

# SPENDING PLAN EXERCISE

## SECTION 1: INCOME

In this section, you are provided with income information for Petty Officer Pete Williams and his wife, Jennifer. Pete is an E4 with four years of service and is currently serving on sea duty in Virginia. Using Pete's pay information, fill in the following income section from the *Financial Planning Worksheet*. Note: These numbers go in the "Actual" column. Put the totals for "A" Total Military Compensation and "B" Total Deductions in the calculation area below.

### Pete's Income Info

Base Pay \$2,127.60  
 BAH \$1316  
 BAS \$323.87  
 Sea Pay \$280

### LES Deductions

Allotment \$100  
 (to savings)  
 Meal Deduction \$285  
 Family SGLI \$5.50  
 SGLI \$27  
 FITW (S/O) \$286.12  
 FICA (SS) \$131.91  
 FICA (M) \$30.85  
 AFRH \$.50  
 TSP \$63.83 (3%)

MONTHLY INCOME				
ENTITLEMENTS	ACTUAL	PROJECTED	REMARKS	
* Base Pay				
Basic Allowance for Housing (BAH I or II)				
Overseas Housing Allowance (OHA)				
Basic Allowance for Subsistence (BAS)				
Family Separation Allowance (FSA)				
* Flight Pay/Diving Pay/Flight Deck Pay				
* Submarine Pay				
* Other Hazardous Duty Pay				
* Sea Pay				
Taxable COLA				
Other (tax exempt/allowance eg. COLA/FSSA)				
<b>TOTAL MILITARY COMPENSATION (A)</b>				
* Taxable pay ( )				Excludes pretax ded for TSP/MGIB
DEDUCTIONS	ACTUAL	PROJECTED	REMARKS	
ALLOTMENT				For/ends?
Family SGLI (for spouses)				
Servicemembers' Group Life Insurance (SGLI)				
Uniform Services TSP				
MGIB				
FITW Filing Status Actual				Pro
FICA (Social Security)				Bas ides MGIB
FICA (Medicare)				Bas ides MGIB
State Income Tax				State
AFRH (Armed Forces Retirement Home)				
TRICARE Dental Plan (TDP)				
Advance Payments				Ends:
Overpayments				Ends:
<b>TOTAL DEDUCTIONS (B)</b>	\$	\$		

A

B

### CALCULATING TAKE-HOME PAY:

To calculate your take-home pay, subtract (B) Total Deductions from (A) Total Military Compensation.

(A) \_\_\_\_\_ - (B) \_\_\_\_\_ = \_\_\_\_\_ Take-Home Pay

The next step is to calculate net income. Net income is total income minus taxes. Because a military LES combines other deductions such as insurance and allotments, it is necessary to add those amounts to the take-home pay. In this section, additional income is included for a total of the household net monthly income.

- (1) Enter the service member's take-home pay in the top shaded area.
- (2) Enter Jennifer's monthly net income (total pay minus taxes).
- (3) Enter all non-tax items from the DEDUCTION section (note: Do not include the \$.50 AFRH).
- (4) Add these figures to calculate total monthly net income.

Service Member's Take Home Pay	(A-B)	\$		\$		Divide by 2 for Payday Amount
Service Member's Other Earnings (less taxes)						
Spouse's Earnings (less taxes)						
ALLOTMENT						
ALLOTMENT						
ALLOTMENT						
ALLOTMENT						
ALLOTMENT						
Family SGLI (For Spouses)						
Servicemembers' Group Life Insurance (SGLI)						
Uniform Services TSP						
MGIB						
TRIDARE Dental Plan (TDP)						
Advance Payments						
Overpayments						
Child Support/Alimony (received/income)						
Other Income (e.g. SSI, rental income)						
<b>TOTAL MONTHLY NET INCOME</b>		\$				

Jennifer's Pay info...  
\$650/month after taxes

**TOTAL MONTHLY NET INCOME**

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

## SECTION 2: MONTHLY SAVINGS

### MONTHLY SAVINGS AND LIVING EXPENSES

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

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

**TOTAL MONTHLY SAVINGS AND INVESTMENTS**

Savings are a vital part of sound financial management. Remember that you should always pay yourself first and the Financial Planning Worksheet lists savings as the first "expense."

Pete and Jennifer have started an emergency fund by having \$100 each month deducted from Pete's pay. Jennifer adds \$50 to this account every two weeks. Pete is enrolled in TSP and has 3 percent of his base pay (\$63.83) going into his TSP account. Enter these figures in the section for savings and investments and calculate the total.

### SECTION 3: MONTHLY LIVING EXPENSES

Living expenses account for the majority of most individuals' incomes. From the list below, put the expenses in the appropriate category. When you've completed entering the expenses, add up Pete and Jennifer's monthly living expenses.

LIVING EXPENSES		ACTUAL	PROJECTED	REMARKS
<b>HOUSING</b>	Furnishings			
	Maintenance/Repairs			
	Mortgage/Rent			
	Taxes/Fees			
<b>FOOD</b>	Dining Out			
	Groceries			
	Lunches			Include school and work lunches
	Vending Machines			
	Meal Deductions			
<b>UTILITIES</b>	Cable/Satellite TV			
	Cellular/Pagers/Phone Cards			
	Electricity			
	Internet Service			
	Natural Gas/Propane			
	Telephone			Local=\$ _____ Long Distance=\$ _____
	Water/Garbage/Sewage			
<b>CHILD CARE</b>	Allowances			
	Daycare			
	Support			Include other dependent care
<b>AUTOMOBILE</b>	Gasoline			
	Maintenance/Repairs			
	Other			
<b>CLOTHING</b>	Laundry/Dry Cleaning			
	Purchases (\$50 monthly per person)			
<b>INSURANCE</b>	Automobile			
	Health/Life			
	Homeowners/Renters			
	SGLI/FSGLI			Both service member/Family SGLI
	TRICARE Dental			
<b>HEALTHCARE</b>	Dental			
	Eye Care			
	Hospital/Physician			
	Prescriptions			
<b>EDUCATION</b>	Books			
	Fees (Other/Room & Board)			
	Tuition			
	MGI			Montgomery GI Bill (MGI)
<b>CONTRIBUTIONS</b>	Charities (CFC/NMCRS)			
	Club Dues/Association Fees			
	Religious			
<b>LEISURE</b>	Athletic Events/Sporting Goods			Include spectator sports
	Books/Magazines			
	Computer Products (software/hardware)			
	DVD/VHS & Video Games Rentals			
	DVDs & CDs			
	Entertainment			
	Lessons			Dance, music, self-defense, tutor
	Toys & Games			
<b>PERSONAL</b>	Travel/Lodging			
	Beauty Shop/Nails			
	Barber Shop			
	Cigarettes/Other Tobacco			
	Vending Machines			
	Liquor/Beer/Wine			ABC, package store, etc.
	Other (toiletries, supplements, etc.)			
<b>GIFTS</b>	Holidays			
	Birthdays/Anniversaries			
<b>PET CARE</b>	Food/Supplies			
	Veterinarian/Service (boarding/grooming)			
<b>MISCELLANEOUS</b>	ATM Fees/Stamps/etc.			
	Other			
<b>TOTAL MONTHLY LIVING EXPENSES (70%)</b>		\$		

Our monthly expenses:

- Rent: \$1,125
- Dinner out: \$75
- Groceries: \$210
- Jenn's lunches: \$40
- Starbucks: \$20
- Meal Deduction: \$285
- TV/Phone/Internet: \$105
- Cell phones: \$100
- Electricity: \$100
- Water/garbage: \$30
- Jenn — Gas: \$80
- Pete — Gas: \$200
- Clothes: \$100
- Car insurance \$205
- Renter's insurance: \$20
- SGLI/FSGLI: \$32.50
- Church: \$100
- Pete's golf: \$40
- Books & magazines \$25
- Movie rental club: \$25
- MP3 downloads: \$25
- Haircuts: \$40
- Liquor store: \$30
- Cat food and litter: \$20

**TOTAL MONTHLY LIVING EXPENSES**

## SECTION 4: INDEBTEDNESS

Indebtedness is any account on which you owe a balance. Pete and Jennifer have tried to be careful with credit. Pete's car is paid for, but they do have a loan on Jenn's. They still owe the jewelry store for their wedding rings, and they have a personal loan at their credit union that they used to buy furniture. Take their list and calculate their total indebtedness. Include the name of the creditor, the amount, the balance and the annual percentage rate (APR).

Best Credit Union  
\$145/month  
Balance \$860  
APR: 12%

INDEBTEDNESS 20%						
CREDITOR	PURPOSE	MONTHLY PAYMENT	BALANCE	PROJECTED PAYMENT	REMARKS (Mos Behind, Pd by Allotment, etc.)	APR %
1. US Govt.	Advance Pay				Automatic Deduction	
2. US Govt.	Overpayments				Automatic Deduction	
3.						
4.						
5.						
6.						
7.						
8.						
8.						
10.						
11.						
12.						
13.						
14.						
<b>TOTAL</b>						

TOTAL MONTHLY DEBT PAYMENTS

Big City Auto  
\$390/month  
Balance: \$3,110  
APR: 9.9%

Fine Jewels, Ltd.  
\$85/month  
Balance: \$640  
APR: 21%

## SECTION 5: SUMMARY

The summary section shows whether you have a surplus or deficit budget. From the previous sections, calculate the spending plan summary.

**What is the outcome? Do Pete and Jennifer have a surplus or deficit budget?**

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

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

## SECTION 6: THE ACTION PLAN

When you have calculated the total of this or any spending plan, there are three options you have to change your "bottom line":

1. Increase Income
2. Decrease Living Expenses
3. Decrease Debt

**Which one of these three options do you think is the easiest to do?**

Based on the information in Pete and Jennifer's spending plan, what can they do to improve their current situation? List at least three ways they can increase income, decrease living expenses or decrease their debt. Your answers can be any of these or any combination of these options.

### Increase Income

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

### Decrease Living Expenses

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

### Decrease Debt

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

## SECTION 7: FINANCIAL GOAL SETTING

Based on the information you have learned today, what do you think you could do to put yourself in the best possible financial situation? Using the SMART criteria, create two short-term goals and one long-term personal financial goal.

- **SMART**
- **MEASURABLE**
- **ACTION-ORIENTED**
- **REALISTIC**
- **TIMELY**

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

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

When you are done, you have SMART goals ready to insert into your own financial planning worksheet.