining in the command at time of CFS course completion.

   e. Participate in continuing education (i.e., periodic CFS forums).

   f. Attend CFS refresher training at least every three years.

2. Functions of the CFS

   a. Establish, organize, and administer the command PFM program including pass down to the incoming CFS.

   b. Disseminate financial management information within the command through General Military Training (GMT), PCD notes, newsletters, e-mail, etc.

   c. Maintain current PFM resource books, directories, references, and training materials for use in GMT, divisional training, and counseling. In addition, CFS’s shall maintain close liaison with the FFSC PFM staff.

   d. Present PFM training as part of the command indoctrination course.

   e. Provide basic PFM counseling to individual members upon request.

   f. Maintain individual records of counseling conducted and counseling referrals. Per reference (c), those records shall be maintained to ensure confidentiality and compliance with the Privacy Act.

Enclosure (1)
g. Refer members with serious financial problems to the appropriate resource or agency capable of providing necessary assistance/counseling, such as FFSC PFM staff and NMACRS. Ensure the individual is seen and counseled. Follow up on referred individuals by maintaining contact with the individual and the resource/counseling agency to monitor progress.

h. Perform financial screenings, as needed, for members of the command. In the absence of a CFS, or in a complicated case, the FFSC PFM staff can perform screenings. For Overseas Duty Screening, the following guidance applies:

(1) Members will be approved for overseas orders if:

(a) E4 and below, Debt to Income Ratio does not exceed 30 percent (monthly debt payments (not including primary residence mortgage) divided by net monthly income).

(b) E5, W2, and O1 and above, the member does not have any outstanding or unresolved Letters of Indebtedness or outstanding returned checks for insufficient funds.

(c) Such screening shall be documented by an administrative remarks page entry (page 13) into the member’s service record.

(2) The CFS will ensure the member completes a Financial Planning Worksheet (FPW).

(3) The CFS will counsel the member on the projected living expenses at the overseas location and the need to fully understand their expenses, entitlements, and pay and allowance changes related to the OCONUS Permanent Change of Station (PCS) move.

i. Report quarterly to the Commanding Officer the CFS activity (education and counseling) conducted at NOPF Whidbey Island and record activity data to the CFS reporting website at https://donsir.persnet.navy.mil/cfs/.
Command Financial Specialist Needs Assessment

This command is in the process of developing a Financial Education program for all personnel. This survey is to determine the types of services you would like to have provided at this command to facilitate managing your personal financial affairs.

**Education** — Please rank the following subjects from 1 to 12 with 1 being the area you are most interested in having training provided.

- _____ Establishing a Spending Plan/Budget
- _____ Credit Management
- _____ Savings and Investments
- _____ Thrift Savings Plan
- _____ Retirement Pay Plans & CSB/REDUX
- _____ Banking Issues
- _____ Car Buying
- _____ Insurance
- _____ Survivor Benefits and Life Insurance
- _____ Pay Issues
- _____ Consumer Frauds, Misrepresentations and Scams
- _____ Money Management for Deployment

**Information** — Would you find it helpful to have the following provided?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
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</table>

- _____ Regular Plan-of-the-Day notes with tips on personal financial management
- _____ Information rack with personal financial management brochures and booklets available
- _____ Personal Financial Management Bulletin Board
- _____ Financial management articles in the command’s and spouse club’s newsletters

**Consultation** — Would you find it useful to have the following available?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
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</table>

- _____ Financial counseling service provided by a Command Financial Specialist.
- _____ A Command Financial Specialist to consult with prior to making major purchases or financial decisions.

Please list other services that you would find useful in managing your personal finances and any comments.

_______________________________________________________________________________________

_______________________________________________________________________________________

Please return this complete form to: __________________________________________________________

(Name and e-mail)

Thank you!

(Signature)
Interested in attending a personal financial-management seminar? Number the following topics in order from 1 to 18, with 1 being your most desired and 18 being your least desired:

<table>
<thead>
<tr>
<th>Banking and Financial Services</th>
<th>Home-Buying</th>
<th>Renting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car-Buying Strategies</td>
<td>How to Survive the Holidays Financially</td>
<td>Retirement Planning</td>
</tr>
<tr>
<td>Consumer Awareness</td>
<td>Military Pay Issues</td>
<td>Saving and Investing</td>
</tr>
<tr>
<td>Developing Your Spending Plan</td>
<td>Money and the Move</td>
<td>The Insurance Decision</td>
</tr>
<tr>
<td>Don’t Bet Your Life on It:</td>
<td>Paying for College</td>
<td>The Survivor Benefit Plan</td>
</tr>
<tr>
<td>Gambling Awareness</td>
<td>Raising Financially Fit Kids</td>
<td>Using Credit Wisely</td>
</tr>
<tr>
<td>Financial Planning for Deployment</td>
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</tbody>
</table>

Other topics you would like:

_______________________________________________________________________________________
_______________________________________________________________________________________
_______________________________________________________________________________________
_______________________________________________________________________________________
_______________________________________________________________________________________

Comments:
_______________________________________________________________________________________
_______________________________________________________________________________________
_______________________________________________________________________________________
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_______________________________________________________________________________________
_______________________________________________________________________________________

Please return this complete form to: ________________________________ (Name and e-mail)

Thank you!

(Signature)
## Plan of Action and Milestones

**COMMAND:** _______________________________

**FROM:** ___________________________________

**TO:** _____________________________________

**PERIOD COVERED:** _________________________

<table>
<thead>
<tr>
<th>PRIMARY ISSUES</th>
<th>INDICATORS</th>
<th>ACTIONS REQUIRED/OBJECTIVE</th>
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<tbody>
<tr>
<td>1.</td>
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<td>2.</td>
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<td>3.</td>
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</table>

<table>
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<tr>
<th>Objectives/Action</th>
<th>Start Date</th>
<th>Barriers/Strategies for Overcoming</th>
<th>Resource Needs</th>
<th>Estimated Completion</th>
<th>Actual Completion</th>
<th>Remarks/Indicators</th>
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Command Leadership Brief

Introduction. This presentation is designed to tell command leadership clearly and concisely about the Navy's PFM program and your role as a Command Financial Specialist. The brief should take about 5 minutes. Be prepared to explain your plan of action, both immediate and long-term, and ask for the support you require to run an effective and proactive command PFM program.

Outline

1. Navy PFM Program
   a. Basics of OPNAV 1740.5B
      i. Provide basic consumer education and training to personnel
      ii. Provide training for all command personnel on sound financial-management issues
      iii. Provide current financial information and publications
      iv. Provide preventive and remedial counseling
   b. Benefits of CFS program
      i. Increase morale and retention
      ii. Increase productivity
      iii. Decrease number of LOIs
      iv. Decrease number of NJPs
      v. Decrease marital problems
      vi. Decrease administrative traffic while deployed
      vii. Financially secure Sailors

2. Role of CFS
   a. Training and Education
      i. PFM standardized curriculum
      ii. Navy PFM GMT
      iii. Indocrrination briefs
   b. Information and Referral
      i. Navy agencies
         1. FFSC
         2. NLSO
         3. PSD
         4. Housing
         5. TRICARE
6. NMCRS
   ii. Civilian agencies
      1. Non-profit debt-management counseling
      2. Credit unions
      3. Emergency resources
c. Counseling
   i. One-on-one and couples
   ii. Preventive, remedial and productive

3. Plan of Action
   a. Initial action
   b. Long-term plans

4. Support Required

**Content**

**SLIDE 1**

**Introduce Self.** Explain that you recently completed the Command Financial Specialist training course and would like to speak with leadership about the command’s Personal Financial Management Program.

**SLIDE 2**

**Navy PFM Program.** The Navy’s Personal Financial Management Program was established in November 1990 with the promulgation of OPNAV Instruction 1740.5, now 1740.5B. The instruction mandates that the Navy promote operational readiness, personal responsibility, reliability, morale and quality of life by providing knowledge, skills and counseling to its members regarding sound personal financial-management practices. This is done by providing basic consumer education and training to personnel, training for all command personnel on sound financial-management issues, current financial information and publications, and preventive and remedial counseling. The Command Financial Specialist is responsible for implementing a proactive PFM program at the command.

**SLIDE 3**

**Benefits of CFS Program.** Studies and experience have shown that the benefits of a well-run and supported Command Financial Specialist/PFM program are many, including:

1. Improved morale and retention, through education on financial issues, including saving and investing and retirement planning;
2. Increased productivity, because members’ minds are on their work and not on their financial problems;
3. Reduced number of LOIs due to better financial management;
4. Decreased number of NJPs;
5. Decreased marital problems (the No. 1 reason couples fight is money…)
6. Decreased administrative traffic while deployed; and
7. Financially secure Sailors.

SLIDE 4

Role of CFS. The OPNAV instruction specifically charges the Command Financial Specialist to do the following:

1. Provide training and education in personal financial management to all command members. The CNI-HQ Program Manager has provided all Navy CFSs with a PFM Standardized Curriculum. This curriculum has 13 training modules on it, one for each financial topic mandated under the instruction. Topics include Military Pay Issues, Credit Management, Car-Buying Strategies, Saving and Investing, and Retirement Planning. The CFS training course has prepared me to conduct all of these training modules. Training and Education also includes conducting the Navy’s PFM GMT. Further, I have been provided with a standard command indoctrination brief so I can introduce new command members to our program.

2. Provide appropriate information and referral to command personnel, including referrals to Navy agencies such as the FFSC, NLSO, PSD, Housing, TRICARE and NMCRS, and to civilian agencies such as non-profit debt-management counseling providers and federal credit unions.

SLIDE 5

3. Provide counseling, including one-on-one and couples counseling, for a variety of problems and issues. Counseling is available on budgeting; helping members make the retirement decision between High-3 and the CSB/Redux; enrolling in the TSP; granting advance pay; and Letters of Indebtedness.

SLIDE 6

Plan of Action. At this point in developing the PFM program at this command, my immediate intentions are to:

My long-range plans are:

Support Required. In order to carry out this plan of action, I will need the following support:

Are there any questions or comments regarding my plans for the Command Personal Financial Management program? Thank you.
Command Indoctrination Brief

Introduction. This presentation is designed to tell new command members clearly and concisely about the Command PFM program. Speaking at indoctrination allows you to introduce yourself and generate excitement about personal financial-management issues. You will discuss the Navy’s PFM program, the role of the CFS, and how the CFS can help command members. You also can offer information on several PFM topics as a “teaser” to generate interest in PFM. The program concludes with an invitation to participate in the PFM program. As written below, this brief should take 5 to 10 minutes. Feel free to add additional information from selected portions of the PFMSC if you have more time available.

Outline

1. Navy’s PFM Program
   a. Navy Policy (MILPERSMAN 7000-020)
   b. PFM Program
   c. Implications of Financial Problems
   d. Implications of Sound Financial Management
2. Role of CFS
   a. Education and Training
   b. Information and Referral
   c. One-on-One and Couples Counseling
3. How CFS Can Help
   a. Teach You About Money Management
   b. Help You Improve Your Money Management
   c. Help You Get Out of Debt
   d. Help You Save Money on Major Purchases
   e. Be a Consumer Advocate for You
   f. Provide Saving and Investing Information
   g. Provide Financial Planning Information
   h. Provide Referrals to Community Resources
4. Sampling of Information Available
   a. Credit Reports
   b. Compound Interest and Time and the Thrift Savings Plan
   c. Car-Buying
5. Invitation to See the CFS
CONTENT

SLIDE 1

Introduction. Introduce yourself, explain that you are the Command Financial Specialist at the command, and that you are going to tell participants about the command’s PFM program.

SLIDE 2

Topics. Review the topics you are going to cover:

- The Navy’s PFM Program
- The Role of the CFS
- How the CFS Can Help You
- Information Sample
- Invitation

SLIDE 3

The Navy’s PFM Program. Briefly explain that the Navy has a policy on financial management and indebtedness (MILPERSMAN 7000-020) which states:

“Members of the Naval service are expected to pay their just debts and financial obligations in a proper and timely manner.”

The Navy has mandated that every command have a Personal Financial Management Program, which is run by the Command Financial Specialist. The program was created because needs assessments have indicated that PFM is a top concern of Navy personnel. It was recognized that financial issues have a direct impact on readiness and retention. Some Sailors come into the Navy lacking basic consumer skills and training in how to manage finances. This can lead to financial difficulty. The PFM program is designed to help every Sailor achieve financial success. The program “emphasizes a proactive, career lifecycle approach to accountability by providing basic principles and practices of sound money management, counseling tools and referral services using a comprehensive education and training program.” What does that mean? It means the command wants to help you do well with your money management.

SLIDE 4

Implications of Financial Problems. Unfortunately, many Sailors, both young and old, experience some level of financial difficulty. ASK what participants believe are the implications of financial problems. Answers should include:

- Negative evaluations
- Loss of promotions
- Loss of security clearance
- Loss of overseas assignment
- Reduction in rank
- NJP
- Administrative discharge.

And those are just the military implications. Civilian implications can include everything from not being able to get credit to repossessions, bankruptcies, or even jail!

**SLIDE 5**

**Implications of Sound Financial Management.** If we're going to talk about the bad things that can happen from mismanagement, let's also talk about all the good things that can happen from good financial practices. ASK what participants believe are the implications of sound financial management. Answers should include:

- Less stress
- More money in savings
- Better quality of life
- Get more of the things you want
- Have financial security
- Become a millionaire …

**SLIDE 6**

**The Role of the CFS.** Let's talk for a minute about my role in all of this. As the Command Financial Specialist, I am responsible for conducting financial education and training, providing financial information and referral, and conducting one-on-one and couples financial counseling. You could summarize this by saying that when it comes to financial issues, I am the “go-to” person!

**SLIDE 7**

**How the CFS Can Help You.** So what, specifically, can I do for you? I can help you with:

- **Money Management.** Whether you need some basic education on budgeting and spending plans, or whether you're looking to improve your system, I can help.

- **Debt Management.** Whether you have taken on too much debt and are having trouble, or are trying to establish credit for the first time, I can help.

- **Saving on Major Purchases.** Thinking of buying a car? I have information that could save you hundreds, if not thousands, of dollars. I can help.

- **Consumer Advocacy.** Have you been ripped off? Did someone sell you something that doesn't work, or misrepresent a purchase? I can help.

- **Saving and Investing Information.** Wondering if you should participate in the
Thrift Savings Plan? Want to start saving for emergencies? Are you thinking about buying stocks or mutual funds? I can help.

- **Retirement Choices.** I know retirement seems like a long way off, but the sooner you start saving, the less you'll need to save in the long run, and the more your money will grow. Also, when you need to decide between the High-3 retirement plan and the CSB/Redux, I can help!

- **Referrals to Navy and Community Resources.** Even if you don't think I can help, I probably can help. I've had extensive training regarding all the people out there who can help with different types of problems — so tell me what is going on, and give me a chance to get you to the people who can help, just in case I can't.

**SLIDE 8**

ASK students for any questions.

**Sampling of Information Available.** Now I would like to share with you a few things that could help you, just to give you an idea of the kind of training I've had.

**NOTE: You can choose any topics. The following are suggestions:**

**Credit Reports.** ASK how many participants ever have seen their credit report. ASK if everyone knows what a credit report is — if not, explain what it is. ASK how many have seen their credit report in the past 12 months. Did you know that you should check your credit report at least once a year, and you can get it for free at [www.annualcreditreport.com](http://www.annualcreditreport.com)? Did you know incorrect information gets put on credit reports and can cause problems at the worst possible times? For example, let's say someone else's bad information gets on my credit report — I could get rejected for a car loan because of that. Did you also know that you often can spot identity theft by keeping an eye on your credit report? I have contact information on all three credit-reporting agencies and recommend you check your credit report right away.

**OPTIONAL:** Handout on using credit from Credit Management.

- **Compound Interest and Time and the Thrift Savings Plan.** ASK how many participants currently invest. ASK how many of them would like to become millionaires. ASK if they believe they could become a millionaire on the military paycheck. Tell them it is possible through the magic of compound interest and time, which occurs when their money makes interest and that interest is left with the original sum to continue growing.

**OPTIONAL:** Handout Compound Interest and Time chart from Saving and Investing.

One way you can take advantage of the magic of compound interest and time is by participating in the Thrift Savings Plan. Just $50 a month over the span of a 20-year career can add up to as much as $30,000 (at 8 percent). I have all sorts of information on saving and investing and the Thrift Savings Plan.
- **Car-Buying Strategies.** ASK how many participants have bought a car. ASK how many thought they got the absolute best deal possible. EXPLAIN that you have had extensive training on car-buying strategies. One hint that you learned that can save a buyer hundreds, if not thousands, is to make the deal three separate transactions: the purchase price of the car, the financing, and the trade-in. ASK how many who have bought cars in the past did it in this manner. Encourage anyone who is thinking about buying a car to come and talk to you first so you can share the rest of the cost-saving techniques you know.

**SLIDE 9**

**Invitation.** In conclusion, invite participants to come and see you. Let them know whether they will need an appointment or can stop by for an informal chat. Encourage them to join any financial training you will be offering or that is offered at the FFSC. Provide a schedule, if possible. Explain that command members don’t need to have a financial “problem” to talk with you, but that if they do have one, you can help. Suggest to participants that they let you help them build wealth and establish financial security.
2007 Standardized Curriculum Contents

Volume 1: Introduction and Resources

Volume 2: Training Materials (by module: Content, Training Techniques, PowerPoint Slides, PowerPoint Games)

1. Banking and Financial Services
2. Car-Buying Strategies
3. Consumer Awareness
4. Developing Your Spending Plan
5. Financial Planning for Deployment
6. Home-Buying
7. Military Pay Issues
8. Money and the Move
9. Paying for College
10. Raising Financially Fit Kids
11. Renting
12. Retirement Planning
13. Saving and Investing
14. The Insurance Decision
15. The Survivor Benefit Plan
16. Using Credit Wisely
17. How to Survive the Holidays Financially

Not on disk but added to the curriculum in Spring 2009:

18. Don’t Bet Your Life on It: Gambling Awareness

Volume 3: Handouts
# Command Financial Specialist Quarterly Report

Name: ________________________________  Command: ________________________________

Command Address: ________________________________  Date: Q1 Q2 Q3 Q4

<table>
<thead>
<tr>
<th>Date</th>
<th>Name of Training Held</th>
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</table>

| 2. Number of training participants: |
|____ E-1 _____ E-2 _____ E-3 _____ E-4 _____ E-5 _____ E-6 _____ E-7 |
|____ E-8 _____ E-9 _____ W-1 _____ W-2 _____ W-3 _____ W-4 _____ W-5 |
|____ O-1 _____ O-2 _____ O-3 _____ O-4 _____ O-5 _____ O-6 _____ O-7 |
|____ O-8 _____ O-9 _____ Family Members |

| 3. Number of one-on-one counseling sessions conducted: |
|____ E-1 _____ E-2 _____ E-3 _____ E-4 _____ E-5 _____ E-6 _____ E-7 |
|____ E-8 _____ E-9 _____ W-1 _____ W-2 _____ W-3 _____ W-4 _____ W-5 |
|____ O-1 _____ O-2 _____ O-3 _____ O-4 _____ O-5 _____ O-6 _____ O-7 |
|____ O-8 _____ O-9 _____ Family Members |

| 4. Number of referrals made: |
|____ FFSC |
|____ NMCRS |
|____ TRICARE |
|____ Debt Management |
|____ Housing |
|____ Other |

| 5. Areas of assistance provided: |
|____ Military Pay & Allowances |
|____ Checking Accounts/ATM's |
|____ Consumer Issues |
|____ Saving and Investing |
|____ TSP |
|____ Military Retirement Plan |
|____ Car Buying/Selling |
|____ Credit/Debt Management |
|____ Insurance |
|____ Letters of Indebtedness/Intent |
|____ Predatory Lending |
|____ Bankruptcy/Garnishment |
|____ Predeployment Financial Management |
|____ PCS/Money and the Move |
|____ Compulsive Gambling |
|____ Overseas Budgeting Issues/TLA |
The Fleet and Family Support Center

Your local Financial Educator/PFM Specialist is available for:

- Case consuls for new counselors, difficult cases, or both.
- Coaching for new counselors as needed.
- Referrals and resources.
- Training — follow-on training for the CFS, and general PFM training to meet command needs.

Continuing Education

Credit: Three semester hours credits are available for interested learners upon successful completion of the DANTES Subject Standardized Test in Personal Finance. Interested learners should contact Navy Campus and visit the DANTES web site at www.dantes.doded.mil. Follow these links to the Personal Finance Fact Sheet; Examination Programs, Fact Sheets, DANTES Subject Tests, Business, Personal Finance.

Accredited Financial Counselor: Accredited Financial Counselor (AFC) designation. Offered through the Institute for Personal Finance, the education arm of the Association for Financial Counseling and Planning Education (AFCPE), requirements for this designation include completion of two courses, one in financial planning, an exam for each course, and two years of counseling experience (www.afcpe.org).

Certified Financial Planner and other College Courses: The Certified Financial Planner (CFP) license, which consists of five college level courses in financial planning, a ten hour comprehensive exam and three years of field experience (www.cfp-board.org).
Command Financial Specialist
Pre/Post Test

Identifier: ________________________________

Check all that apply:

<table>
<thead>
<tr>
<th>Status</th>
<th>Gender</th>
<th>Rate/Rank</th>
<th>Time in Service</th>
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<tr>
<td>Active Duty</td>
<td>Male</td>
<td>E-5 – E-6</td>
<td>Less than one year</td>
</tr>
<tr>
<td>Retiree</td>
<td>Female</td>
<td>E-7 – E-9</td>
<td>1 – 5 years</td>
</tr>
<tr>
<td>Family Member</td>
<td></td>
<td>O-1 – O-3</td>
<td>6 – 10 years</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>O-4 or above</td>
<td>11 years or more</td>
</tr>
</tbody>
</table>

Please circle the correct answer. If you do not know the answer, please do not guess; select “E.”

1. An effective financial counselor:
   A. Helps the client create solutions to identified problems
   B. Does as much for the client as possible to relieve stress
   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. Unknown

2. If a client cannot make payments on a car loan “secured” by the car, what can happen?
   A. Lenders generally will give three months to catch up
   B. They will only be sued for payments owed on the car even if it’s been repossessed
   C. They will only be sued for the “Blue Book” retail value of the car
   D. Lenders generally do not repossess the physical object because of wear and tear
   E. Unknown

3. If a client gets into serious financial trouble, what is the strongest action the military can take?
   A. Require counseling; require financial-management classes
   B. Take away privileges; take away a rank
   C. Stop a promotion; take away duty assignment; remove a security clearance; or even discharge
   D. Report the information to all credit bureaus and affect the member’s credit
   E. Unknown

4. What is the purpose of a spending plan?
   A. To show all monthly budget items
   B. To provide a paycheck-by-paycheck plan for paying expenses
   C. To predict ahead of time when more credit will be needed
   D. To show when too much is being paid for loans
   E. Unknown

5. What are the first steps to effective personal financial management?
   A. Saving enough money to invest, getting expert advice, and writing a will
   B. Deciding if you will have a child, saving for retirement, and writing a will
   C. Planning, buying a home, and getting insurance
   D. Setting goals, planning, making a budget
   E. Unknown

6. According to OPNAVINST 1740.5B, the three major tasks of the CFS 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 referral, resource library maintenance, and debt-management assistance
   E. Unknown
7. 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 only subject to Social Security deductions
   C. Pay and allowances are both 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 deductions
   E. Unknown

8. What does a high interest rate do to the actual price of any item bought on credit?
   A. It can raise the payment, which is the most important factor
   B. On loans for less than $1,000, it doesn't make much difference
   C. It only matters on credit cards, since their rates are so high
   D. It makes the item cost substantially more in total price
   E. Unknown

9. Which saver will have more in an Individual Retirement Account (IRA) at age 65, assuming they all earn the same interest rate?
   A. Saver who puts in a $30,000 lump sum at age 35 and no more
   B. Saver who put in $3,000 every year from age 31 to age 36 and no more
   C. Saver who puts in $3,000 every year from age 30 to age 65
   D. Saver who put in $3,000 every year from age 18 to age 25 and no more
   E. Unknown

10. Which of the following steps should be taken before entering into a sales contract?
    A. Just skim the contract, because most are standard legalese and say the same things
    B. Read the headings and the part above where you sign, and you'll know most of it
    C. Take it home before you sign, read every word, use Navy Legal Services for advice
    D. Ask the salesperson if there are any parts that could get you in trouble
    E. Unknown

11. What is the difference between a scam and fraud?
    A. Fraud concerns things that cost over $1,000
    B. Scams usually are legal but bad deals; fraud involves something illegal
    C. Scams usually are illegal, fraud is legal but a bad deal
    D. They really are two words that mean the same thing
    E. Unknown

12. For military service members, what is the difference between a Letter of Indebtedness and a Letter of Intent?
    A. The Letter of Indebtedness expresses a creditor's notification of a debt; the Letter of Intent expresses the debtor's intent to pay it
    B. A collection agency sends a Letter of Indebtedness; a bank sends a Letter of Intent
    C. A Letter of Indebtedness is bad news; a Letter of Intent is good news
    D. A creditor sends a Letter of Indebtedness; DoN CAF sends a Letter of Intent
    E. Unknown

13. What is the total number of days the law allows for you to cancel a contract signed at the merchant's place of business?
    A. Zero days
    B. Three days
    C. Ten days
    D. Seven days
    E. Unknown

14. The law that may allow service members to reduce interest rates to 6 percent on debts incurred before entering the service, maintain state of residency, require a court hearing before evicting, etc.
    A. Federal Truth in Lending Law
    B. There is no such law
    C. Servicemembers Civil Relief Act
    D. These issues are governed only by state law
    E. Unknown
15. Which type of bankruptcy relieves the debtor of all payments and obligations including taxes, alimony, government debts and child support?
A. Only a Chapter 7 bankruptcy, which “forgives” most debts
B. Only a Chapter 13 bankruptcy, which reorganizes debt payment
C. No bankruptcy relieves a person of government debts or family support
D. Both a Chapter 7 and a Chapter 13 let the debtor walk away from all debts
E. Unknown

16. How long does the record of a bankruptcy remain on one’s credit record?
A. Two years for Chapter 7 and three years for Chapter 13
B. 10 years for any type of bankruptcy
C. 15 years for any type of bankruptcy
D. It remains on your credit record forever
E. Unknown

17. What can an individual do in their own defense if their credit report does not explain their side of a complicated credit problem?
A. Insist the creditor remove the item
B. Sue the credit bureau to add their side of the story
C. There is nothing a consumer can do once a negative item is listed
D. Add a 100-word statement telling their side of the story
E. Unknown

18. All types of life insurance provide:
A. Cash benefits should the policyholder die
B. Cash-surrender value should the policyholder live
C. Coverage for a specific amount of time
D. Low-interest loan and conversion rights
E. Unknown

19. Which statement is NOT true about credit reports?
A. Every American gets a free credit report every two years
B. Anyone with a legitimate business interest can obtain your credit report
C. Credit reports are used when a security clearance is in question
D. Too many trade lines is not necessarily a good thing
E. Unknown

20. Who is the beneficiary of a service member’s SGLI (Servicemen’s Group Life Insurance) policy?
A. Any children of the service member
B. Whomever the service member is married to
C. The parents of the service member
D. Whomever the service member names on the policy
E. Unknown

21. What type of program will allow you to pay less on your income taxes and create a retirement fund?
A. CSB
B. TSP
C. Social Security
D. Medicare Savings Plan
E. Unknown

22. The Fleet and Family Support Centers:
A. May provide emergency money to clients when they need it
B. Are available only for use by spouses and other family members
C. Refer all financial clients to outside resources after an initial assessment
D. May provide financial education and counseling when the CFS is unable or unavailable
E. Unknown

23. When you purchase stock, what are you buying?
A. A share in the assets, earnings and losses of a company
B. A seat on the board of directors of a company
C. A chance to share in the increases of a stock but not the decreases
D. A share of a company’s stock that has no value until you sell
E. Unknown

24. Which of the following types of insurance will protect your future earnings if your dog bites your neighbor and you’re sued?
A. Rider
B. Replacement cost
C. Umbrella
D. Comprehensive
E. Unknown
25. You have charged goods from a catalog, which billed your credit card but never sent the items. What does the Fair Credit Billing Act let you do?
   A. You have the right to receive the goods or double your money back
   B. You can force the seller to give you the goods for free after 60 days
   C. You can ignore the issue until you receive the goods or a refund
   D. You can refuse, in writing, to pay that part of your bill until the matter is settled
   E. Unknown

26. 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. Unknown

27. What are the three ways to create a positive cash flow?
   A. Increase income, decrease living expenses, increase credit use
   B. Decrease living expenses, increase income, decrease indebtedness
   C. Increase income, increase credit use, decrease indebtedness
   D. Increase income, increase credit use, decrease indebtedness
   E. Unknown

28. Good financial management states your indebtedness should not exceed what percentage of your net income?
   A. 15
   B. 20
   C. 35
   D. 38
   E. Unknown

29. 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. Unknown

30. What is the name of the monthly compensation your spouse and any children will receive from the government if you pass away on active duty?
   A. DIC
   B. SDEA
   C. TSP
   D. SSA
   E. Unknown

31. Which of the following is a premise of Solution-Focused Financial Counseling?
   A. It is long-term
   B. It requires the counselor to take responsibility for solving the problem
   C. It maintains a task-centered focus
   D. It focuses on the past to correct the future
   E. Unknown

32. Final Pay, High Three and REDUX military retirement pay plans are all examples of what?
   A. A defined-benefit retirement plan
   B. Voluntary retirement programs
   C. A defined-contribution retirement plan
   D. Tax-advantaged retirement plans
   E. Unknown