

Module 1.1

Develop Your Spending Plan



PERSONAL FINANCIAL PLANNING FOR TRANSITION

Financial Planning for your Future



Learning Objectives

- Define SMART Financial Goals
- Identify current financial situation by completing a budget
- Predict future requirements
- Complete the following sections in their financial spending plan
 - Net Worth Statement
 - Income Statement
 - Savings & Expenses
 - Indebtedness Summary
 - Action plan / Goals
 - Daily Expense /Spend Plan
- Develop a post-service, 12-month transition spending plan



Spending Plan Characteristics

- **Guide & servant**
- **No need to account for each penny**
- **Easy to understand**
- **Reflects wants & needs**
- **Based on current income/expenses**
- **Practical & realistic**
- **Flexible**
- **Provides for necessities and fun**

Why a Spending Plan is Important

- **Live within your income**
- **Realize personal goals**
- **Maintain good credit history**
- **Get more for your money**
- **Reduce financial stress**
- **Enjoy financial freedom**

The Financial Planning Worksheet

- 1. Net Worth Statement**
- 2. Income Statements**
- 3. Savings & Expenses**
- 4. Indebtedness Summary**
- 5. Action Plan / Goals**
- 6. Daily Expense Tracker**
- 7. 12 Month Post Separation Budget**

Elements of a Budget



Income



Savings



Debt



Expenses

Elements of a Budget

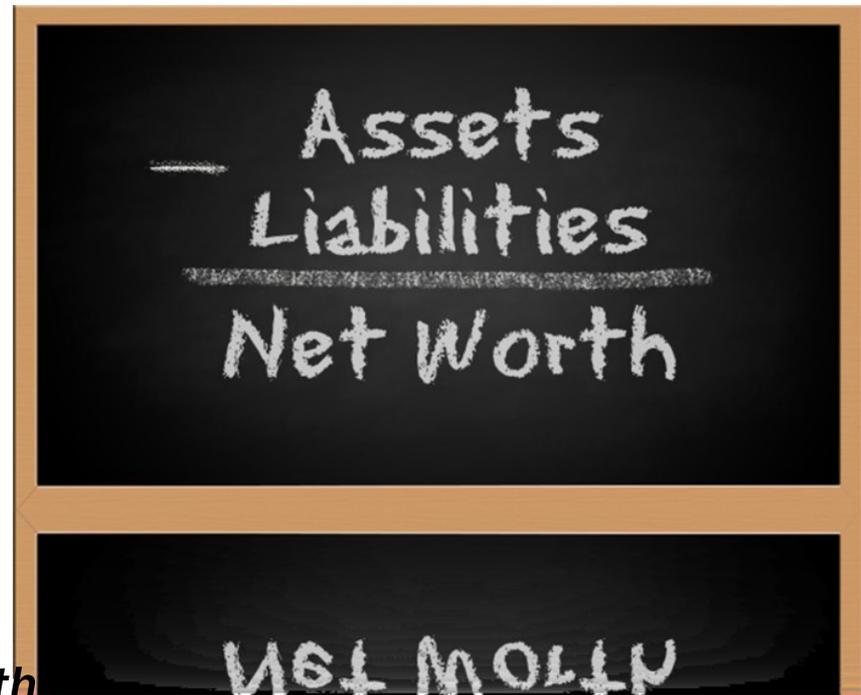
The Financial Planning Worksheet

Assets:

What You Own

Liabilities:

What You Owe



Resources for estimating net worth:

www.savingsbond.gov

www.homegain.com

www.nada.com

Neighborhood Start-up Grant	\$500		
Garage Sale Fundraiser			\$3
Balance from previous year	--	\$700	\$6
Total Income	\$1,000	\$1,200	\$1,4
Ex			
Plant hook-up)	\$100		\$1
es & barrels)	\$100		
Tool		\$100	
Hand		\$100	
Lease			
Liability		\$100	\$1
Woodchip			
Compost or		\$100	
Plant material			
Printing (agree			
Garden sign -construction materials (stakes,			



**Complete the Net Worth (tab 1)
on the worksheet**

Hedges			\$1
Picnic table			\$1
Arbor			
Tree(s)			\$1
Total Expenses	\$300	\$600	\$7
NET INCOME (income-expenses)	\$700	\$600	\$7

Income Definitions

Total pay + allowances =
Gross Income

Gross income – tax deductions – additional deductions
such as allotments=
Net Income

You can think of “net income” as the amount of money you “take home” from each paycheck.

Net Income

E-5 over 8 years w/dependents

	(A)	
	(B)	
Total additional deductions <i>Monthly savings \$200, monthly investing \$163.83</i>	(C)	\$363.83
Net Income (A-B-C)		\$4,156.35

2015 Pay Rates and SGLI of \$250,000

Net Income

E-7 over 20 years w/dependents		
	(A)	
	(B)	
Total additional deductions <i>Monthly savings \$200, monthly investing \$225</i>	(C)	\$425
Net Income (A-B-C)		\$5254.26

2015 Pay Rates and SGLI of \$400,000

Neighborhood Start-up Grant	\$500		
Garage Sale Fundraiser			\$3
Balance from previous year	--	\$700	\$6
Total Income	\$1,000	\$1,200	\$1,4
Expenditures:			
Plant hook-up)	\$100		\$1
es & barrels)	\$100		
Tool		\$100	
Hand		\$100	
Lease			
Liability	00	\$100	\$1
Woodchip			
Compost or		\$100	
Plant material			
Printing (agreements, flyers, etc)			
Garden sign –construction materials (stakes,			



**Complete the Income (tab 2, 3 & 4)
on the worksheet**

Hedges			\$1
Picnic table			\$1
Arbor			
Tree(s)			\$1
Total Expenses	\$300	\$600	\$7
NET INCOME (income-expenses)	\$700	\$600	\$7

Savings Exercise

- List all of the money you save in the remarks section
- List any monthly amounts contributed to
 - Savings funds
 - Investments (TSP, SDP, 401K)
 - Mutual funds, stocks, other
- Total

Neighborhood Start-up Grant	\$500		
Garage Sale Fundraiser			\$3
Balance from previous year	--	\$700	\$6
Total Income	\$1,000	\$1,200	\$1,4
Electric (plant hook-up)	\$100		\$1
Water (pipes & barrels)	\$100		
Tools (\$100)		\$100	
Hand tools (runners)		\$100	
Lease			
Liability	100	\$100	\$1
Woodchip			
Compost or		\$100	
Plant material (plants)			
Printing (agreements, flyers, etc)			
Garden sign - construction materials (stakes,			



**Complete the Savings (tab 5)
on the worksheet**

Hedges			\$1
Picnic table			\$1
Arbor			
Tree(s)			\$1
Total Expenses	\$300	\$600	\$7
NET INCOME (income-expenses)	\$700	\$600	\$7

Savings



WAYS TO SAVE

Living Expenses



Household



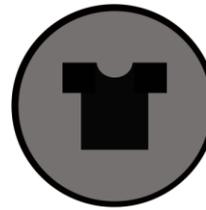
Utility



Transportation



Food



Clothing



Leisure

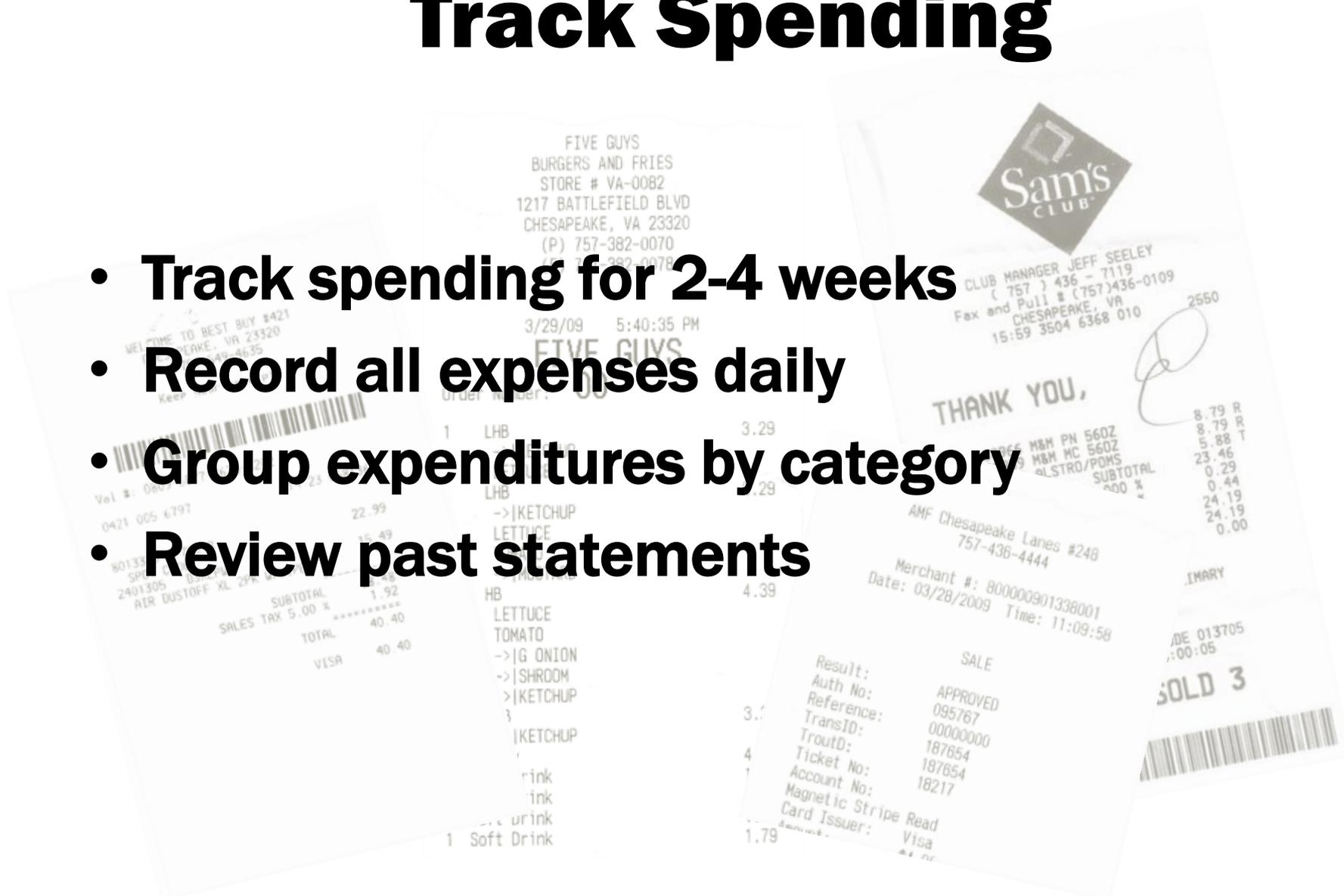


Insurance

Types of Expenses

Track Spending

- Track spending for 2-4 weeks
- Record all expenses daily
- Group expenditures by category
- Review past statements



Spending Log

Spending Log

Date	Description	Cost
5/1	Starbucks - Latte	4.38
5/1	7-11 – Gum/newspaper/gas	35.32
5/1	Mimi's Café	12.45
5/2	Starbucks – Latte	4.38
5/2	Chic-a-fila	7.56
5/2	Safeway	12.25
5/3	Starbucks – Latte	4.38
5/3	Total Wine	8.56
5/4	Starbucks – Latte	4.38
5/5	Starbucks – Latte	4.38

Neighborhood Start-up Grant	\$500		
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Total Income	\$1,000	\$1,200	\$1,4
Electric (plant hook-up)	\$100		\$1
Water (pipes & barrels)	\$100		
Tools (\$100)		\$100	
Hand tools (runners)		\$100	
Lease			
Liability	100	\$100	\$1
Woodchip			
Compost or		\$100	
Plant material			
Printing (agreements, flyers, etc)			
Garden sign -construction materials (stakes,			



**Calculate the Living Expenses (tab 5)
on the worksheet**

Hedges			\$1
Picnic table			\$1
Arbor			
Tree(s)			\$1
Total Expenses	\$300	\$600	\$7
NET INCOME (income-expenses)	\$700	\$600	\$7

Debt Management Example

A Transitioning Service Member borrowed \$15,000 at 16% interest for 5 years. He paid

Total Interest Paid	Total Amount Paid for Car
\$ 6,886.25	\$ 21,886.25

What if he had 6% interest for 5 years?

Total Interest Paid	Total Amount Paid for Car
\$ 2,399.52	\$ 17,399.52

What if he had 6% interest for 3 years?

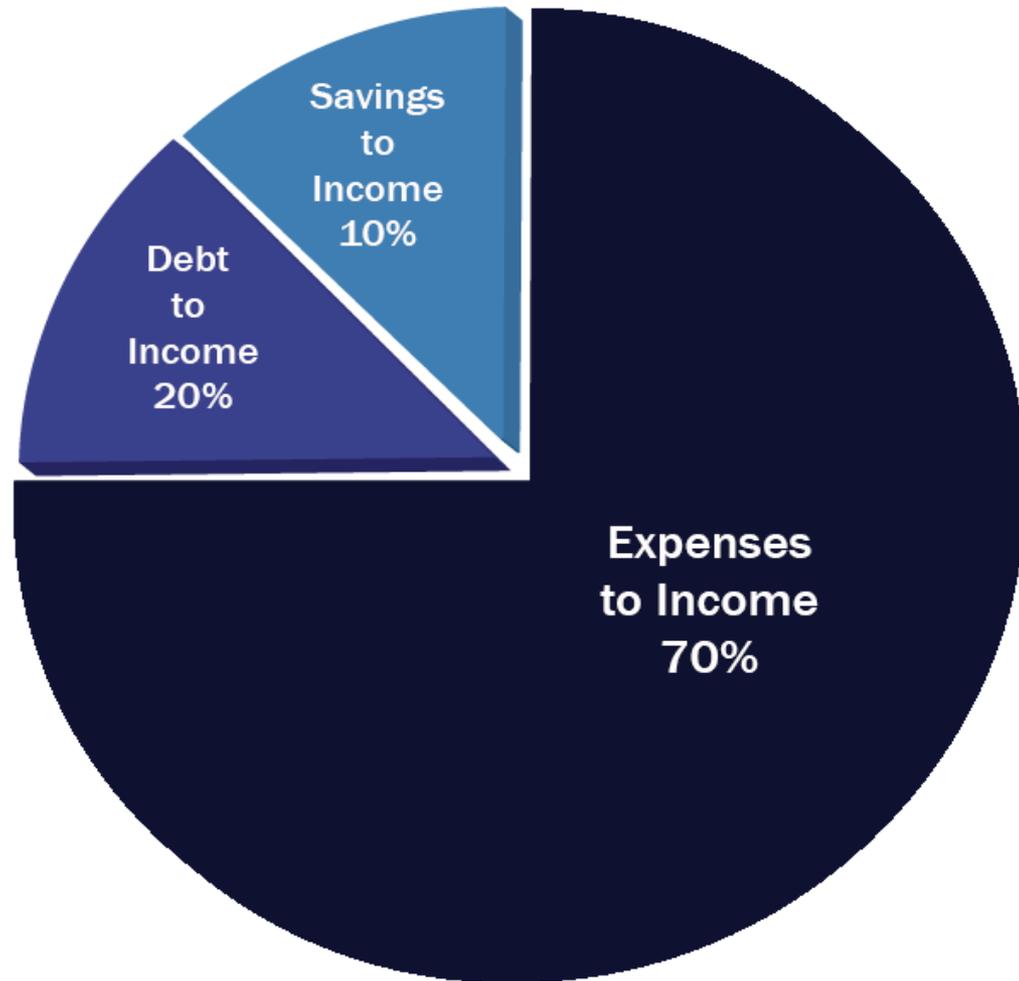
Total Interest Paid	Total Amount Paid for Car
\$ 1,427.85	\$ 16,427.85

Neighborhood Start-up Grant	\$500		
Garage Sale Fundraiser			\$3
Balance from previous year	--	\$700	\$6
Total Income	\$1,000	\$1,200	\$1,4
Electric (plant hook-up)	\$100		\$1
Water (pipes & barrels)	\$100		
Tools (\$100)		\$100	
Hand tools (runners)		\$100	
Lease			
Liability	100	\$100	\$1
Woodchip			
Compost or		\$100	
Plant material (bags)			
Printing (agreements, flyers, etc)			
Garden sign -construction materials (stakes,			



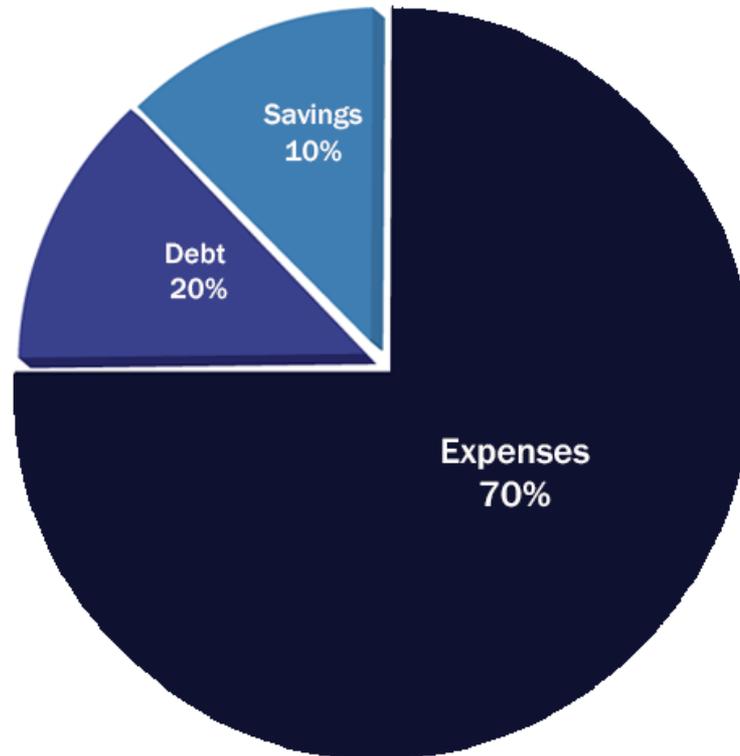
**Calculate the Indebtedness (tab 6)
on the worksheet**

Hedges			\$1
Picnic table			\$1
Arbor			
Tree(s)			\$1
Total Expenses	\$300	\$600	\$7
NET INCOME (income-expenses)	\$700	\$600	\$7



70-20-10 Ratio

Debt-to-Income Ratio



Debt to Income Ratio

Use Caution	<15%
Fully Extended	15-20%
Overextended	21-30%
Seek Assistance	>30%

The 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. _____

SETTING YOUR GOALS (Short & Long Term)

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

REFERRALS/RECOMMENDED TRAINING

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____

Neighborhood Start-up Grant	\$500		
Garage Sale Fundraiser			\$3
Balance from previous year	--	\$700	\$6
Total Income	\$1,000	\$1,200	\$1,4
Electric (plant hook-up)	\$100		\$1
Water (pipes & barrels)	\$100		
Tools		\$100	
Hand tools (runners)		\$100	
Lease			
Liability	00	\$100	\$1
Woodchip			
Compost or		\$100	
Plant material (plants)			
Printing (agreements, flyers, etc)			
Garden sign -construction materials (stakes,			



**Write the Action Plan and Goals (tab 7)
on the worksheet**

Hedges			\$1
Picnic table			\$1
Arbor			
Tree(s)			\$1
Total Expenses	\$300	\$600	\$7
NET INCOME (income-expenses)	\$700	\$600	\$7

Improving a Spending Plan

Improving a Spending Plan



..... **Increase Income**

Decrease Living Expenses



..... **Decrease Indebtedness**

Sources of Help



Review

- Net Worth
- Income Statements
- Expenses
- Debt
- Savings
- Action Plan/Goals
- Daily Expense Tracker
- 12 Month Post Service Budget

12 Month Post Service Budget

Activity:
Create your own 12-month post service budget. Be sure to use the projected column.

MONTHLY EXPENSES			
MEMBER AND SPOUSE'S NAME	ACTUAL	PROJECTED	REMARKS
TAXI HOME PAY	0	0	
SAVINGS			
GOAL 10% OF NET INCOME			
EMERGENCY FUND (1-3 MONTHS)	0		For comparison purposes only
RESERVE FUND	0		
501A/529/529A FUND	0		
INVESTMENTS/IRAS/529/ETC	0		
PAY PERIOD SAVINGS AND INVESTMENTS (1.0%)	0	0	
MONTHLY EXPENSES			
ACTUAL	PROJECTED	REMARKS	
HOUSING			
			MORTGAGE/RENT
			MAINTENANCE/REPAIRS
			FURNISHINGS
			TAXES/FEES
UTILITIES			
			CABLE/SATELLITE TV/INTERNET
			CELLULAR/PAGES/PHONE CARDS/TELEPHONE
			ELECTRICITY
			NATURAL GAS/PROPANE
			WATER/GARAGE/SEWAGE
			OTHER
FOOD			
			DINING OUT
			GROCERIES
			LIQUORS
			VENDING MACHINES
			MEAL DEDUCTIONS
TRANSPORTATION			
			(GAS/OLIO)
			MAINTENANCE/REPAIRS (INCL. SAVINGS FOR FUTURE)
			OTHER TRANSPORTATION (TAXI/BUS/FARE, PARKING)
			OTHER (TRANS/REGISTRATION/LICENSING)
INSURANCE			
			AUTOMOBILE
			HOMEOWNERS/RENTERS
			HEALTH/LIFE/TO/IDENTAL
			WARRANTIES/OTHERS
HEALTHCARE			
			DENTAL
			EYE CARE
			HOSPITAL/PHYSICIAN
			PRESCRIPTIONS
SUBTOTAL (PAGE 1) OF MONTHLY LIVING EXPENSES			
	0	0	
MONTHLY EXPENSES (PAGE 2)			
MEMBER AND SPOUSE'S NAME	ACTUAL	PROJECTED	REMARKS
LIVING EXPENSES			
CLOTHING			
			LAUNDRY/DRY CLEANING
			PURCHASES (\$50 MONTHLY PER PERSON)
CHILD CARE			
			ALLOWANCES
			DAYCARE
			CHILD SUPPORT
			DIAPERS/WIPES, ETC.
PET CARE			
			FOOD/SUPPLIES
			VETERINARIAN/SERVICES (BOARDING/GROOMING)
PERSONAL			
			BEAUTY SHOP/NAILS/BARBER SHOP
			CIGARETTES/OTHER TOBACCO/LIQUOR/BEER/WINE
			VENDING MACHINES
			HEALTH CLUBS/ORGANIZATIONAL DUES
			PERSONAL SPENDING FUNDS
			OTHER (TOILETRIES, SUPPLEMENTS, ETC.)
EDUCATION			
			BOOKS & SUPPLIES
			FEES (OTHER/ROOM & BOARD)
			TUTORING/MGIB/POST 9/11
LEISURE/HOBBIES			
			ATHLETIC EVENTS/SPORTING GOODS
			BOOKS/MAGAZINES
			COMPUTER PRODUCTS/SOFTWARE/HARDWARE
			DVD/VIDEO GAME RENTALS
			DOWNLOAD MOVIES/MUSIC
			DVDs & CDs
ENTERTAINMENT			
			LESSONS
			TOYS & GAMES
			TRAVEL/LOGGING
			CONCERTS/CLUBS/THEATER/OTHER
CONTRIBUTIONS			
			CHARITIES (CCF/NNICES)
			RELIGIOUS
GIFTS			
			HOLIDAYS/BIRTHDAYS/ANNIVERSARIES
MISCELLANEOUS			
			DEPLOYMENT & TEMPORARY DUTY EXPENSES
			ATM FEES/STAMPS/ETC.
			OTHER (TOILETRIES, SUPPLEMENTS, ETC.)
SUBTOTAL (PAGE 2) OF MONTHLY LIVING EXPENSES			
	0	0	
GRAND TOTAL OF MONTHLY EXPENSES (PAGES 1&2)			
	0	0	