



Flight Plan to Financial Freedom

FINANCIAL READINESS GUIDE

PURPOSE

The purpose of this guide is to introduce you to the basics of personal finance so that you can begin building a solid financial foundation and improve your financial readiness.

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Whatever your goals for the future, a strong financial foundation can help you achieve them.

PLANNING FOR YOUR FUTURE

Understanding money and personal finances can sometimes be difficult. But just because something is difficult, doesn't mean it's not possible.

A great place to start is to understand the basic concepts that are included in this guide.

Another great resource you'll have during your Air Force career is the personal financial counselors in the Airman and Family Readiness Centers. They can help you apply the concepts in this guide to your specific situation and your life in the Air Force.

INCREASE YOUR FINANCIAL READINESS

- » Set financial goals.
- » Create a spending plan.
- » Establish a good credit reputation and use credit wisely.
- » Protect your assets with insurance, wills, powers of attorney and a letter of instruction.
- » Save and invest for emergencies and future goals.
- » Adjust your financial plan as circumstances change.

SETTING YOUR FINANCIAL GOALS

Financial planning begins with goal setting. The following four questions can provide a solid framework to help you determine your goals.

DEFINE YOUR GOALS

1. What do I want to accomplish?
2. When do I want to accomplish it?
3. How much money will I need to accomplish it?
4. Why is it important for me to accomplish it?

WRITE THEM DOWN

While having goals in your head is a great start, you're more likely to accomplish them if you write your goals down or record them somewhere you can regularly revisit them. The worksheet on the next page can help.

Financial management is a lifelong process that requires hard work and self-control. Done correctly, it can lead to a secure and satisfying future.

GOAL EXAMPLES

Short-Term

- » Establish a budget that includes saving and investing for your future.
 - » Make a plan to eliminate debt.
 - » Begin creating an emergency fund.
 - » Purchase appropriate insurance coverage.
 - » Start building credit.
 - » Make a smart vehicle purchase.
 - » Prepare and execute a will, powers of attorney and other appropriate legal documents.
-

Intermediate-Term

- » Buy a home.
 - » Plan for a wedding.
 - » Prepare for the birth or adoption of a child.
 - » Provide for your advanced education.
-

Long-Term

- » Be able to save enough to quit working someday.
- » Provide for your children's college education.
- » Start a business.



QUANTIFY YOUR GOALS

IDENTIFY HOW MUCH TIME AND MONEY YOU WILL NEED TO REACH EACH GOAL. ALLOW FOR INFLATION, WHICH HAS AVERAGED JUST OVER 2% DURING THE PAST 20 YEARS.

GOALS (WHAT)	Short-Term			Long-Term		
	TIME (WHEN)	MONEY NEEDED	WHY IMPORTANT	TIME (WHEN)	MONEY NEEDED	WHY IMPORTANT
New vehicle down payment	2 years	\$10,000	Keep Payment Lower	N/A	N/A	N/A



SET S.M.A.R.T. GOALS

Another way to think about your goals is to use the acronym S.M.A.R.T.:

- » **SPECIFIC**
Be very specific in terms of what you would like to accomplish.
- » **MEASURABLE**
Define your goals in a manner that allows you to track your progress and know when you've succeeded.
- » **ATTAINABLE**
Set goals that are attainable, not merely dreams.
- » **RELEVANT**
Your goals need to be relevant and important to help you stay engaged.
- » **TIME-BOUND**
Set a target date of accomplishment.

REVIEW YOUR SITUATION

It's usually a good idea to review your financial situation and adjust your goals and plans for reaching them at least once each year and at the time of significant life events, such as:

- » Graduation
- » Marriage or divorce
- » Birth or adoption of a child
- » Job promotion or unemployment
- » Purchase of a home or other real estate
- » Relocation
- » Death of a spouse or heir
- » Separating from the military

In addition to reviewing your goals, review and make appropriate adjustments to your savings, investing, insurance, etc.

As you kick off a new year, January is usually a good time to do an annual review, but pick whatever schedule works for you.



PLANNING FACTORS

CONSIDER THESE FACTORS WHEN ESTABLISHING AND MAINTAINING A FINANCIAL PLAN:

» TIME

Time can be a money multiplier. The earlier you start saving and investing, the faster you accumulate money for reaching your goals.

» NEEDS VS. WANTS

Needs and wants are different. For example, you need to save money for your future, but you might want to use that money for a sports car or expensive SUV instead. Spending too much on wants can make it difficult to cover your needs, so it's usually smart to focus on needs first.

» FAMILY INVOLVEMENT

Family involvement is important if you are married or have a significant other. Each individual's needs and wants may vary. So it's usually good to discuss them together.

» RISK TOLERANCE

Risk and reward are typically connected in the investment arena. Investments that offer the potential for greater returns tend to be riskier than those offering less potential upside. At the same time, taking more risk does not guarantee greater returns. Being too conservative or safe with your investments can also threaten your odds of success. It's important to take the time to understand investment risk and your tolerance for it.

CREATING A BUDGET



CREATING A BUDGET

A BUDGET HELPS YOU:

- » Plan how you'll use your money each month.
- » Avoid wasting money.
- » Prepare for unexpected expenses.
- » Save for your future.
- » Reduce or avoid stress that money problems can bring.

Creating and following a budget are essential steps in establishing financial control and direction. While many software programs are available for this important task, a pencil and paper can sometimes be just as effective. Look for the "Budget Worksheet" on pages 11-12.

Whatever budget method you choose, make sure it's one that is easy for you to maintain.



IT PAYS TO HAVE A BUDGET

CONSIDER FOLLOWING THIS 4-STEP
PROCESS TO GET YOUR FINANCES
ON TRACK AND KEEP THEM THERE.



1 Know Your Current Situation

If you're not already there, it might be time to get up close and personal with your cash inflows and outflows. You can start by tracking everything coming in and going out so you'll know what you can change if needed.

For inflows, pay attention to more than just your paycheck. Gifts, tax refunds, rebates, proceeds from selling stuff – if it's money coming in, it all counts.

For outflows, the same thinking applies. Out-of-the-ordinary expenses like gifts or new tires for your car need to be accounted for just like recurring outflows.

2 Know Where Your Money Should Go

Every situation is different but there are some great budgeting rules of thumb that can help you get on the right path. For example, many personal finance experts agree that saving and investing should generally be 10% to 15% of pre-tax pay, vehicle expenses should be no more than 10%, and housing should generally be no more than 20% to 25%.

3 Create A Plan

Now that you know what your situation really looks like and what you potentially should be doing with your money, it's time to put the two together and make a plan.

Funding your goals should generally come first. And when it comes to cutting back, don't be afraid to make big changes if necessary.

Just be careful not to cut so much that you won't be able to sustain your plan over the long term.

4 Make Adjustments

As your life changes, so should your budget in many cases. Be alert to coming changes to both inflows and outflows so that you can make adjustments sooner, rather than later.

A good plan will require frequent adjustments to make sure it evolves with your life.

Budget Worksheet

INFLOWS	YOU	SPOUSE
Basic pay	\$	\$
Special pay (hazardous duty, flight pay, etc.)		
Housing allowance		
Subsistence allowance		
Total Monthly Gross Income	[A] = \$	= \$
DEDUCTIONS		
Federal Income Tax Withholding (if applicable)	\$	\$
State Income Tax Withholding (if applicable)		
FICA - Social Security		
FICA - Medicare		
Other deductions (employer-provided retirement plan contributions, etc.)		
Total Deductions	[B] = \$	= \$
OTHER INFLOWS (interest, gifts, refunds, etc.)	[C] = \$	= \$
Total Monthly Net Inflows	[A-B+C] = \$	= \$

OUTFLOWS	PLANNED	ACTUAL
SAVINGS/INVESTMENTS		
Emergency fund	\$	\$
Retirement accounts (IRA, Roth IRA, etc.)		
Other		
DEBT		
Credit cards	\$	\$
Loans (other than mortgage and autos)		
HOME		
Food	\$	\$
Rent/Mortgage payment		
Property taxes ($1/12$ of total annual expense)		
Utilities, cable, satellite, internet, etc.		
Home maintenance		
Furniture		
Phone/Mobile phone		
Property insurance (renters, homeowners)		
CHARITABLE GIVING		
Place of worship	\$	\$
Other		

Budget Worksheet

MONTH

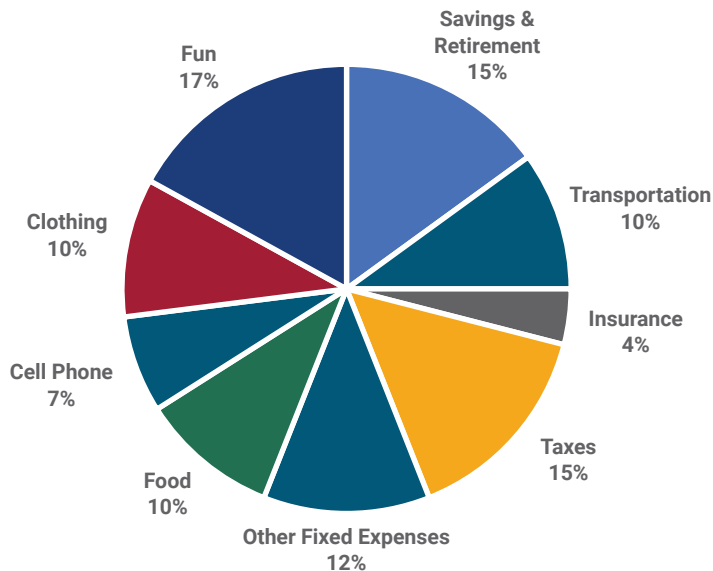
OUTFLOWS continued	PLANNED	ACTUAL
INSURANCE		
Health	\$	\$
Disability		
Life (SGLI, spouse's group plan, personally owned, etc.)		
Long-term care		
EDUCATION		
Tuition	\$	\$
Room/Board/Travel		
Books/School supplies/Uniforms		
TRANSPORTATION		
Vehicle payment	\$	\$
Auto insurance		
Gasoline/Parking/Tolls/Public transportation		
Vehicle maintenance		
Other (Registration/License fees, 1/12 of total annual expense)		
PERSONAL		
Clothing	\$	\$
Laundry/Dry cleaning		
Grooming (hair care, toiletries, etc.)		
Child care (baby sitters, child care center)		
RECREATION/ENTERTAINMENT		
Vacations (1/12 of total annual expense)	\$	\$
Entertainment/Dining out		
Hobbies (for example, golf or tennis equipment and fees)		
Club fees/Organization dues		
Other		
TOTAL MONTHLY OUTFLOWS	= \$	= \$

CALCULATE MONTHLY CASH FLOW	PLANNED	ACTUAL
Total Monthly Net Inflows	\$	\$
Less Total Monthly Outflows	- \$	- \$
Net Cash Flow (Deficit)*	= \$	= \$

* If your net cash flow is positive, you might be able to save more for emergencies or other financial goals. If it's negative, you may want to try to cut outflows or increase inflows (if possible).

SAMPLE BUDGET NEW ENLISTED

HOW YOU MIGHT BUDGET YOUR MONEY



Category	Goal	\$1800 Per Mo.
Fixed		
Retirement	10%	\$180
Savings	5%	\$90
Transportation*	10%	\$180
Insurance (SGLI/Renters)	4%	\$72
Taxes	15%	\$270
Other Fixed Expenses**	12%	\$216
Flexible		
Food	10%	\$180
Cell Phone	7%	\$126
Clothing	10%	\$180
Fun		
Entertainment	10%	\$180
Other (Travel/Hobby)	7%	\$126

The sample budget shown is for a single enlisted service member living on the installation with a relatively clean financial slate at the start of his or her military service. It is based on total monthly pay before any taxes or deductions are taken out. It is assumed that housing expenses are fully covered by Basic Allowance for Housing.

This sample budget will likely not translate well to those who are married or who already have significant financial obligations.

It should, however, provide some useful target ranges for various expense categories.

IMPORTANT:

A critical budgeting mistake often made by young service members is spending too much on transportation-related expenses.

Striving to keep transportation costs lower will allow you to allocate more to fun and saving for your future.

A great way to build wealth and stay out of high-interest-rate debt is to plan for every dollar of every paycheck.

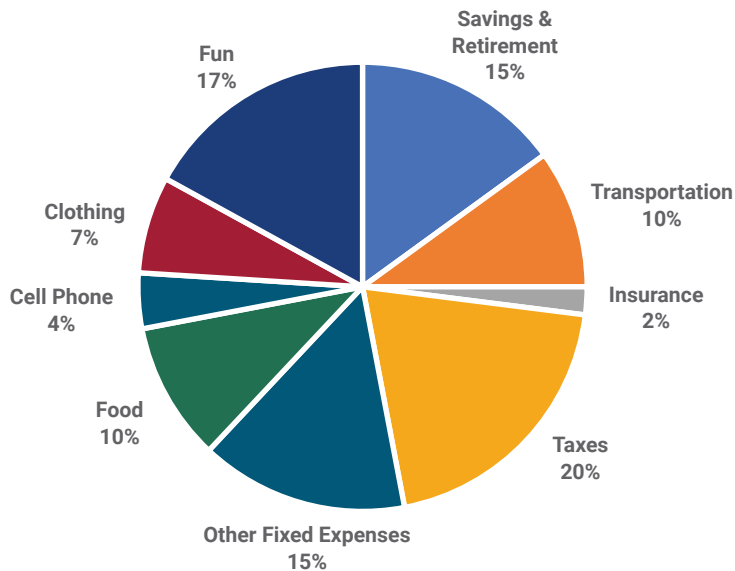
Remember, just because you have money doesn't mean you have to spend it.

* Transportation expenses include auto loans, insurance, maintenance and fuel.

** Other Fixed Expenses could include supplementing transportation costs or paying down other debt like credit cards or student loans.

SAMPLE BUDGET NEW OFFICER

HOW YOU MIGHT BUDGET YOUR MONEY



Category	Goal	\$3100 Per Mo.
Fixed		
Retirement	10%	\$310
Savings	5%	\$155
Transportation*	10%	\$310
Insurance (SGLI/Renters)	2%	\$62
Taxes	20%	\$620
Other Fixed Expenses**	15%	\$465
Flexible		
Food	10%	\$310
Cell Phone	4%	\$124
Clothing	7%	\$217
Fun		
Entertainment	10%	\$310
Other (Travel/Hobby)	7%	\$217

The sample budget shown is for a single officer with a relatively clean financial slate at the start of his or her military service. It is based on total monthly pay before any taxes or deductions are taken out. It is assumed that housing expenses are fully covered by Basic Allowance for Housing.

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UNDERSTANDING CREDIT



USING CREDIT WISELY

CREDIT IS AN IMPORTANT FINANCIAL TOOL

- » It lets you pay for expenses you could not afford with cash, such as a college education, a new vehicle, or a home.
- » It helps you build a credit reputation – summarized in a credit report – that employers, landlords, future lenders and other businesses often consider as they make decisions about your creditworthiness.
- » It can also be dangerous if misused. Some individuals make the mistake of viewing credit as a license to spend. Unfortunately, poor spending decisions can leave you deeply in debt and damage your credit reputation for years ahead.





PRACTICE HEALTHY CREDIT HABITS

Using credit responsibly can help boost your overall financial well-being.

STEPS TO HEALTHY CREDIT

The following healthy credit habits can improve your credit reputation:

1. Set up and follow a budget so that you don't accidentally run up debt.
2. Pay bills on time. Do not skip payments.
3. Strive to pay off credit cards in full each month. If you have to carry a balance, try to keep it as low as possible.
4. Do not apply for credit you do not need.
5. Keep credit card and loan information in a safe, secure place to reduce the risk of identity theft.
6. Keep your receipts and compare charges when your billing statements arrive. Call your company immediately if there is a discrepancy.

YOUR CREDIT REPORT

Your credit report is a record of your payment history with creditors. It is this report that employers, lenders, landlords, insurers and other businesses often evaluate to make decisions about your creditworthiness.

IT SHOWS THE FOLLOWING:

- » How much credit you are using.
- » How well you pay your debts.
- » Who is inquiring about your credit.
- » Information on bankruptcies or federal income tax liens.

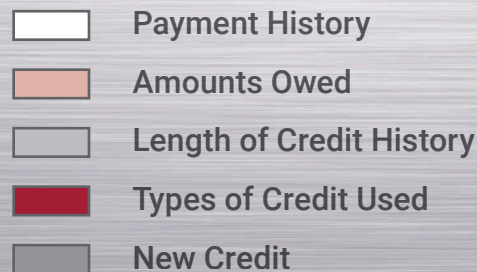
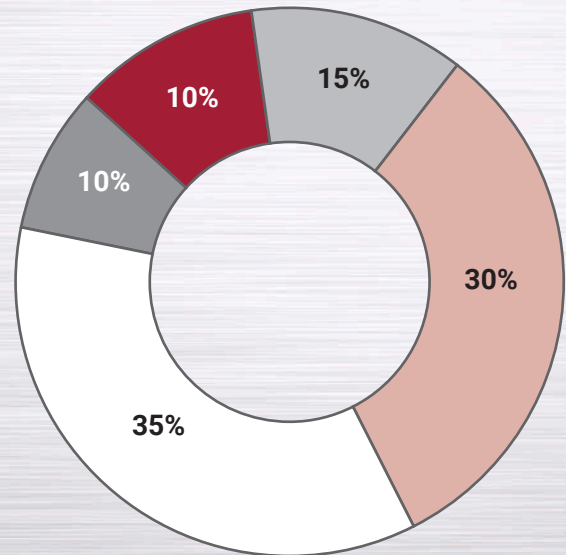
You can request your free annual credit report through the Annual Credit Report Request Service, a centralized contact created by the three nationwide consumer reporting agencies, Equifax, Experian and TransUnion. Review your credit report annually for accuracy and any changes that may indicate fraudulent activity.

In addition to your credit report, creditors may look at your credit score, a three-digit numerical summary of your credit report. The higher your score, the better.

To request your free annual credit report, visit annualcreditreport.com or speak with a financial counselor in the Airman and Family Readiness Center.

FACTORS DETERMINING CREDIT SCORE

FICO MODEL:



YOUR CREDIT SCORE

If your score is high enough, you may qualify for the best rate on a loan or credit card account. A low score may cause you to be denied credit.

- » Depending on the credit scoring model, credit scores may range from 300 to 850.
- » Most lenders consider scores above 660 good credit risks.
- » Scores below 600 may indicate credit problems.

**Your score
can change
as new
information
is received
by consumer
reporting
agencies.**

No single factor determines your score. But one or more of the factors may affect the final score more than others, depending on the overall information in your credit report.

Your score today could be different from your score three months from now. Ordering a copy of your own credit report or credit score does not impact your score.

Lenders use different credit-scoring models depending on the type of credit for which you are applying. Still, you can obtain an educational score from any number of sources (sometimes for a fee) to give you a directional snapshot.



YOUR CREDIT RESPONSIBILITIES

WHEN YOU RECEIVE YOUR CREDIT REPORT, YOU HAVE THE RESPONSIBILITY TO REVIEW IT AND ACT ON ANY ERRORS YOU FIND.

- » Understand the entries on your credit report. Each consumer reporting agency's credit report contains information such as: how long an account has been tracked, the highest amount charged, the account balance at the time of the report and the type of account. Other entries identify creditors that have viewed your credit history. Codes indicate debtors' arrangements, repossessions and bad debts, if applicable.
- » Ensure your credit report is accurate. Common errors include incorrect personal information, missing information and occasionally, inaccurate information.
- » Report errors. The credit reporting agency must investigate the items in question – usually within 30 days – unless they determine that the dispute clearly lacks merit.
- » Retain your written account of errors or discrepancies in your file. If an investigation does not resolve the dispute to your satisfaction, you have a right to add a statement to your credit report file contesting the accuracy or completeness of the disputed information.

DEBT RELIEF SCAMS

Some unethical credit repair organizations target consumers with poor credit histories with promises to clean up their credit report so they can get an auto loan, a home mortgage, insurance or even a job once they pay a fee for the service. The tactics some of these organizations use are illegal. Unfortunately, there is no quick fix for creditworthiness, but you can improve your credit score legitimately by engaging in good credit behaviors over time. See page 30 for tips on getting out of debt.



EXERCISE CAUTION

BE CAUTIOUS IF A CREDIT REPAIR ORGANIZATION:

- » Asks you to pay for credit repair services before providing them.
- » Does not inform you of your rights and the steps you can take to help yourself at no cost.
- » Recommends you do not contact any of the three consumer reporting agencies directly.
- » Tells you they can remove most or all of the negative credit information in your credit report, even if that information is accurate and current.
- » Advises you to dispute all the information in your credit report, regardless of its accuracy or timeliness.
- » Suggests you create a new credit file by applying for credit using an Employer Identification Number (EIN) along with a new address, instead of your Social Security number. The use of your EIN for legitimate business purposes is legal; an attempt to defraud a creditor is punishable under federal and state law.

THE CREDIT REPAIR ORGANIZATIONS ACT

The Credit Repair Organizations Act requires credit repair organizations to give you a copy of the “Consumer Credit File Rights Under State and Federal Law” before you sign a contract. They must also provide you a written contract that spells out your rights and obligations. Make sure you read and understand the contract before signing anything.

Visit [CFPB.gov](https://www.consumerfinance.gov) and search “credit repair” for more information.

MILITARY LENDING ACT

The goal of the Military Lending Act (MLA) is to help protect service members and their families from predatory lending. The Act applies to active duty service members, including those on active Reserve or active Guard duty, and covered dependents.

Under the MLA, interest rates are capped for covered individuals, creditors can't require a waiver of consumer protections laws, allotments can't be required, and there can be no prepayment penalties.

Visit [CFPB.gov](https://www.consumerfinance.gov) and search “MLA” for more information.

BENEFITS OF GOOD CREDIT

By practicing healthy credit habits, you can build a good credit reputation.

- » You have a better chance of being approved for credit in the future.
- » You are more likely to receive higher loan amounts at lower interest rates.
- » You are more likely to get a desirable job, secure an apartment and acquire less expensive insurance coverage.

COSIGNING: BE CAREFUL!

At some point, a financially desperate family member or friend might ask you to help them out and cosign for them to get a loan or credit card.

You might feel bad and really want to help, but you should know that they're actually asking you for a lot more than your signature.

In fact, when you cosign on a debt, you're essentially telling the lender you'll pay it back if the primary borrower doesn't or can't. You're on the hook and your credit score is going to suffer if they slip up and possibly even if they don't.



ARE CREDIT CARDS BAD?

There's no denying that credit cards get a lot of people in a lot of financial trouble.

IF YOU DECIDE TO OPEN A CREDIT CARD ACCOUNT, KEEP THESE RULES IN MIND:

✓ **Minimize fees and rates**

Look for no annual fee and low interest rates. Watch out for low introductory rates that balloon after a while – a competing card may be a better deal in the long run.

✓ **Always have a plan**

Even though it doesn't take much thought to just pull out your card to pay for things, try to avoid using your card without thinking first.

✓ **Avoid cash advances**

Most credit cards charge a higher interest rate on cash advances as soon as they post to your account. It's often best to avoid using this feature altogether.

ONE MORE THING:

Be careful not to fall into the trap of viewing a credit as a license to spend now and pay later. Credit cards should typically be about convenience and safety, not spending money you don't have.



CHOOSING A CREDIT CARD

Exercise caution when applying for a credit card. It's usually not wise to base your choice exclusively on promotions or special offers.

REMEMBER THE FOLLOWING:

- » It's usually smart to look for a credit card with no annual fee and low interest rates.
- » Use caution with credit cards that offer low introductory rates. After a few months, the rate may go up, often higher than credit cards with no introductory rate.
- » Take time to understand the credit card's terms, conditions and fees.
- » Be careful with applying for more than one credit card at a time. Each request appears on your credit report and could lower your chances of being approved.
- » Be cautious about choosing credit cards that start charging interest on items you buy the day each transaction posts to your account. You pay interest on all purchases with this type of card. Most credit cards start charging interest on cash advances as soon as the entry posts to your account.

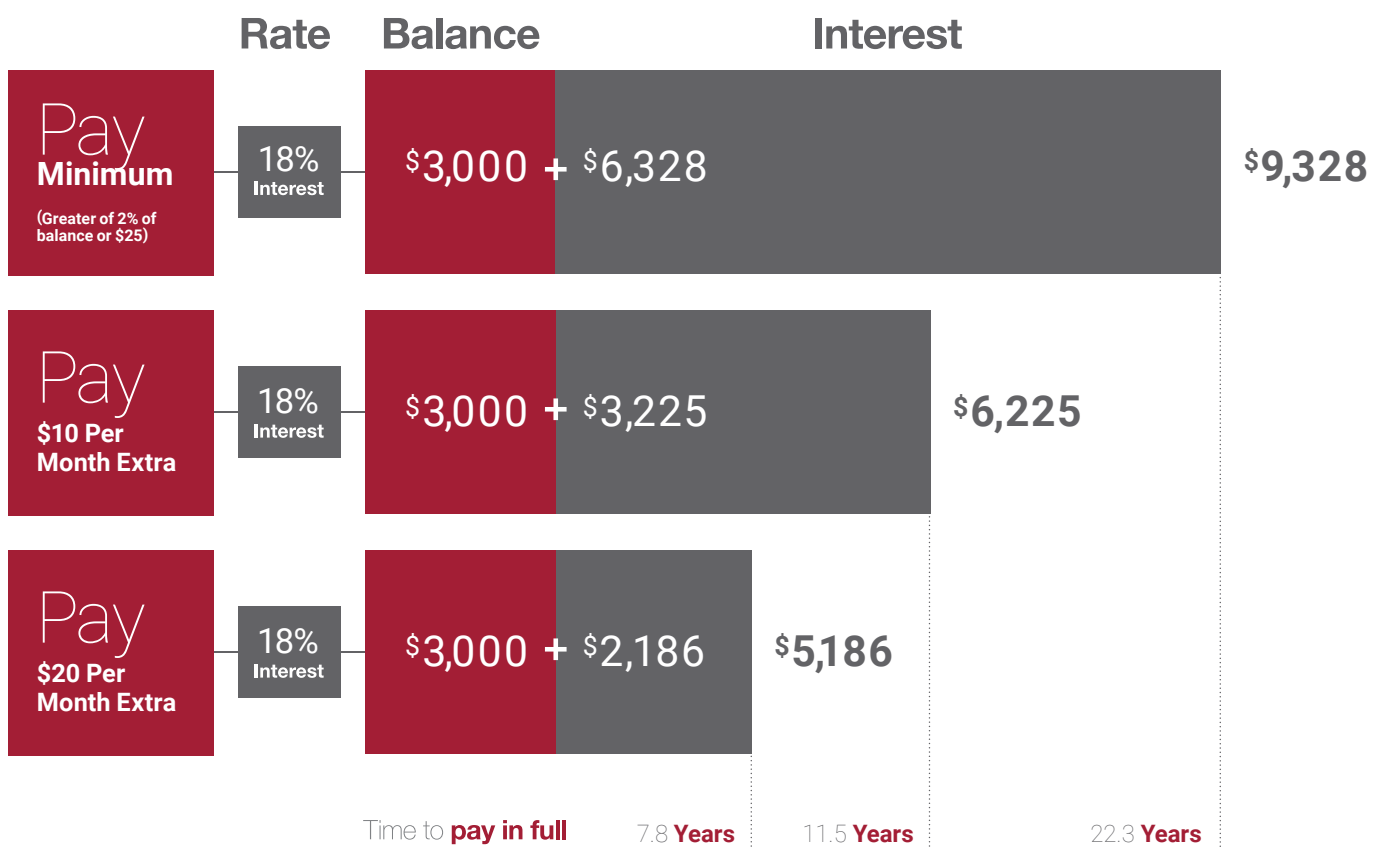
Look for a credit card with no annual fee and low interest rates.



CREDIT CARDS

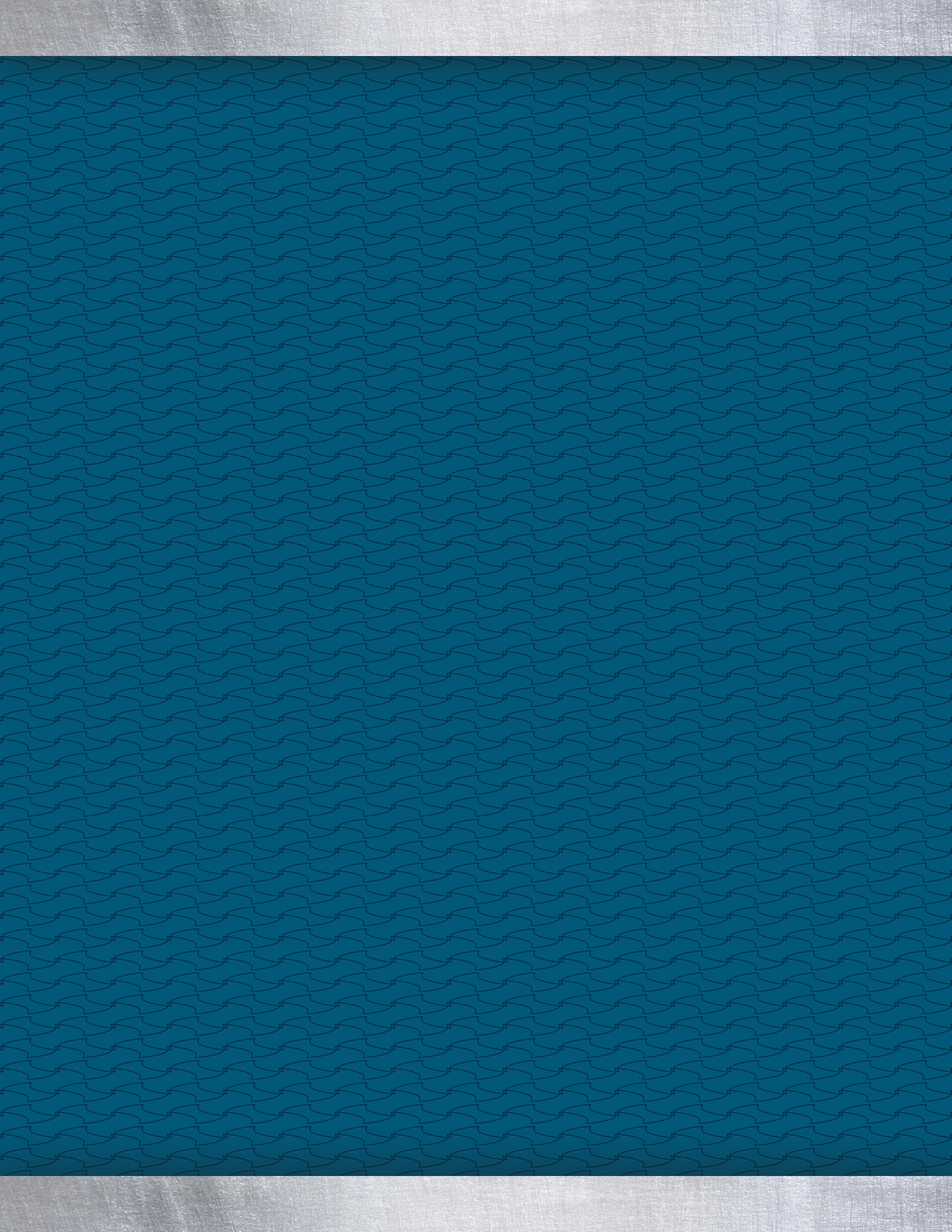
PAYING THE MINIMUM IS COSTLY

In the example below, paying only the minimum each month will take about 22 years to pay off the balance and cost more than twice the original charge. Even paying just a little more each month can make a big difference.



Just by paying a little more each month, **you can save thousands of dollars** in interest costs **and cut years off** your repayment time.

MANAGING DEBT



DEBT MANAGEMENT WARNING SIGNS

Warning signs of indebtedness appear long before creditors start sending collection notices. Answer the following questions to help determine if you are managing debt appropriately.

	Yes	No
1. Are you borrowing to pay for items you once paid for with cash?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is an increasing percentage of your income going to pay debts?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are you paying bills with money reserved for something else?	<input type="checkbox"/>	<input type="checkbox"/>
4. Are you taking money from savings to pay current expenses?	<input type="checkbox"/>	<input type="checkbox"/>
5. Is your emergency fund (which should equal at least 3–6 months of basic living expenses) inadequate or nonexistent?	<input type="checkbox"/>	<input type="checkbox"/>
6. Do you pay only minimums on your revolving charge accounts?	<input type="checkbox"/>	<input type="checkbox"/>
7. Are you making payments in 60–90 days that you once made in 30?	<input type="checkbox"/>	<input type="checkbox"/>
8. Are you near or at the limit on your credit cards and other sources of borrowing?	<input type="checkbox"/>	<input type="checkbox"/>
9. Do you take out a new loan before an old one is paid in full or take out a new loan to pay an existing loan?	<input type="checkbox"/>	<input type="checkbox"/>
10. Do you take out payday loans?	<input type="checkbox"/>	<input type="checkbox"/>
11. Are you unsure about how much you owe?	<input type="checkbox"/>	<input type="checkbox"/>
12. Are you chronically late in paying your expenses?	<input type="checkbox"/>	<input type="checkbox"/>
13. Are you threatened with repossession of your vehicle, cancellation of your credit cards or other legal action?	<input type="checkbox"/>	<input type="checkbox"/>

If You Answered	You Appear To Be	You Should Consider
"No" to all questions	Managing debt well.	Continue practicing good money management.
"Yes" to any question 1-5	Getting out of control.	Not using credit until current debt balances are paid.
"Yes" to any question 6-11	On the verge of trouble.	Discontinuing credit use. Stop using credit. Develop a budget and a debt payment plan.
"Yes" to question 12 or 13	Overextended.	Speaking with a personal financial counselor in the Airman and Family Readiness Center, now.



HOW TO GET OUT OF DEBT

If you become overextended, it takes personal effort and discipline to get your situation under control. These tips can help you get back on track:

- » **Stop the Bleeding.** To get out of debt, you've got to stop adding to it. Try going on a cash-only diet and try not to let a single dollar go to penalties or fees due to missed or late payments.
- » **Build a Safety Net.** Stuff happens! And if you don't have cash in the bank to handle it when it does, you could end up going deeper in debt to pay for it. Creating an emergency fund - even if it's just a small one - can be a big help.
- » **Confront Your Debt.** It's important to know what you owe, know how you got in debt in the first place, and know how to minimize your costs. Ask your lenders to lower your rates or consider a consolidation loan or balance transfer. Just be careful with this one.
- » **Know Your Cash Flow.** Understand what comes in, what goes out, and how you can free up money to put toward your debt.
- » **Adjust Your Cash Flow.** Once you've figured out where to cut, make those budget adjustments to free up that debt-destroying extra cash.
- » **Pay It Down.** One technique is to pay the minimums on all your debts except for one on which you'll pay extra each month. To save on interest costs, attack the highest-rate debts first. To get a bigger emotional boost, attack the smallest balances first. The key is to have a plan and work it!

HOW MUCH DEBT IS TOO MUCH?

One way to stay financially healthy is to calculate and monitor your debt-to-income (DTI) ratios, or how much you owe compared to how much you make each month.

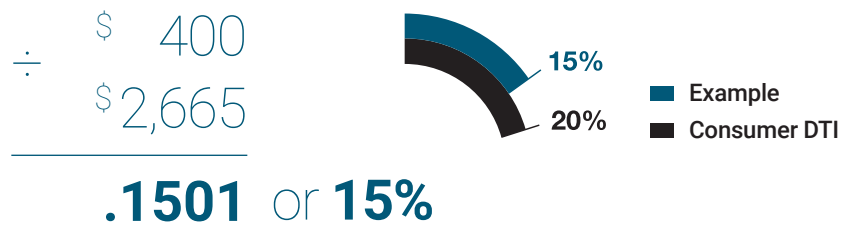
CONSUMER DTI

Best to keep it below 20% of after-tax pay

1. Add up your total monthly debt payments – credit cards, student loans, etc. – excluding mortgage or rent.
2. Divide that by your total monthly net income (your pay after taxes).

Example

Household debt payments total \$400/month and total after-tax pay is \$2,665/month



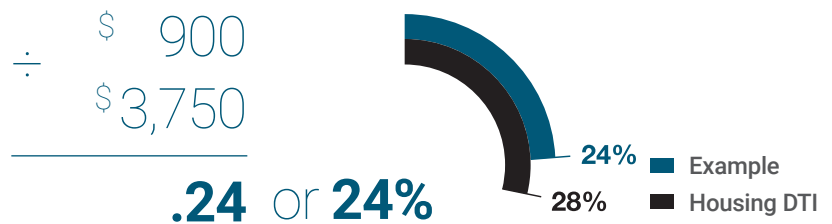
HOUSING DTI

Best to keep it below 28% of gross pay

1. Take your total housing payment (rent, mortgage, condo fees, etc.).
2. Divide that by your total monthly gross income (before deductions).

Example

Housing cost equals \$900/month and your total gross income is \$3,750/month



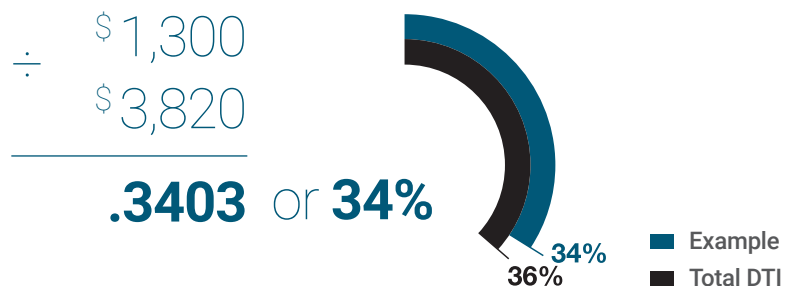
TOTAL DTI

Best to keep it below 36% of gross pay

1. Add your total monthly debt payments and your housing payments.
2. Divide that by your total monthly gross income (before deductions).

Example

Total debt payments equal \$1,300/month and your total gross income is \$3,820/month



These examples and suggested limits shown are simply generally accepted rules of thumb and should only be used to give you a general idea of your situation.

AVOID PAYDAY LOANS

Payday loans often carry high interest rates, unaffordable repayment terms and coercive collection tactics. Penalties for extending loan repayment can be severe.



Obtaining payday loans is relatively easy. However, they are so burdensome that the Department of Defense (DoD) leadership has identified payday loans as a threat to military readiness.

A payday loan may appear to be a short-term solution to a temporary cash flow problem. In reality, it is a high-interest, high-fee loan that can quickly create long-term debt.

Payday loans generally range from \$100-\$1,000 depending on state legal maximums. They are repaid out of your next paycheck (usually within a two-week period). Problems develop when you do not repay the payday loan from your next paycheck.

THERE ARE ALTERNATIVES TO PAYDAY LOANS

- » Talk to a counselor at your Airman and Family Readiness Center and/or Military OneSource.
- » The Air Force Aid Society offers no-interest loans and grants. Visit [afas.org](https://www.afas.org) for more information.
- » Research interest rates on loans offered by your financial institution, which can sometimes be more competitive.
- » Consumer credit counseling can sometimes be a good approach to get debts under control.

INSURANCE



WHY YOU NEED INSURANCE

RISK MANAGEMENT

Even if you spend wisely, save regularly and invest strategically, you are likely not managing your finances well if you have not taken steps to protect your assets, your earning potential, yourself and your family from the possibility of suffering a loss. This protection is called risk management.

Effective risk management often includes obtaining adequate insurance for you, your family and your possessions. It could also include reducing your risk factors by purchasing vehicles with safety and anti-theft equipment, taking a defensive driving course and installing smoke detectors and a security system in your home. These actions may also reduce your insurance premiums.

Insurance can never repair the emotional damage a loss brings, but it can reduce your financial stress and help you preserve your personal financial resources if the worst happens.





CHOOSING AN INSURANCE COMPANY

Before purchasing insurance, carefully assess what you need to protect. Determine the level of coverage you require. Compare insurance companies and their policies.

According to the Insurance Information Institute (III), consider these factors when selecting an insurance company:

- » Consult consumer publications, A.M. Best Company reports (available in most libraries) and your state's department of insurance.
- » Contact independent rating agencies for more information.
- » Visit your state's department of insurance website to learn if a company is licensed in the state and covered by the state's guaranty fund, which pays claims in the event the company defaults. Buying from a company licensed in your state means your state's department of insurance can help if there is a problem.
- » Visit your state's department of insurance website to find out whether complaints have been filed against a particular company.
- » Ask family, friends and neighbors what they like or dislike about their insurers.
- » Get quotes from at least three insurers.
- » Ask about discounts and savings, but pay attention to overall price. A company that offers few discounts still may have lower premiums.
- » Ask if an insurer reduces premiums if you buy more than one type of insurance.
- » Choose a company that is likely to be there when you need it.
- » Select a company that treats you courteously and fairly.

Note: This publication provides general insurance descriptions. Contact an insurance company for precise information on coverages, limitations and conditions.

WHAT IS INSURANCE?

An insurance policy is a legal contract between you and an insurance company to provide financial protection against losses described in the policy – up to a certain amount of money. Insurance can cover losses from events such as vehicle accidents, fire, illness, theft or death.

You pay a premium to the insurer, and in return, the insurer agrees to cover you for all or a portion of the costs of your covered losses. The insurer agrees to compensate you for a covered loss to your vehicle, property, life, health or whatever a policy might cover. You are liable for any applicable deductibles, co-payments, any damages in excess of the policy limits or any non-covered losses.

ABOUT AUTO INSURANCE PREMIUMS

Auto insurance premiums vary by state. They are based on how likely you are to have a loss and how much those losses will cost. The factors below may affect your premiums. For family vehicles, premiums will reflect the characteristics of all licensed drivers in your household. Some states do not allow insurers to consider certain factors.

GENDER

Premiums tend to be higher for males than females. Statistically male drivers tend to be involved in more accidents than female drivers. However, recent increased accident trends for young female drivers suggest the gap may be narrowing.

AGE AND MARITAL STATUS

Generally, premiums decline as young drivers age. However, after 65 years of age, premiums may begin rising again. Also, married drivers usually pay lower premiums than single drivers.

WHERE YOU LIVE

Drivers living in metropolitan areas generally pay more than drivers in rural areas.

TYPE OF VEHICLE YOU DRIVE

Expensive and high-performance vehicles tend to be more costly to insure. The vehicle's likelihood of theft, repair costs and safety record may also affect premiums.

DRIVING RECORD

The better your driving record (avoiding accidents and tickets), the lower your premiums.

FINANCIAL RESPONSIBILITY

Having a lapse in auto insurance coverage or a history of late or missed payments may increase your premiums.



TO LOWER PREMIUM COSTS

- » Discounts may be available to lower your premiums. When comparing insurers, ask about discounts they offer in your state.
- » You could increase your deductibles. However, before doing this, it's important to make sure you have the deductible amount available, if needed.
- » Look for safety features when purchasing a vehicle. Insurers may offer discounts for vehicles equipped with airbags, anti-theft devices and daytime running lights. Vehicle alarms and locator devices may reduce comprehensive coverage costs.
- » Some people will reduce or eliminate collision and comprehensive coverages on older vehicles (as long as reducing or eliminating this coverage would not put you in a tough financial spot if you later need it).
- » Drive safely.
- » Take a state-approved defensive driving or drug and alcohol awareness class.
- » Maintain a good credit rating.

INSURE YOUR VEHICLE

AUTO INSURANCE IS PURCHASED AS A “PACKAGE” OF SEVERAL COVERAGE TYPES. EACH IS PRICED SEPARATELY AND PROTECTS YOU IN SPECIFIC CIRCUMSTANCES. AVAILABLE COVERAGE AND MINIMUM REQUIREMENTS VARY BY STATE.

Basic Coverage



Bodily Injury Liability (BI)

- » Pays up to coverage limits for an injured individual's accident-related medical expenses, lost wages or pain and suffering, when applicable, if you or the driver of your vehicle are held legally liable.
- » Pays your legal defense costs.
- » Coverage applies when you and your resident family members are driving someone else's vehicle with their permission.
- » All states have minimum liability coverage limits set by state law.
- » Higher coverage limits may be purchased at an additional cost.



Comprehensive

- » Pays up to actual cash value (ACV) unless otherwise stated, for damage to your vehicle from some cause other than collision with another vehicle. ACV is the cost of replacing a destroyed vehicle with a comparable vehicle. Some insurers may offer replacement cost for new vehicles, generally those less than two model years old.
- » Pays for damages caused by fire, vandalism, flooding, hail or collision with an animal.
- » Pays for loss if your vehicle is stolen.
- » Subject to a deductible, which is a specific amount of money you pay before your insurance company begins to pay on a claim.
- » Required by most lenders.



Collision

- » Pays up to actual cash value (ACV) unless otherwise stated, for damage to your vehicle when your vehicle hits or is hit by another vehicle or object (excluding animals). ACV is the cost of replacing a destroyed vehicle with a comparable vehicle. Some insurers may offer replacement cost for new vehicles, generally those less than two model years old.
- » Pays up to ACV to repair collision-related or rollover damages to your vehicle.
- » Subject to a deductible, which is a specific amount of money you pay before your insurance company begins to pay on a claim.
- » Required by most lenders.



Medical Expense

- » This generally pays up to coverage limits for accident-related medical expenses for you and your passengers, regardless of who is legally liable.
- » This coverage is termed “medical payments” in some states.
- » In states having no-fault laws, which generally restrict the right to sue, this coverage may be called “personal injury protection” (PIP). In addition to medical expenses, PIP may pay for lost wages, as well as personal services such as housekeeping, if you or another covered individual are incapacitated after an accident.



Property Damage (PD) Liability

- » Pays up to coverage limits for another individual's accident-related vehicle or property damages if you or the driver of your vehicle are legally liable.
- » Required in all states. Minimum liability coverage limits vary.



Uninsured Motorist (UM)

- » UM coverage pays up to coverage limits what the uninsured individual's insurance would have paid if the individual had liability coverage. It covers you, your family and your passengers for medical expenses, lost wages, pain and suffering, when applicable, and other injury-related losses.



Underinsured Motorist (UIM)

- » UIM coverage pays up to coverage limits for bodily injury to you, your family and your passengers resulting from the negligence of someone whose liability coverage limits are insufficient to cover your damages resulting from the accident. The coverages for damage caused by an underinsured motorist vary significantly from state to state.

Optional Coverage



Rental Reimbursement

- » Pays up to a specified amount for rental vehicle charges while your vehicle is being repaired for damages covered by your policy.



Towing And Labor

- » Pays for service at the location of a breakdown or for towing to a repair shop.
- » Generally does not include payment for vehicle repair or costs above and beyond towing.
- » Pays for locksmith and cost of tire-change services. Does not cover the cost of the tire.



Umbrella Liability (a separate policy)

- » Provides an additional \$1 million or more liability coverage beyond your basic liability insurance.
- » Pays after basic liability coverage is exhausted.
- » Applies to auto, homeowners, renters or boat liability coverage. Some insurance companies may require increased limits of basic liability insurance for these underlying policies before issuing an umbrella policy.
- » May provide primary liability coverage for personal injuries such as libel and slander.

Note: Generally, auto insurance does not cover personal possessions that may be stolen from your vehicle. For that, you need property insurance (homeowners or renters policy).

RENTERS INSURANCE

Renters insurance is a type of insurance often overlooked by consumers. If you rent your home, apartment, condominium or live in military-provided housing and do not have renters insurance, you likely have no coverage if your possessions are stolen or damaged in a windstorm or fire. You would not be covered if you were held legally liable for injury to someone or for damage to their property.

It's often best to not assume your landlord's insurance will protect your possessions. Landlords generally carry insurance only on the building itself.

YOU MAY NEED RENTERS INSURANCE IF:

- » You do not own a home but are renting a house or apartment, etc.
- » You live in military housing. The federal government or privatized housing provider may provide minimal, limited coverage for your personal possessions if they are damaged or stolen from your quarters. Your personal possessions are your responsibility. Determine the limits and extent of your coverage. You may need supplemental coverage to fully protect your assets.

BASIC COVERAGE

PERSONAL PROPERTY

May be purchased to cover loss from named causes of losses — named perils. Named perils policies cover property only if it is stolen or damaged by a cause named in the policy.

ACTUAL CASH VALUE (ACV) POLICIES

Replaces your damaged or stolen property minus a deduction for depreciation. While potentially lowering cost, this type of coverage could leave you with substantially less than it costs to replace your property.

REPLACEMENT COST POLICIES

Replaces your damaged or stolen property at the price you have to pay when you replace or repair it. To claim replacement cost, you must actually replace or repair the item.

LIABILITY

Pays for damages, such as medical expenses or repairs, if you are legally liable for someone else's injuries or property damage. For example, if a neighbor trips on your rug and breaks an arm, liability coverage would pay the medical bills.

TO HELP ENSURE SUFFICIENT COVERAGE

Create a record of your possessions, including purchase prices, dates purchased, serial numbers and receipts. If you have to file a claim, this will ensure you do not overlook anything lost in a disaster.

Supplement your inventory with photographs or video. Store a copy of your inventory, receipts and photographs as well as a hard copy of important electronic documents in a secure location away from your residence, such as a safe deposit box at a bank. When purchasing a renters policy, you may choose how the insurance company will assess the value of your property in the event of a claim.



ABOUT RENTERS INSURANCE PREMIUMS

Premiums for a renters policy are determined by various factors.

NON-OWNED RESIDENCE

- » Amount of personal property.
- » Liability limits.
- » Geographic location.

CLAIMS HISTORY

The fewer claims you have, the lower your insurance rate.

CREDIT RATING

Individuals with good financial habits are generally more responsible in other areas of their lives and therefore file fewer claims.

TO LOWER PREMIUM COSTS

- » Consider raising your deductible — the amount of damages you agree to pay before your insurer starts paying — but only if you have the money available to cover the increased deductible.
- » Maintain a good credit rating.



ABOUT HOME INSURANCE PREMIUMS

Premiums for a homeowners insurance policy are determined by various factors.

YOUR HOME

- » Age.
- » Geographic location.
- » Type of heating system.
- » Proximity to the nearest fire station and fire hydrant.

CLAIMS HISTORY

The fewer claims you have, the lower your insurance rate.

CREDIT RATING

The way insurance companies look at it, individuals with good financial habits are generally more responsible in other areas of their lives and therefore file fewer claims.

TO LOWER PREMIUM COSTS

- » Consider raising your deductible (as long as you have a large enough emergency fund to cover it should a disaster strike).
- » Inspect your home regularly and make necessary repairs to keep claims to a minimum.
- » Install smoke detectors, fire extinguishers, deadbolt locks and a security system that is connected to a central monitoring device.
- » Maintain a good credit rating.

HOMEOWNERS INSURANCE

Homeowners insurance can help alleviate the financial burden of having your home or possessions destroyed or stolen. When you buy a homeowners policy, your insurer agrees to pay the cost of repairing or rebuilding your home and replacing your possessions in the event of a covered loss such as a burglary, fire or theft. The policy also pays damages if you are held legally liable for accidental injury to someone else.

HOMEOWNERS POLICY

TYPES OF COVERAGE

Basic Coverage

DWELLING

- » Covers damage to your home.
- » Check your policy to see what potential losses are not covered. You can buy certain endorsements to provide coverage not generally provided.
- » Does not cover flood damage, which requires a separate policy.
- » You should typically buy enough dwelling coverage to completely rebuild your home.
- » Your mortgage lender will require you to cover only the amount of your mortgage. It is up to you to ensure this covers the cost of rebuilding.

PERSONAL PROPERTY

- » Covers damage to your home's contents.
- » Coverage is limited on certain high-value items, such as jewelry or silverware. You may need to purchase a separate policy or endorsement to fully protect items such as these.

- » Coverage may also be limited on personal property kept in a vacation home, your vehicle or with a child away at school.

ACTUAL CASH VALUE (ACV) VS. REPLACEMENT COST

- » ACV coverage pays to replace your home or possessions minus depreciation at the time of loss. This could result in receiving substantially less than you need to replace your property.
- » Replacement cost coverage pays to replace the damaged item at today's prices. To claim replacement cost, you must actually replace or repair the item.

LIABILITY

- » Pays for damages, such as medical expenses, repairs and applicable legal fees if you, your family or your pets accidentally cause injury or damage to someone or their property.
- » There is no deductible – the amount of damages you agree to pay before your insurer starts paying.

Optional Coverage

INCREASED PERSONAL PROPERTY PROTECTION

- » Provides additional coverage above your policy limits for personal property such as jewelry, furs, silverware, etc.

BUSINESS AND HOME

- » Provides coverage for your business property that you may use in your home business. Also provides liability coverage for any customer who might be injured while on your property.

LIFE INSURANCE

TYPES OF PLANS

Plans

TERM INSURANCE

- » Provides only a death benefit in most cases.
- » Premiums are locked in during the selected term. When the selected term ends, coverage generally continues but at higher premium rates.
- » Typically provides the largest immediate death benefit for the lowest initial outlay — especially for younger insureds. Premiums can rise sharply after the initial policy term expires.
- » Many term policies offer the ability to convert to permanent life insurance. Some life insurance companies charge a fee for this flexibility. Conversion can be a good benefit for those who desire long-term insurance coverage.

SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) FOR MEMBERS OF THE UNIFORMED SERVICES

- » Provides \$400,000 of automatic coverage unless the service member elects to reduce coverage by \$50,000 increments or cancel it entirely. Premiums are based on coverage amount, not age.
- » Includes Traumatic Injury Protection Insurance (TSGLI), which provides financial assistance to service members during recovery from a serious traumatic injury. Service members eligible for SGLI are insured for traumatic injury protection up to \$100,000 unless they decline SGLI coverage.
- » Can insure your spouse and children (FSGLI). You can buy up to \$100,000 of coverage on your spouse with premiums based on age and amount of coverage. Each dependent child is automatically covered for \$10,000 at no cost.

- » You can buy additional coverage from a commercial life insurance company if SGLI provides less insurance coverage than you require.
- » Remains in effect at no cost for 120 days when you leave active duty. Can be converted to Veterans' Group Life Insurance (VGLI) without proof of good health within 240 days of separation from active duty, usually with an increased premium. VGLI is renewable term insurance and may be converted to a commercial life insurance policy from a participating company at any time.

PERMANENT INSURANCE

- » Combines a death benefit with a cash value.
- » The basic premise for this type of coverage is to provide protection for your whole life.
- » You can cancel your coverage and typically redeem at least part of your accumulated cash value at any time, less any applicable surrender charges and fees.
- » May allow you to borrow or withdraw some of your cash value as long as premiums continue to be paid. However, this might reduce the death benefit and result in the policy terminating earlier than planned.
- » Permanent insurance is substantially more expensive than term insurance for similar levels of coverage.

ABOUT LIFE INSURANCE PREMIUMS

The amount you pay for a life insurance contract can vary widely among life insurance companies and policy types. You should compare similar policies based on your age, the coverage amount and the type of policy and its features. Premiums are based on your insurability and risk class — generally determined by the following factors:

AGE

Younger individuals generally pay lower premiums as they tend to be healthier and are less likely to die.

GENDER

Women, who as a group have longer life expectancy than men, sometimes pay lower premiums.

LIFESTYLE

Your use of nicotine and alcohol, as well as your avocations, may affect your premiums.

MEDICAL HISTORY & PHYSICAL CONDITION

Your blood pressure and cholesterol levels can affect your premiums. If you have a chronic illness or a family history of diabetes, heart disease or cancer, you likely will pay higher premiums.

OCCUPATION

If your job involves risk or travel to dangerous locations, you generally pay more for life insurance.

LIFE INSURANCE

Life insurance can be an important financial resource for your loved ones when you die. It could be used to pay debts, cover future expenses and provide income for your survivors. Whether you purchase all the life insurance you need now or build your coverage over time, determining how much you need or want is the first step. Online tools can help you determine how much life insurance is right for you.

LIFE INSURANCE CAN BE AN IMPORTANT TOOL FOR:

- » Replacing your income for your spouse, children or others who may depend on it
- » Paying off debts
- » Paying funeral and final expenses
- » Paying future expenses like college for children

TO LOWER PREMIUM COSTS

- » Exercise, eat well and do not smoke
- » Maintain a healthy weight
- » Purchase life insurance at a young age to get a lower rate
- » Purchase the appropriate amount of life insurance and consider using a combination of term insurance and permanent insurance to meet short-term and long-term financial needs

SURVIVOR BENEFITS TYPES OF COVERAGE

ADDITIONAL SURVIVOR BENEFITS

Other benefits such as Dependency and Indemnity Compensation (DIC), Survivor Benefit Plan (SBP), and Social Security may also be available in addition to a potential \$100,000 Death Gratuity Benefit.

Benefit Type

DEPENDENCY AND INDEMNITY COMPENSATION (DIC)

- » Spouse receives the benefit for life (unless remarried prior to 57 years of age).
- » Child receives the benefit until 18 years of age (23 if in school).
- » Benefit is exempt from federal income tax.

For more information, visit the Department of Veterans Affairs (VA) website at benefits.va.gov/compensation.

SURVIVOR BENEFIT PLAN (SBP)

- » No cost while on active duty.
- » Once you retire, you can choose to buy SBP coverage up to certain limits.
- » Spouse receives for life (unless remarried prior to 55 years of age).
- » Reduced by amount of DIC benefit for spouse.
- » Child may receive benefit until 18 years of age unless married or active duty; until 22 years of age (if full-time student).
- » Benefit is taxable for federal income tax purposes.

For more information, visit the Military Compensation website at militarypay.defense.gov/benefits.

SOCIAL SECURITY SURVIVOR BENEFITS (IF QUALIFIED)

- » Spouse receives the benefit until youngest child is 16 years of age.
- » Child receives the benefit until 18 years of age (19 if attending elementary or secondary school full time).
- » Benefit may be taxed for federal income tax purposes or reduced depending on other sources of income.

For more information, visit the Social Security Administration (SSA) website at ssa.gov.

DEATH GRATUITY BENEFIT

- » One-time \$100,000 death benefit paid to service members' survivors, both active duty and reserve components.
- » Benefit is exempt from federal income tax.

For more information, visit the Military Compensation website at militarypay.defense.gov/benefits



HEALTH INSURANCE TRICARE

The military provides TRICARE health coverage for you and your family as long as you are active duty. More information is available at [tricare.mil](https://www.tricare.mil).

TRICARE PRIME

- » Active duty service members are automatically covered at no cost and are seen in a military treatment facility (MTF). Family members may also be seen in an MTF if space is available.
- » No enrollment fee, annual deductible or co-payments for care by TRICARE network providers for family members of active duty service members enrolled in Prime.
- » Co-payments remain for those with TRICARE Prime for prescription drugs and Prime Point of Service (POS) claims.

TRICARE SELECT

- » Allows participants to select a physician, hospital or other medical provider listed in the TRICARE Provider Directory.
- » Offers greater provider flexibility than TRICARE Prime.
- » Not available for active duty service members.
- » Expenses include deductibles and co-payments.

TRICARE FOR LIFE

- » Requires enrollment in Medicare Part A and Part B.
- » Provides lifetime health care for retired service members who are Medicare-eligible (65 years of age and older) and their Medicare-eligible family members.
- » Covers most out-of-pocket costs after Medicare has paid its share.

TRICARE SUPPLEMENTS

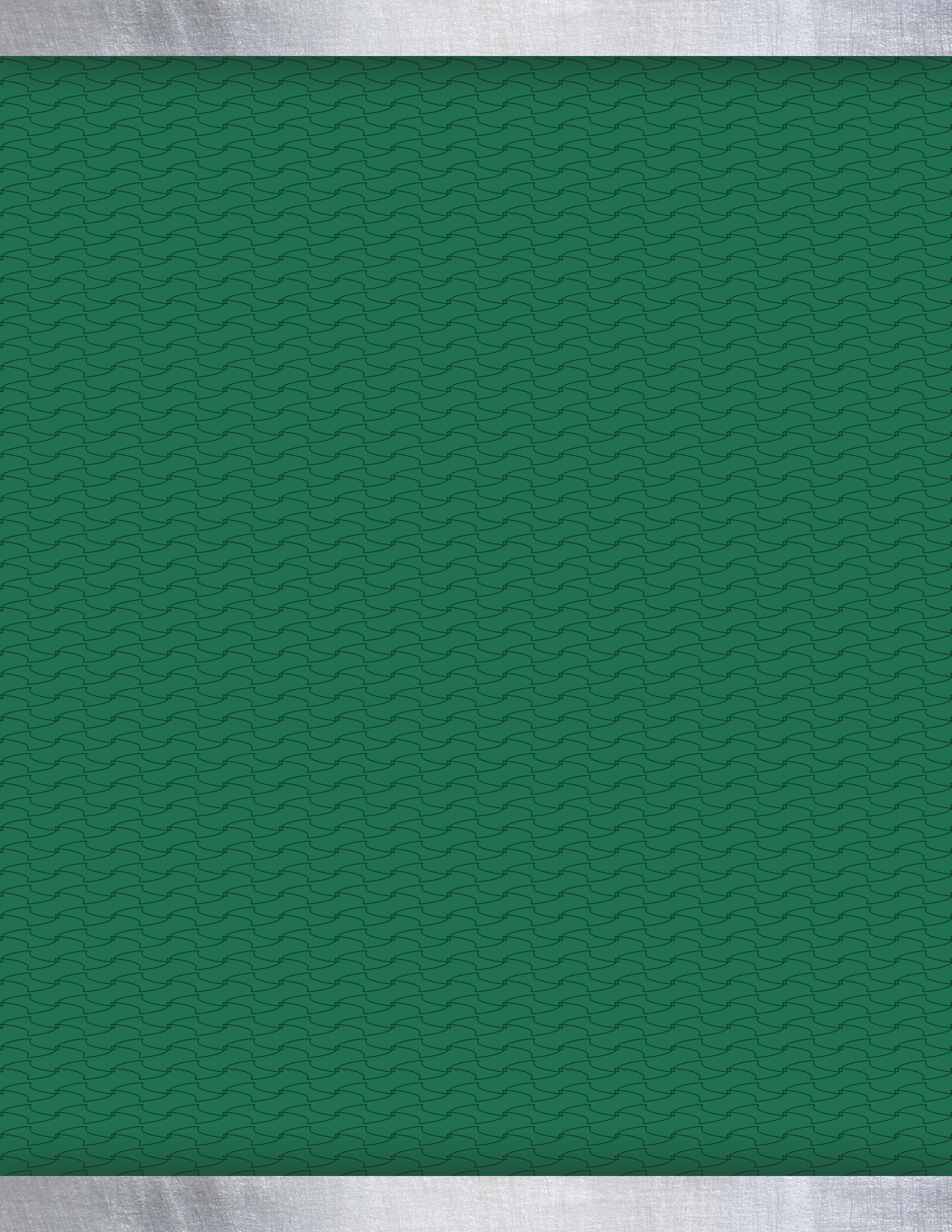
TRICARE supplements are available to cover expenses that may remain after TRICARE pays its share of covered benefits. TRICARE coverage generally leaves little that is uncovered that a supplement plan would need to pay, so review your benefits closely to understand whether paying for a supplement makes sense for you. For more information about TRICARE, visit [tricare.mil](https://www.tricare.mil).

VA MEDICAL BENEFITS

The Department of Veterans Affairs (VA) provides a medical benefits package to all eligible veterans. This plan provides a full range of preventative and inpatient services within the VA health care system. Once enrolled in the VA's health care system, you can be seen at any VA facility across the country. Eligibility for most veterans' health care benefits is based primarily on active military service in the Army, Marine Corps, Navy, Air Force or Coast Guard and discharge under other than dishonorable conditions.

To learn more about VA health care benefits and eligibility, visit va.gov/health-care.

IDENTITY THEFT



IDENTITY THEFT

According to the Federal Trade Commission (FTC), identity theft is a serious crime in America. It occurs when an individual uses your name, address, Social Security number, bank or credit card accounts or other personal information, without permission, to commit fraud or other crimes. It is important to understand what identity theft is, how it happens and how to protect yourself. If you become a victim, your best defense is to recognize it quickly and take immediate action to mitigate its effects. It can take months or years and thousands of dollars for victims to clear their names and credit records. In the meantime, victims may be refused loans, lose job opportunities and be arrested for crimes they did not commit.

WHAT IS IDENTITY THEFT?

IDENTITY THIEVES WORK IN MANY WAYS, SUCH AS:

- » Opening fraudulent bank or credit card accounts in your name and then writing bad checks or incurring charges. The overdrawn or delinquent accounts appear on your credit report.
- » Changing your billing address and incurring charges on your existing credit card accounts. Because you never receive the statements, you are unlikely to recognize the problem for some time.
- » Establishing unauthorized loans in your name.
- » Using your name and background information to obtain employment or medical treatment.
- » Using your name if they are arrested for a crime.
- » Committing tax-related fraud by using your Social Security number (SSN) to file a tax return to get a refund.

HOW DOES IT OCCUR?

IDENTITY THIEVES USE VARIOUS METHODS TO STEAL YOUR INFORMATION, SUCH AS:

- » Stealing your wallet or purse.
- » Going through trash bins or unsecured mailboxes for unshredded personal information.
- » Stealing newly issued credit cards, utility bills, insurance statements, benefits documents or other information from unsecured mailboxes.
- » Completing a change of address form to divert your mail to another location.
- » Posing as a loan officer, employer or landlord to obtain your credit report.
- » Shoulder surfing at automated teller machines (ATMs) to capture your personal identification numbers (PINs).
- » Placing malicious software (malware) on your computer that can steal your user IDs, passwords, and more.
- » Hacking into computer databases and stealing your personal information.
- » Stealing files from your employer, merchants, physician's offices or other businesses that maintain your personal records.
- » Conducting phone or e-mail scams or hoaxes requesting that you provide personal information to claim a prize or update an account.

REDUCE ACCESS TO YOUR PERSONAL INFORMATION

NOTHING YOU CAN DO WILL GUARANTEE PROTECTION AGAINST IDENTITY THEFT IN ALL CIRCUMSTANCES. HOWEVER, YOU CAN MINIMIZE YOUR RISK BY REDUCING ACCESS TO YOUR PERSONAL INFORMATION.

1. Memorize your Social Security number (SSN).
2. Never carry your number in your wallet.
3. Protect documentation that displays your SSN.
4. Do not have your SSN or driver's license number printed on personal checks.
5. Keep account numbers confidential.
6. Store personal records such as birth certificates and Social Security cards in a safe deposit box at your financial institution.
7. Store your wallet or purse in a secure location while at work or in public places.
8. Do not store personal information, account information, or online IDs and passwords to your financial institution on your smartphone or any other electronic storage device.
9. Shield account numbers and PINs from view when using credit or debit cards.
10. Use ATMs that are in familiar and well-lit locations where you feel comfortable.
 - » When approaching an ATM, have your card out of your wallet ready to use.
 - » Do not use ATMs that appear to have been tampered with. Report it to the bank.
11. Use a cross-cut shredder to dispose of documents, compact discs (CDs) or digital video disks (DVDs) with personal or financial information.
12. Use a secured postal mailbox. Have your mail held at your local post office when you are traveling.
13. Request online delivery of bank, credit card, investment or insurance statements.
14. Review your monthly financial statements for unauthorized entries or transactions.
15. Do not display your full name in the phone book. Consider an unlisted phone number.

IF IT HAPPENS TO YOU

If you become a victim, your best defense is to recognize it quickly and take immediate action to mitigate its effects.

1. Notify your financial institution immediately if there are unauthorized entries or transactions on your account.

Close existing accounts that have been used fraudulently. Ask if the company accepts the Federal Trade Commission's Identity Theft Affidavit, available at [ftc.gov](https://www.ftc.gov). If not, ask them to send you a copy of their fraud dispute form. Complete it and return it for processing.

When opening replacement accounts, use new PINs and passwords.

Ask the company to put "fraud alerts" on accounts that have not been compromised.

Advise them not to change your address without your written notification and verification. If you do have a change of address or phone number, be sure to notify them, otherwise it may be difficult to obtain credit in the future.

2. Contact the three consumer reporting agencies and place a fraud alert on your credit report. You can place a 90-day initial fraud alert on your credit report, which can be renewed in 90-day intervals indefinitely. You can also place an extended fraud alert on your credit report for seven years if you provide a police report or official record showing you have been the victim of identity theft. For a small fee, you can also freeze your report, preventing lenders from seeing your report, unless you grant them access.
3. Cancel your ATM/Debit card if it has been stolen or compromised. You may be liable for unauthorized charges if fraud is not reported immediately (refer to your ATM/Debit card contract). Obtain a new card, account number and PIN.

4. Notify check verification companies if your checks have been stolen. Ask them to notify their retail partners. Cancel your existing account and request a new account.
5. Notify your employer if you suspect that your payroll and retirement records have been compromised.
6. Contact the Social Security Administration (SSA) if your Social Security card is lost or your Social Security number (SSN) has been misused or stolen.
7. Contact your state's department of motor vehicles (DMV) office if your driver's license has been stolen or to see if another license has been issued in your name.
8. Call police and report all crimes committed. Obtain a copy of the report or the number of the report to submit to creditors.
9. Call the Federal Trade Commission (FTC) to report the theft and file a complaint. Your information will be included in a secure online database of identity theft cases that aids civil and criminal authorities worldwide.
10. Seek appropriate professional advice immediately if legal issues should arise.

As a service member, you face unique challenges related to identity theft. Unusual work schedules, frequent relocation and deployment affect your access to normal consumer protection channels.

Active duty service members away from their usual duty station (or a person acting on behalf of, or as a personal representative of the service member through a power of attorney) may place, at no cost, an active duty alert on their credit report.

HOW TO PLACE AN ALERT

TO PLACE AN ACTIVE DUTY ALERT, OR HAVE IT REMOVED, CONTACT ANY OF THE THREE CONSUMER REPORTING AGENCIES:



For more information, visit ftc.gov and search "Active Duty Alert."

ACTIVE DUTY ALERT

An active duty alert remains on your credit report for one year unless you request it to be removed. If your deployment exceeds that time frame, you can place another alert on your credit report. While the alert is in effect, creditors must verify your identity before issuing credit in your name. The law allows you to identify a personal representative to place or remove an alert. Placing an active duty alert on your credit report may make it more difficult for your spouse to obtain additional credit.

STAY INFORMED

Militaryconsumer.gov has a section that helps you understand and address forms of identity theft and consumer fraud that may affect you. Available tools include the following:

- » Scam alerts to warn you of current fraudulent solicitations for personal information.
- » Educational materials on a wide array of personal finance topics ranging from car buying to safely using technology.

MAKING MAJOR PURCHASES



BE SMART ABOUT IT

Just because you have to spend a lot on something doesn't mean you have to risk your financial life in the process. It is possible to spend a lot and still be smart about it.

What do you consider to be a major purchase? A new car, truck or motorcycle? A home? A new gaming system? In truth, any of these could be a major purchase depending on your financial situation at the time you make it.

But they might also be no big deal if you've got your financial house in order. In short, it all depends on how the purchase compares to the rest of your financial life.

THINK FIRST

To stop major purchases from becoming major problems, there are several things you should keep in mind.

CONSIDER THIS:

- » **Logic is often better than emotion.** Be smart. Don't let fancy marketing suck you in.
- » **Additional costs matter.** What else will you have to pay? As an example, cars require maintenance, repairs, gas, and insurance. Other big buys are often similar.
- » **Things change.** Your life can change a lot in a year or two. Will today's purchase still make sense then? Or could you regret it?
- » **Shopping around is smart.** It forces you to slow down the purchase decision and be more levelheaded about what you are purchasing.
- » **Cash or Credit?** Paying cash is often smarter than financing. Just don't use up all of your cash. Keep some for emergencies.

3 STEPS TO HELP AVOID TROUBLE

CONSIDER THESE THREE STEPS BEFORE BUYING BIG THINGS:

- » **ASK YOURSELF: WANT OR NEED?** Do you really need what you're about to buy, or do you just want it? And be honest. For example, you may legitimately need a car, but you probably don't need the nicest one available. Bottom line, if you're not as excited about making a smart purchase as you are about what you're buying, that could mean trouble.
- » **WAIT.** One of the best ways to short-circuit an emotional buying decision is to implement a cooling-off period before you pull the trigger. Sleep on it (maybe for a couple days) and see if it still seems like a good move.
- » **ASK SOMEONE ELSE.** Ask a parent, family member, or friend to be a sounding board on major purchases. Just be sure to find a helper and not an enabler.



BUYING A VEHICLE



Buying a vehicle is a major financial move that will factor significantly into your financial planning and your monthly budget. It is important that you assess your needs, identify your priorities, and understand the available financing options before you make the decision on the most appropriate vehicle for you.

ASSESS YOUR NEEDS

It's easy to rationalize that you need more in a vehicle than you really do. But try to resist the urge. One rule of thumb is to try to limit your total auto expenses to 10% of your gross pay. Be sure to include the cost of gas, insurance, maintenance, and repairs.

Consider your personal situation. Will you be PCSing or deploying anytime soon? Will your household income be decreasing for any reason? A lot can change over a few years so it is important to think about your purchase not only in terms of whether you can afford the vehicle today, but also whether you'll be able to afford it in the future. Most vehicles decline in value rather quickly, making it easy to owe more than the vehicle is worth.

IDENTIFY YOUR PRIORITIES

IF YOU ARE BUYING:

A New Vehicle – Lower vehicle loan rates. Latest safety features and technology, new warranty, less maintenance.

A Used Vehicle – Can be a better buy, less depreciation, lower expenses on registration, licensing fees, insurance premiums, may have more maintenance and repair costs.

DECISION FACTORS:

Vehicle Price – Rebates, discounts, option package discounts, trade-ins, available financing.

Affordability – Monthly payments, fuel, insurance, maintenance, repairs, taxes, registration, license fees. It's more than just the loan payment.

Resale Value – Future marketability: automatic transmission, air conditioning, leather upholstery, anti-theft system, safety features, other accessories.

Gas Mileage – EPA estimates, engine size, transmission, air conditioning, load capacity, road conditions, driving habits, advantages and disadvantages of hybrids.

Safety – Crashworthiness, safety ratings, safety features.

VEHICLE LOANS

Like credit cards, vehicle loans vary depending on the institution offering them. When shopping for a loan, compare the following:

Annual Percentage Rate (APR) – the rate of interest you will pay annually.

Loan term (or length) – the amount of time you have to pay the loan in full. This affects the total amount of interest you will pay. Longer-term loans generally have higher interest rates and lower monthly payments, but you will pay more interest over time.

Prepayment penalties – a fee for paying the loan in full before the due date.

Lender's reputation – service reputation and financial strength of the lender.

VEHICLE LOAN DEBT MULTIPLIER

When deciding on a vehicle loan, it is easy to commit to a loan with a longer term when a low monthly payment looks advantageous. Before you decide, compare the total amount of interest over the entire life of the loan. Remember, you pay more total interest when you select a loan with a longer term. Be sure to ask questions and read the contract carefully before you sign. Many personal finance experts suggest keeping auto loans to no longer than 5 years.

VEHICLE LOAN DEBT MULTIPLIER GRAPH

Interest Rate	Length	Payments	Loan Amount	Total Interest Paid	
6% APR	3 Years	\$456 x 36	\$15,000	+ \$1,428	\$16,428
	4 Years	\$352 x 48	\$15,000	+ \$1,909	\$16,909
	5 Years	\$290 x 60	\$15,000	+ \$2,400	\$17,400

Interest Rate	Length	Payments	Loan Amount	Total Interest Paid	
10% APR	3 Years	\$484 x 36	\$15,000	+ \$2,424	\$17,424
	4 Years	\$380 x 48	\$15,000	+ \$3,261	\$18,261
	5 Years	\$319 x 60	\$15,000	+ \$4,122	\$19,122

COLLEGE





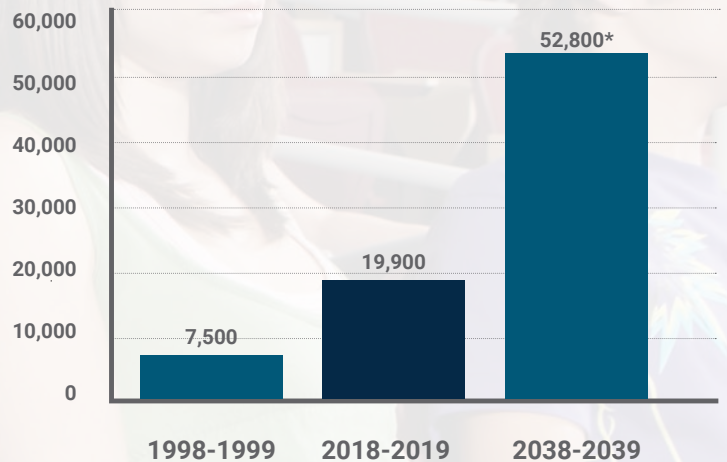
LEARN MORE, EARN MORE

Earning a college degree is often viewed as a stepping stone to the American dream. But even though a higher education comes with the potential for higher income, it doesn't come cheaply and you must first tackle the challenge of paying for it.

Whether you're saving for a child, spouse or yourself, the sooner you start planning for education costs, the better.

THE COST OF COLLEGE

According to data reported by *CollegeBoard.org*, the average cost of a four-year public university (tuition, fees, room and board) has increased significantly over the past 20 years. If you project the rate of increase of the last 20 years forward, for the next 20 years, you get some eye-popping future college costs.



* Assuming 5% inflation



PAYING FOR COLLEGE

College is expensive, but don't be discouraged if you can't save enough to cover the entire cost. For perspective, consider another major purchase — like buying a house. Most buyers can't pay cash for their house. Instead, they make a down payment and borrow the rest. College is no different. While many parents dream of being able to save enough to pay for their child's college, they often find that it requires a combination of savings, income, scholarships, government programs, and student loans.

USE TUITION ASSISTANCE

If pursuing education for yourself, use tuition assistance programs offered by the Air Force while you serve.

CONSIDER FINANCIAL AID

It comes in the form of grants, scholarships, low-interest loans and work-study programs. Even if you do not think you will qualify, complete and submit the appropriate forms. Some colleges grant available aid on a first-come, first-served basis.

COMPARE COLLEGE SAVINGS OPTIONS

Several popular college savings options have been created to help you save for education.

Uniform Transfers to Minors Act or Uniform Gifts to Minors Act accounts (UTMA/UGMA accounts). Custodial accounts that allow individuals to contribute an irrevocable gift to a minor child. Accounts are established in the child's name and earnings up to a certain amount each year could receive more favorable tax treatment.

529 College Savings Plans. Earnings can be exempt from federal income taxes for qualified distributions.

Prepaid tuition plans. Allows you to lock in current tuition rates. Participants purchase units of tuition (years, semesters or credits) at current costs for state colleges and use them to pay for future college costs.

Coverdell Education Savings Accounts (ESA). Annual contributions up to \$2,000 per beneficiary can be made as long as the contributor's income does not exceed certain thresholds. Earnings can be federal income tax-free when used for qualified education expenses.

Ask your tax professional about federal income tax incentives designed to help you offset higher education expenses.

For more information on education savings, see IRS Publication 970, *Tax Benefits for Education*, available at irs.gov.

POST-9/11 GI BILL

The Post-9/11 GI bill provides up to 36 months of education benefits for approved programs. Some service members may also transfer unused GI Bill benefits to their dependents. Other benefits may also include:

- » Monthly housing allowance
- » Annual books and supplies stipend
- » One-time rural benefit payment

For details of these programs, visit gibill.va.gov or call (888) 442-4551.

TOP TIPS FOR STUDENT LOANS

- » **Avoid Them If You Can.** The best strategy to paying back a student loan is not needing one in the first place. Explore scholarships, grants, working part-time, military programs, or employer tuition reimbursement programs to help pay for school.
- » **Minimize Them.** Once you have exhausted all efforts to avoid student loans, try to minimize the amount you borrow. To save money, consider attending community college before transferring to a public or private institution. Or, consider attending a less-expensive college.
- » **Learn Your Options.** Visit studentaid.ed.gov for more information about paying for college.
- » **Choose Federal Over Private.** If you need to borrow for college, start with federal loans. Federal loans typically offer lower interest rates and more flexible repayment options than private loans. Federal loans also can be tax deductible, and have the potential to be subsidized or even forgiven under certain conditions.
- » **Complete the FAFSA.** All students interested in financial aid should complete the Free Application for Federal Student Aid (FAFSA) annually. Visit fafsa.ed.gov for deadlines.
- » **Understand Repayment Options.** Federal student loans offer a number of repayment options, including many that are income-based. Private loans also offer some choices for how to pay back your debt but they are more limited than federal loans. Be sure to work with your lender or loan servicer to determine the repayment options that work best for you.
- » **Consolidate Carefully.** For-profit companies promising to consolidate your loans for a fee can sometimes be a bad idea. Visit the National Foundation for Credit Counseling nfcc.org for additional information.
- » **Communicate With Your Lender.** If you run into trouble making student loan payments because of unemployment, health problems, or other financial challenges, it's important to communicate these problems with your lender. Though they should be used carefully, there are legitimate ways to postpone your federal loan payments, such as deferments and forbearance.
- » **The Public Service Loan Forgiveness (PSLF) Program.** This program forgives the remaining balance on your Direct Loans after you have made 120 qualifying payments under a qualifying repayment plan while working full-time for a qualifying employer. To learn more about this great benefit and how it can potentially help you, visit the Federal Student Aid website at studentaid.ed.gov and search for PSLF.

STUDENT LOANS

FEDERAL STUDENT LOANS

Federal student loans should typically be used before private student loans.

Federal loans charge lower, fixed interest rates. They can sometimes be subsidized while you're in school, which means the government will pay the interest.

Repayment doesn't start until you graduate, leave school or change your enrollment status to less than half-time. Finally, repayment terms or federal student loans are more flexible than private loans and they can even be partially or fully forgiven in some circumstances.

TYPES OF DIRECT FEDERAL LOANS

Subsidized Loans — Available to students who demonstrate financial need. The government will pay the interest while you're in school.

Unsubsidized Loans — Don't require you to demonstrate need.

Plus Loans — Available to graduate or professional students and parents of dependent undergrads.

Consolidation Loans — Let you combine all your eligible federal loans into one easier-to-manage loan.

Perkins Loan — For undergraduate and graduate students who have exceptional financial needs. Here, the school acts as the lender.

PRIVATE STUDENT LOANS

Offered by non-government institutions — such as banks, credit unions and colleges. They're usually more expensive and less flexible when it comes to repayment, so they should be your last resort after exhausting all other options.



VETERANS BEWARE

Veteran's education benefits could be worth tens of thousands of dollars. Unfortunately, some less-than-reputable education providers are highly motivated to turn your benefits into their profits.

Here are 10 tips adapted from the nonprofit, Veterans Education Success to help keep you from getting scammed when choosing a college. For additional help visit veteranseducationsuccess.org.

1. IF A SCHOOL SOUNDS TOO GOOD TO BE TRUE, IT PROBABLY IS.

2. BEWARE OF PROMISES.

Avoid schools that "guarantee jobs." Don't believe promises about specific jobs or salaries you can get.

3. RESEARCH. RESEARCH. RESEARCH.

Shop around. Compare costs. Compare quality. Compare graduation rates and average student loan debt. Compare colleges using the new GI Bill College Comparison tool at the Department of Veterans Affairs, and the Education Department's College Scorecard (which includes average salaries of graduates and student debt).

4. BEWARE IF YOU'RE BEING PUSHED.

Don't sign up the same day. Reputable schools don't harass you to enroll. Schools that pressure you don't care about you. Don't believe lines like, "Classes are starting soon; I won't be able to save you a spot if you don't enroll today." This is a classic deception.

5. FIND OUT ALL YOUR OPTIONS.

Did you know that if you have your full GI Bill benefits, they'll cover all 4 years of college at state universities and public colleges nationwide? The law requires all public colleges and state universities to give Post-9/11 veterans the in-state rate regardless of their residency.

6. NOT ALL ACCREDITATION IS THE SAME.

Ask employers what they respect. Accreditation is not as straightforward as it seems. Not all accreditations are respected by future employers or by legitimate universities if you try to transfer credits later.

7. DON'T TAKE THEIR WORD FOR IT.

Find out for yourself. Don't believe labels like "Veteran-Friendly," "Military-Friendly," and "Military-Approved" – some of these schools are just after GI Bill dollars.

8. MAKE SURE YOUR CREDITS TRANSFER.

Don't find out too late that you signed up for worthless credits. What if you want to finish up at a public university or community college? Or what if you move? Make sure this school's credits can transfer to a state university or college.

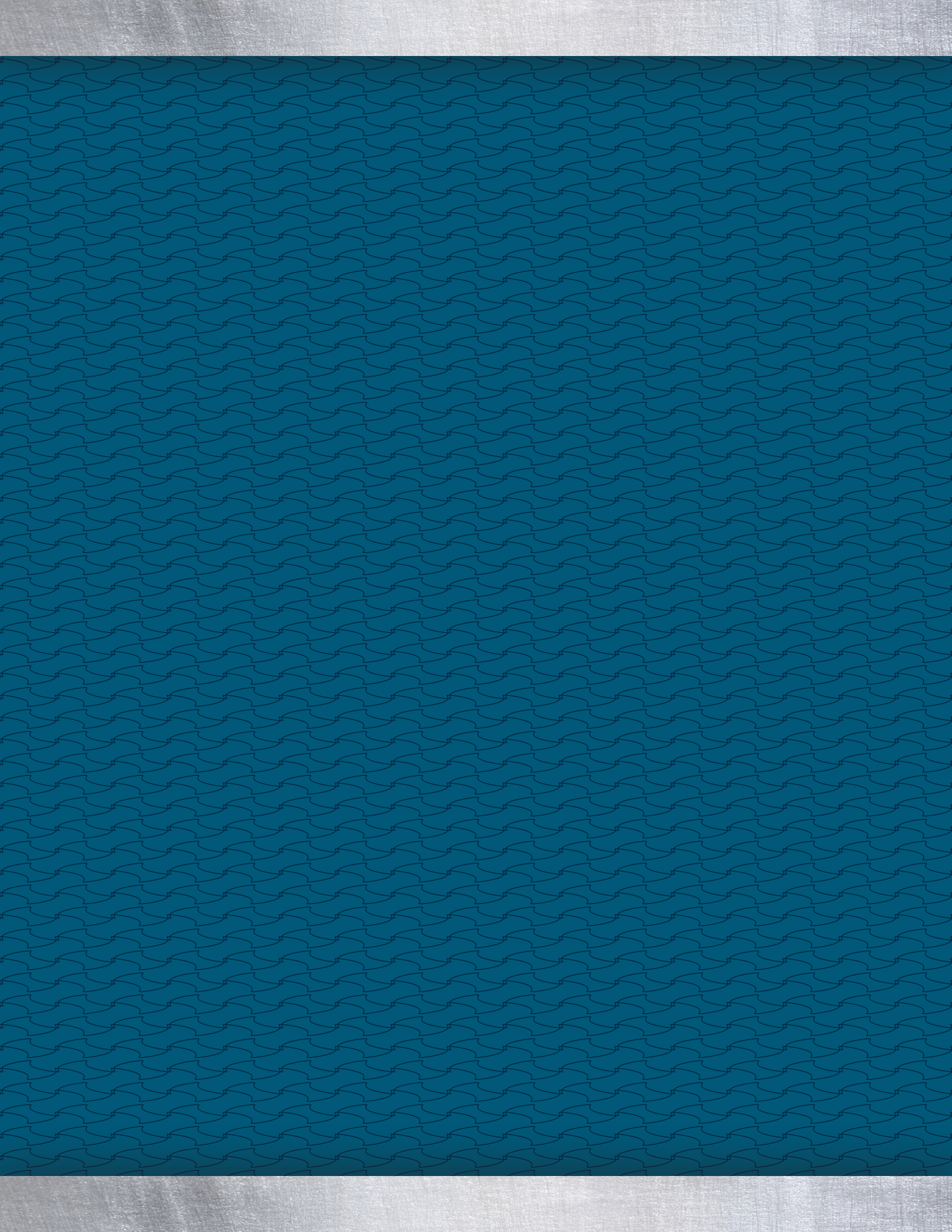
9. DON'T SIGN IF YOU DON'T UNDERSTAND.

Take the papers home and study them; get help to make sure you understand what you're signing. Watch out for hidden fees. Look twice at the interest rate on loans the school offers.

10. KNOW THE TOTAL COST.

Be careful of taking on a lot of debt. Know all the expenses beyond just the tuition.

SAVING AND INVESTING



SAVING AND INVESTING



A GOOD SAVING AND INVESTING PLAN STARTS WITH YOUR GOALS. CLEARLY DEFINING WHY YOU ARE PUTTING MONEY AWAY CAN POINT YOU IN THE DIRECTION OF APPROPRIATE ALTERNATIVES.



Start saving and investing early and regularly to reach major financial goals. The key is to establish and continue a disciplined savings and investment plan. Although the terms are used interchangeably, saving and investing represent different methods of using money to prepare for the future.

SAVING

Saving is accumulating money safely – in a bank savings account, certificate of deposit (CD) or a money market deposit account – generally for short-term needs such as upcoming expenses or emergencies. Typically, money placed in such accounts earns a lower, fixed rate of return. Your money is generally protected by the Federal Deposit Insurance Corporation (FDIC) up to certain limits and can be withdrawn or accessed with relative ease, although for CDs, penalties may apply for early withdrawal.

INVESTING

Investing requires that you take risk with your money by buying securities, such as stocks, bonds or mutual funds, with the hope of earning higher, long-term returns. Investments generally do not offer the safety that a savings account does, so your capital is at risk. In return for taking that risk, you have the potential for a more rewarding gain.

PAY YOURSELF FIRST

Think of setting aside money as paying yourself a salary. The sooner you begin to save and invest, the more you may accumulate over time.

CONSIDER THE FOLLOWING:

- » Automatically transfer a portion of your pay to a savings account through an allotment or direct deposit. That way, you may have less temptation to spend the money.
- » Create an emergency fund large enough to manage a crisis without having to borrow money. Experts typically recommend at least \$1,000 initially with an ultimate goal of three to six months of basic living expenses. The fund should be low risk and liquid, so the money is available whenever you need it.
- » If you begin setting aside money in your 20s, experts often suggest trying to allocate at least 10% to 15% of your monthly pre-tax income. Even if you cannot afford this much, it's often best to simply start with what you can because the longer you wait, the more you'll have to set aside later.
- » Increase contributions when you can. For example, when you receive pay and longevity increases, promotions, federal income tax refunds, gift money and rebates – consider putting some or all of this additional money toward your goals.

EARN INTEREST BY SAVING



Simple interest

- » Calculated only on the principal balance.
- » Calculated generally for a single period of less than a year, such as 30 or 60 days.



Compound interest

- » Calculated on the principal, plus all interest previously earned.
- » Interest can be compounded daily, weekly, monthly, quarterly or annually.
- » The more often interest compounds, the greater your earnings.

When comparing alternatives, ask:

What is the expected rate of return?

What is the risk?

How long will my money be tied up?

LOWER-RISK SAVINGS FOR SHORT-TERM FINANCIAL GOALS

SAVINGS ACCOUNTS

- » Let you save money while earning interest.
- » Highly liquid – you can withdraw funds whenever needed.
- » Your money is generally insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000* for each account.
- » Rates of return are low.

CERTIFICATES OF DEPOSIT (CDs)

- » Let you save money while generally earning a higher rate of return than regular savings accounts and money market accounts.
- » Money has to remain invested for a specified period – from 30 days to 10 years. Substantial penalties may be charged for early withdrawals.
- » Considered a low-risk investment, but not all CDs are insured by the FDIC.

MONEY MARKET ACCOUNTS

- » Let you save money while generally earning a higher rate of return than regular savings accounts.
- » Highly liquid – you can withdraw funds whenever needed and may be able to write checks against the balance.
- » May require a minimum balance to earn interest.
- » May charge service or transaction fees.

U.S. SAVINGS BONDS

- » One of the safest investments you can make.
- » Pay a fixed amount of interest.
- » Interest can be paid from 1 to 30 years. It is generally best to hold savings bonds until they mature. Selling them earlier generally results in a reduced return or penalty.
- » Earnings are exempt from state and local income taxes, but not federal income taxes.

U.S. TREASURY BILLS (T-BILLS)

- » Loans to the federal government.
- » One of the safest investments you can make.
- » Earnings are exempt from state and local income taxes, but not federal income taxes.
- » Maturity dates vary and are 1 year or less. Generally, the longer the maturity, the higher the rate of return.

SAVINGS DEPOSIT PROGRAM (SDP)

- » Service members deployed in designated combat zones, qualified hazardous duty areas or certain contingency operations can earn 10% interest annually (compounded quarterly) on money deposited into the SDP.
- » You may deposit up to \$10,000 of your unallotted pay and allowances.
- » Deposits may begin on your 31st consecutive day in your deployment region and must end on your date of departure from your deployment region.
- » More than one deposit may be made in each month, but the total cannot exceed your monthly unallotted pay and allowances.
- » The account stops accruing interest 90 days after returning from your deployment region.
- » Emergency withdrawals may be made when authorized by the member's commanding officer.
- » Interest accrued on earnings deposited into the SDP is taxable for federal income tax purposes.
- » Contact your installation's finance office or visit the Defense Finance and Accounting Service (DFAS) website at dfas.mil for more information.

** The standard FDIC insurance amount is \$250,000 per depositor, per insured institution, for each account ownership category.*

INVEST TO INCREASE POTENTIAL RETURNS

START EARLY

The earlier you begin to save and invest, the more you can accumulate with time. The Rule of 72 shows how time and compound interest can multiply investments. Divide 72 by the anticipated rate of return you can earn. The result will be the number of years it takes to double your money if you did not add any money to it.

For example, if you earn 10% interest, your money doubles in approximately 7.2 years. However, if you earn 2% more, your money will double in 6 years.

Between the ages of 22 and 67, or over 45 years, your money will double 6.25 times at a 10% rate of return or 7.5 times at a 12% rate of return. A small increase in the rate of investment return can mean a significant increase in your money over time.

RULE OF 72

$$\frac{72}{\% \text{RATE}} = \text{Years until your money doubles}$$

EXAMPLE:

$$\frac{72}{10\%} = 7.2 \text{ Years}$$

Age 22 to 67 = 45 Years

$$\frac{45}{7.2} = \text{Doubles 6.25 times}$$

BEGIN TO INVEST

Investing is generally riskier than saving. Take time to understand various investment options and how they work. A good way to look at it is to not invest more than you can afford to lose.

ASK THESE QUESTIONS BEFORE YOU INVEST:

- » Is my primary investment goal to keep my money safe or grow my investment?
- » What is my risk tolerance?
- » Am I willing to take on the risk of my investment decreasing in value in exchange for potentially higher returns?
- » Is my investing time frame long enough?
- » Will I need access to my money or can it remain untouched and potentially yield a higher return?
- » What federal or state income tax issues should I consider when investing?

FOCUSING YOUR INVESTMENT STRATEGY



TO MAKE THE MOST OF YOUR INVESTMENT ACTIVITIES, MANY FINANCIAL PLANNING PROFESSIONALS RECOMMEND YOU CONSIDER IMPLEMENTING THESE TIME-TRUSTED STRATEGIES.

INVEST REGULARLY

Invest a set amount of money on a regular basis whether investment markets are moving up or down – a strategy known as dollar cost averaging. When prices are high, your regular contributions buy fewer shares (units of ownership in a company or mutual fund); when they are low, your contributions buy more. This approach tends to spread investment risk over time. Keep in mind that dollar cost averaging does not ensure a profit or protect against loss in a declining market. You should also consider your ability to invest continuously through periods when the market is down.

INVEST FOR THE LONG TERM

The more time you give your investment to grow and compound, the more likely you are to reach your financial goals. History shows that patient investors who focus on long-term goals can generally withstand fluctuations of the stock market.

USE TIME, NOT TIMING

If you start early and invest regularly, you will likely be able to use time to your advantage. Do not try “timing” decisions to buy and sell based on the market fluctuations. It is extremely difficult to accurately predict the market fluctuations over the long term.

KEEP EMOTIONS OUT OF YOUR ACTIONS

Investors’ decisions tend to be influenced by short-term variables and the latest news. Think and act intellectually, not emotionally. Investing success requires patience, determination and an unemotional approach. Do your homework – then stay on course.

INCREASE YOUR KNOWLEDGE

Learn all you can about investing and specific investments by regularly reading business periodicals, investment books and annual reports of companies whose securities you might want to purchase.

AVOID HIGH-RISK INVESTMENTS

Avoid futures, commodities and other risky forms of investing – at least until you have an established, diversified portfolio, you know all about them and you are willing and able to accept their increased risks.

AVOID CHASING PERFORMANCE

If you choose your investments by leaping into whatever is currently doing very well, you may be setting yourself up for recurring losses over time. You could find that the best performing stock in one year becomes one of the worst in subsequent years.

DIVERSIFY

Select a wide variety of securities for your portfolio to minimize investment risks. Some experts suggest that diversification can reduce the total risk of investing by more than half. Investing in several unrelated assets will produce a return based on the average of your various investment returns, rather than relying completely upon the return of one investment.

EVALUATE YOUR INVESTMENT PLAN

You should evaluate your investment plan at least annually or at times of significant life events. If necessary, rebalance your portfolio to ensure your mix of investments aligns with your goals, risk tolerance, and time horizon.

HIGHER-RISK INVESTING

When you are ready for higher-risk, long-term investing, you may want to consider stocks, bonds, real estate and mutual funds. They provide potentially higher rates of return, typically with a corresponding amount of risk. Many mutual funds combine investments in stocks, bonds and other securities, providing built-in diversification.

STOCKS

Companies sell stock to raise capital. When you buy stock, you become a shareholder and own part of the company. As a shareholder you can share in the company's profits if it chooses to distribute periodic payments called dividends. Additional points to consider:

- » Your goal may be to buy stock, hold it for a time, then sell it for more than you paid for it.
- » Stocks can receive capital gains treatment for federal income tax purposes, which may be beneficial.
- » Brokers generally charge a commission or sales fee for each transaction, reducing your returns.
- » Low-commission or discount brokers are less expensive, and are typically used by individuals who are able to make their own purchase and sales decisions.
- » Stocks can also be bought and sold through an online investment account.
- » Stock investing is not typically recommended for inexperienced investors or those without substantial sums of money to invest.





BONDS

- » Large organizations — companies, the federal government and state and local governments — need to borrow money occasionally. They often do so by selling bonds.
- » By purchasing a bond, you lend money to its issuer. In return, the issuer agrees to pay you a certain interest rate over a period of 1 to 30 years or longer. The issuer promises to pay the face amount on the bond's maturity date while making the stated interest payments regularly.
- » The value of a bond will fluctuate throughout the life of the bond.
- » Corporate bonds are only as reliable as the company issuing them. Before you invest, consider what might happen to the company over the life of the bond.
- » Federal bonds are issued by the U.S. government — through the U.S. Treasury. Bonds are also issued or guaranteed through federal agencies or government-sponsored enterprises. These bonds are called agency bonds. Federal bonds tend to be safer than other investments if held to maturity.
- » Municipal bonds are issued by state and local governments to help pay for schools, streets, airports and other public works. Risk and liquidity vary greatly among these bonds, so do your homework when considering them.

REAL ESTATE

Real estate properties should typically be considered long-term investments. Consider the following:

- » Real estate may be used as a hedge against inflation. Real estate values generally rise with inflation, but this does not always occur.
- » Real estate investments are generally not readily convertible into cash.
- » Investing in real estate could mean you have to come up with more money in the future for real estate taxes, repairs, and maintenance.
- » Real estate investments can suffer loss if a geographic area experiences a local recession.

MUTUAL FUNDS

A mutual fund pools the money of many investors for the purchase of stocks or bonds and other securities. Each fund – which typically may hold 50 to 200 or more stocks, bonds, cash or other investments – is professionally managed to achieve specific objectives at a chosen level of risk.

Diversification

ADVANTAGES

You can invest in a variety of industries and categories of stocks, bonds, cash, and other securities reducing investment risk. With a broad investment base, total returns are not as threatened by a few unsatisfactory performers.

DISADVANTAGES

Because mutual funds have holdings in many companies, high returns from several investments may not make much difference in your overall return.

Liquidity

ADVANTAGES

You can generally redeem or sell your shares at any time at their current net asset value.

DISADVANTAGES

When you sell your shares, you may have a gain that is taxable for federal or state income tax purposes or a loss of principal. Losses may be deductible for federal or state income tax purposes.

Flexibility

ADVANTAGES

Mutual funds come in a variety of different investment approaches and objectives. You can reallocate money among different funds as your goals and objectives change.

DISADVANTAGES

Movement of your monies between mutual funds may result in a taxable gain for federal or state income tax purposes or a loss of principal. Losses may be deductible for federal or state income tax purposes.

Professional Management

ADVANTAGES

Mutual funds are managed by professionals who decide which securities to buy and sell within the fund and when to do so. It would be difficult for an individual investor to have access to the level of resources used to make these decisions.

DISADVANTAGES

The investor cannot directly select the underlying fund investments and generally cannot control the amount of capital gains triggered by the fund. Mutual funds are not always tax efficient.

Regulation

ADVANTAGES

The industry is regulated by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). Both impose requirements designed to protect investors from abuse.

DISADVANTAGES

Complying with regulations can add to the expense associated with running the fund. These expenses are often passed on to investors.

Convenience

ADVANTAGES

Most funds allow you to invest automatically with an allotment or automatic withdrawal from your bank account (also known as dollar cost averaging). By making fixed, regular investments into a mutual fund, regardless of share price, you may lessen your risk of putting a large amount of money in a single investment at the wrong time. Generally, you can buy or sell shares by phone, mail or online.

DISADVANTAGES

Such automatic allotment or withdrawal plans do not assure a profit and do not protect against losses in declining markets.

SELECTING A MUTUAL FUND

Carefully read each fund's prospectus — a legally required description of the fund's activities, objectives, holdings, managers, performance and fees. Make sure you understand the following:

Fund objectives

Be sure the fund's investment objective (such as income, growth, or balanced) matches your long-term goals and risk tolerance and fits your overall portfolio.

Fund performance

Though past performance is no guarantee of future results, consider a fund's performance (historic rate of return) over three, five, and ten years. A consistent long-term performance delivered by a consistent manager or management team may be a better choice than today's front-runner.

Fund reputation

Research how long the mutual fund has been in existence, how long the manager (or team) has run the fund, and how the fund ranks among funds with similar objectives.

Fund expenses

Check the fund's fees and expenses that are charged to operate the fund. All things being equal, lower expenses are better than higher expenses.

MUTUAL FUND EXPENSES

Types of funds:

LOAD MUTUAL FUNDS

Carry a sales charge — a commission — that is paid to the investment firm selling the fund. Only a portion of the investor's principal contribution is invested.

NO-LOAD MUTUAL FUNDS

Do not carry a sales charge and are normally sold directly from the investment company managing the fund. All of the investor's principal contribution is invested.

Operating expenses:

Operating expenses reduce the fund's overall return. They are not taken from the principal investment but are deducted from mutual fund assets before earnings are distributed to shareholders.

MANAGEMENT FEES

Paid to the fund's adviser for managing the fund.

12B-1 FEES

Pay marketing and distribution expenses.

OTHER EXPENSES

Paid to transfer agents, custodians, accountants, attorneys, and others who provide services to the fund.

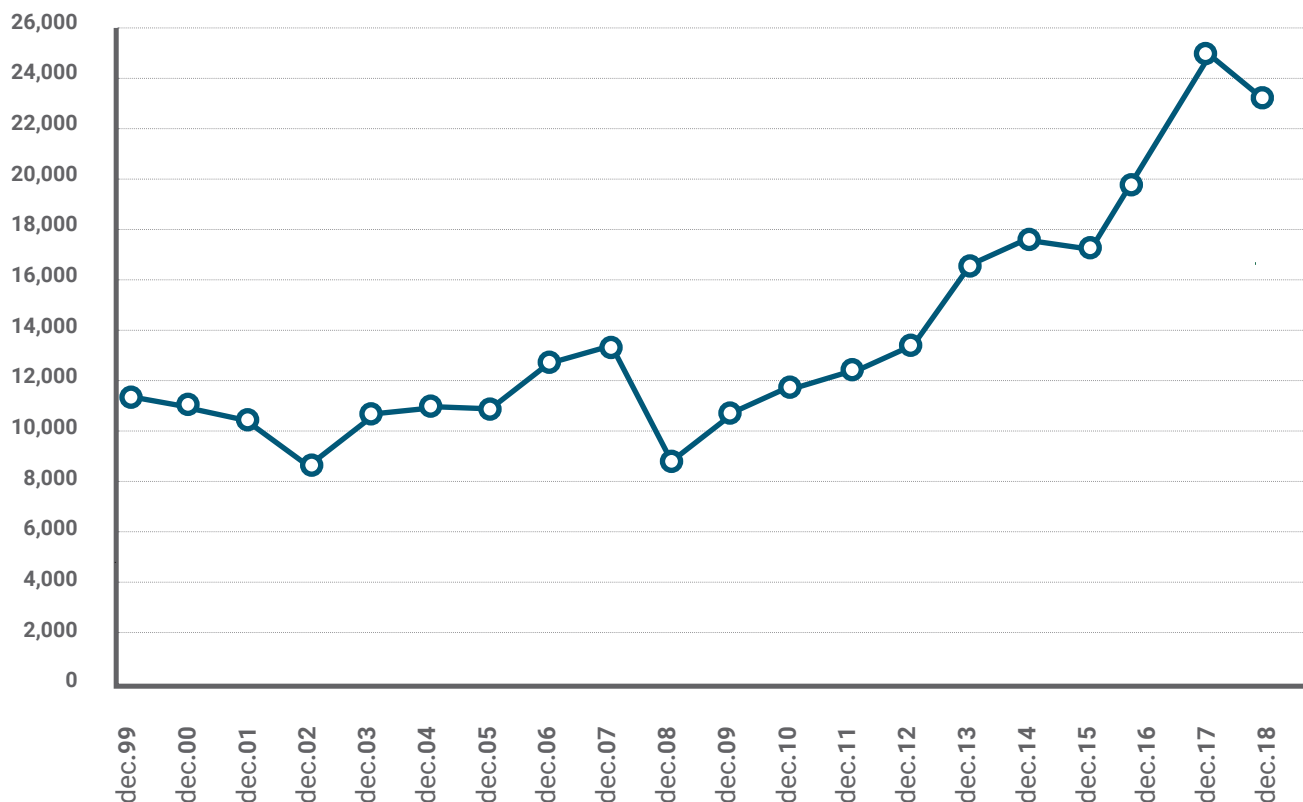


DOW JONES INDUSTRIAL AVERAGE

Since 1896, the Dow Jones Industrial Average (DJIA) has served as a trend indicator for certain large capitalization U.S. stock prices. The DJIA is a price-weighted average of the stocks of the 30 largest U.S. industrial corporations and is the oldest and one of the most widely quoted indicators of American stock market activity.

This chart shows the movement of the DJIA using the daily closes over the last 20 years. When you are investing in the stock market, there are no guarantees of specific returns, only potential for growth or loss of your investment.

Dow Jones Industrial Average (DJIA) 1999-2018





DOLLAR COST AVERAGING

Rather than trying to pick the “right” time to invest, many investors employ dollar cost averaging instead. This approach involves continually investing in securities regardless of fluctuating price levels. Note that systematic investment plans do not ensure a profit or protect against loss in declining markets.

The rise and fall of stock prices in the short term are part of the risk of investing in stocks and stock-based investments. This type of investment should be made with a long-term perspective of five years or greater in mind. That way, you potentially have time to recover losses in value by holding onto the investment. Even though there have been many ups and downs, the movement of the market has generally been in an upward direction.

If you invested using the dollar cost averaging strategy, you may have purchased shares at many prices. When prices were high, you would have bought fewer shares. When prices were low, you would have purchased more. Had you abandoned your dollar cost averaging strategy during the times the market was falling, you could have lost the opportunity to buy securities when they “went on sale.”

MANAGING YOUR FINANCES DURING DEPLOYMENT

Deployment can be a challenge for military families. Spouses remaining at home must care for children, handle finances, manage the household, and make many important decisions on their own. It is important that you plan ahead. Begin thinking about family, financial and household matters now while you have time to make thoughtful, informed decisions. Review your situation regularly to ensure you are meeting your changing needs and circumstances.

Select an individual you trust to manage your finances while you are deployed. This individual could be your spouse, a parent, a friend or a financial planning professional.

Choose an individual capable of managing your family finances accurately and responsibly.

Familiarize this individual with all aspects of your financial situation.

When you return from deployment, discuss the details of your financial situation with your spouse or the individual who managed your affairs during deployment. Determine what to do with money you may have saved during deployment. Consider consulting a financial planning professional for help with important investment decisions.



PLANNING FOR RETIREMENT



PLANNING FOR RETIREMENT



RETIREMENT MAY BE DECADES AWAY BUT IT'S NEVER TOO EARLY TO START WORKING ON YOUR PLAN TO QUIT WORKING.





Retirement may seem distant, but to obtain financial security during your retirement years, it's usually smart to start planning for it sooner than later. The most powerful factor that you might have is time. Starting to invest for retirement offers two essential tools for accumulating the most assets possible: compound interest and long-term growth potential.

WHY THE RUSH?

- » The sooner you begin, the more money you may be able to accumulate.
- » You cannot foresee how long you will be able to work. Injury, illness or other difficulties could interrupt your future earning and saving ability.
- » You do not know how long retirement will be. With longer life expectancy, you could need enough savings to last 30 years or more.

INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)

These tax-advantaged accounts are not investments in their own right, but they “house” investments. Money in an IRA can be used to purchase investments such as mutual funds, individual securities, certificates of deposit (CDs), or annuities.

The tax treatment of contributions and distributions will vary depending on the type of IRA being used. A financial planning professional can help determine which IRA you should consider.

TRADITIONAL VS. ROTH IRA

With a Traditional IRA, you may be able to deduct your contribution from your taxable income, thus reducing current federal income taxes. This depends on your income, your tax filing status, and if you or your spouse are covered by a retirement plan at work. While your money grows, taxes are deferred. You will be subject to ordinary federal income taxes when you withdraw the money, generally at retirement.

With a Roth IRA, you cannot deduct your contribution from your income for federal income tax purposes. However, your contributions can always be withdrawn tax-free and qualified withdrawals of earnings are free of federal income tax. If you withdraw earnings before the account has been open at least five years and before age 59½, you are generally subject to federal income taxes and a 10% penalty on the amount of earnings withdrawn. Earnings withdrawn before five years but after age 59½, are generally subject to federal income taxes but no penalty.

For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs) and IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs), available at [irs.gov](https://www.irs.gov).

TRADITIONAL IRA

ROTH IRA

Any individual under age 70½ with taxable compensation is eligible.

Any individual with taxable compensation less than certain limits is eligible, with no upper age limit.

Qualified individuals under age 50 may contribute a maximum of \$6,000 for 2019.

Qualified individuals under age 50 may contribute a maximum of \$6,000 for 2019. Eligibility is phased out for individuals with modified adjusted gross income (MAGI) exceeding certain limits.

NOTE: For 2019, \$6,000 is the maximum contribution amount allowed for those under age 50, for all IRA types combined.

For married couples filing jointly where only one spouse has earned income, \$12,000 for 2019 may be split between a spousal IRA and an individual IRA with no more than \$6,000 being deposited in each account.

For married couples filing jointly where only one spouse has earned income, \$12,000 for 2019 may be split between a spousal Roth IRA and an individual Roth IRA with no more than \$6,000 being deposited in each account.

Taxpayers age 50 or older by December 31 can make an additional \$1,000 contribution.

Taxpayers age 50 or older by December 31 can make an additional \$1,000 contribution.

Contributions may be deductible from your taxable income for federal income tax purposes depending on how you file your income tax return; whether you and your spouse participate in a retirement plan at work; and the amount of your modified adjusted gross income (MAGI). Even if you cannot deduct an IRA contribution from your income, you may still contribute if you have taxable compensation.

Contributions are not deductible for federal income tax purposes.

Generally, money distributed to you from your IRA before age 59½ is subject to federal income tax and a 10% penalty.

Contributions may be withdrawn without federal income tax, at any time. Earnings withdrawn before the account has been open at least five years and before age 59½ are generally subject to federal income tax and a 10% penalty. No penalty applies after age 59½.

Withdrawals can be made without penalty for certain qualified distributions including the following:

- » Qualified first-time homebuyer expenses (subject to a lifetime limit of \$10,000).
- » Qualified education expenses.
- » Medical insurance premiums if the account owner is unemployed.
- » In the event of the owner's death or disability as defined by the Internal Revenue Code.

Withdrawals of earnings can be made without penalty for certain qualified distributions including the following:

- » Qualified first-time homebuyer expenses (subject to a lifetime limit of \$10,000).
- » In the event of the owner's death or disability as defined by the Internal Revenue Code.
- » Special rules apply for withdrawals of money in a Roth IRA that were converted from a traditional IRA.

Mandatory withdrawals required beginning at age 70½.

There is no mandatory requirement to withdraw money during the Roth IRA owner's lifetime.





THRIFT SAVINGS PLAN (TSP)

Service members have another tax-advantaged option – the government-sponsored TSP, which generally works like a 401(k) plan offered by some civilian employers.

- » With the exception of those receiving tax-exempt combat pay and those age 50 or older who may be able to contribute more, \$19,000 is the maximum contribution allowed in 2019.
- » Both traditional and Roth account options are available.
- » A variety of mutual fund options are available as described in the following chart.

TSP INVESTMENT OPTIONS

You may allocate your monthly contribution to any or all of the following funds. You can also transfer money in your account between funds.

G FUND: GOVERNMENT SECURITIES INVESTMENT FUND

Invests in short-term, non-marketable Treasury securities.

F FUND: FIXED INCOME INDEX INVESTMENT FUND

Invests in a mix of U.S. government, corporate and mortgage-backed bonds. Attempts to match the performance of the Barclays Capital U.S. Aggregate Bond Index.

C FUND: COMMON STOCK INDEX INVESTMENT FUND

Invests in stocks of large and medium-sized U.S. companies. Attempts to match the performance of the Standard & Poor's 500 Stock Index.

S FUND: SMALL CAPITALIZATION STOCK INDEX INVESTMENT FUND

Invests in stocks of small and medium-sized U.S. companies. Attempts to match the performance of the Dow Jones U.S. Completion Total Stock Market (TSM) Index.

I FUND: INTERNATIONAL STOCK INDEX INVESTMENT FUND

Invests in stocks in developed countries outside the United States. Attempts to match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Stock Index.

L FUNDS: LIFECYCLE FUNDS

Group consists of L Income, L 2020, L 2030, L 2040 and L 2050. Each fund invests in a mix of the G, F, C, S and I funds with the mix automatically getting more conservative as the target date approaches.

For more information, visit the TSP website at tsp.gov.



ROTH TSP

THE TSP ALSO OFFERS A ROTH TSP OPTION USING THE SAME INVESTMENT CHOICES. THE FOLLOWING ARE DETAILS OF THIS FEATURE:

- » Unlike the Traditional TSP where contributions are made with pre-tax money, Roth TSP contributions are made with after-tax money, meaning there is no upfront tax savings for Roth contributions. However, when money is withdrawn from the Roth TSP in retirement, it is typically tax-free as long as a few criteria are met.
- » You pay no federal income taxes on withdrawals from the Roth TSP as long as you are at least 59½ years of age and 5 years have passed since January 1st of the calendar year you first started making Roth TSP contributions.
- » Unlike a Roth IRA, there are no income restrictions on contributions to the Roth TSP.
- » Roth TSP contributions are subject to the same limit as traditional TSP contributions. The \$19,000 elective deferral limit for 2019 is the maximum total contribution allowed across all TSP account types, whether you contribute to traditional, Roth or both. However, those age 50 and older and those serving in designated combat zones can contribute more than the annual elective deferral limit.

You have several options when separating from military service.

1. Leave your money in the TSP.
2. Withdraw all or part of your money.
3. Transfer or roll over money to a traditional or Roth IRA.
4. Transfer or roll over money to an eligible employer plan.

THE MILITARY'S LEGACY RETIREMENT SYSTEM

KEY POINTS:

- » For service members who first entered active duty after September 8, 1980, but before January 1, 2018.
- » Typically requires 20 years of service to qualify for retirement pay.
- » Thrift Savings Plan is available and is funded only by service member contributions (if they elect to do so).

CALCULATING THE PENSION:



EXAMPLE: E-7 RETIRING TODAY.

$$20 \text{ YEARS} \times 2.5\% \times \$4,700 = \$2,350$$

EXAMPLE: O-5 RETIRING TODAY.

$$20 \text{ YEARS} \times 2.5\% \times \$8,900 = \$4,450$$

“WINNING” WITH THE LEGACY SYSTEM

STICK AROUND

You typically need to serve 20 years to receive the pension portion of the Legacy Retirement System.

INVEST IN THE THRIFT SAVINGS PLAN (TSP)

After 20 years of service, your pension under the Legacy System will only be about 50% of your basic pay. Investing in the TSP can help supplement your military pension in retirement. A good rule of thumb is to save 10-15% toward retirement.

GET SMART ABOUT THE TSP

Take control of your retirement savings by learning more about the investment choices offered by the TSP.

THE MILITARY'S BLENDED RETIREMENT SYSTEM

FEATURES

- » Offers automatic and matching contributions to your Thrift Savings Plan.
- » Offers Continuation Pay.
- » Typically requires 20 years of service to qualify for retirement pay (pension is smaller than Legacy System pension).
- » Provides a choice of lump sum payment options in exchange for a reduced monthly retirement pay.

ELIGIBILITY

Effective January 1, 2018, all new service members will fall under the Blended Retirement System. One exception is those individuals who were attending a Service academy as of December 31, 2017 or who were in ROTC with a signed contract as of December 31, 2017. These individuals will be grandfathered under the Legacy Retirement System with the option to opt into BRS within 30 days after commissioning (or being placed in pay status).

Your branch of service will automatically contribute 1% of your basic pay to your TSP after 60 days of service. You become fully vested (the money becomes yours and you can take it with you when you leave the military) beginning at your 25th month of service. Matching contributions also begin at that point.

AUTOMATIC AND MATCHING CONTRIBUTIONS

You Contribute	DoD Auto Contribution	DoD Matches	Total Contribution
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%

For service members who opt into the BRS, matching contributions are immediately vested. However, the 1% automatic contribution requires a minimum of two years of service for vesting to occur. Don't forget to visit MyPay to review your own contributions to the TSP, since opting into BRS does not automatically change your contribution amounts.

CONTINUATION PAY

Service members enrolled in the BRS may be eligible to receive a mid-career cash payment in exchange for an agreement to perform additional obligated service. This one-time payment is in addition to any other career field-specific incentives or retention bonuses.

On an annual basis, each Service will publish for its Active and Reserve Components, the upcoming year's Continuation Pay multiplier, the years of service needed to be eligible, and the additional service obligation required.

For more information about Continuation Pay, visit militarypay.defense.gov/BlendedRetirement.

CALCULATING THE ACTIVE DUTY PENSION:



EXAMPLE: E-7 RETIRING TODAY.

$$20 \text{ YEARS} \times 2\% \times \$4,700 = \$1,880$$

EXAMPLE: O-5 RETIRING TODAY.

$$20 \text{ YEARS} \times 2\% \times \$8,900 = \$3,560$$

GUARD AND RESERVE INFORMATION



ADDITIONAL INFORMATION ABOUT GUARD AND RESERVE RETIREMENT PAY

- » National Guard and Reserve duty personnel are generally eligible for retirement pay after completing at least 20 years of service and reaching 60 years of age. The amount of pay is based on a point system geared to the type of active and inactive duty performed.
- » National Guard and Reserve members with 20 or more years may be eligible to receive retired pay prior to 60 years of age based on qualifying active duty service.
- » You will receive retirement pay for life. The pay amount is periodically adjusted to the cost-of-living index. Upon your death, your spouse and children will receive payments only if you arrange it through the Survivor Benefit Plan (SBP) before you retire.

BLENDED RETIREMENT SYSTEM (BRS)

- » The new Blended Retirement System will work the same for Guard and Reserve Component members as it does for active duty service members with one major exception: The pension calculation will determine equivalent years of active service by dividing total retirement points by 360, as illustrated below.

CALCULATING THE RESERVE COMPONENT PENSION:

$$\left(\frac{\text{RETIREMENT POINTS/}}{360} \right) \times 2\% \times \left(\text{AVERAGE BASIC PAY FOR HIGHEST 36 MONTHS} \right)$$

ESTATE PLANNING



PREPARING WILLS, POWERS OF ATTORNEY AND A LETTER OF INSTRUCTION



MAKE SURE YOUR SURVIVORS CAN EASILY LOCATE YOUR WILL,
POAS AND LETTERS OF INSTRUCTION WHEN NEEDED.



As a starting point, your estate plan should typically include wills, appropriate powers of attorney (POAs) and a letter of instruction. You must be of sound mind and not under mental duress to prepare and execute legal documents such as wills and powers of attorney.

Make sure your important financial, insurance and legal documents are securely stored. It is recommended that you store sensitive information in a secure location away from your residence, such as a safe deposit box at a bank or a safe in your attorney's office. A key consideration is whether your executor will have convenient access to the documents in the event of your death.

Since some states may restrict or limit access to a bank safe deposit box upon the death of the owner, you should consult your legal adviser or financial planning professional to determine the option that best balances security and access in order to achieve your planning purposes. Consider giving copies to your executor or instructions on where to locate them.

YOUR WILL

Your will is an important legal document in which you specify the following:

- » An executor and successor to handle your affairs when it is time to probate your will.
- » A guardian for your minor children.
- » Who receives your property when you die.

Seek professional advice when preparing your will. Not having a will or having a poorly written will that confuses your heirs can be more costly to correct than the fees an attorney will charge to prepare a will.



POWER OF ATTORNEY

A power of attorney allows you to give another individual the legal authority to act on your behalf during your lifetime for a purpose you designate, such as paying your bills, managing your personal affairs or handling your finances.

LETTER OF INSTRUCTION

Your letter of instruction is not a formal legal document. It is a summary of essential information that you prepare to clarify your wishes concerning personal and financial matters such as:

- » The names of those who will need to be notified of your death.
- » What is to be done immediately following your death.
- » Instructions for your funeral.
- » Directions for handling important financial matters that may need immediate attention.
- » An inventory of investments, insurance policies and other personal financial matters, such as debts you owe or money owed to you.
- » Locations of valuable documents, such as wills, trusts, deeds, military records, birth, adoption or marriage certificates, divorce decrees and disposition instructions for personal property.
- » Keep your letter of instruction updated since the information is likely to change over time. It is recommended that you store this information in a secure location away from your residence.

AUTHORIZE OTHERS TO ACT ON YOUR BEHALF

DURABLE POWER OF ATTORNEY FOR FINANCIAL DECISIONS

- » Remains in effect even if you become unable to manage your personal and financial affairs.
- » Can be revoked when you wish, as long as you remain mentally competent.
- » Consider executing a new durable power of attorney every three to five years to confirm your intention.
- » Send a copy to your financial institutions.

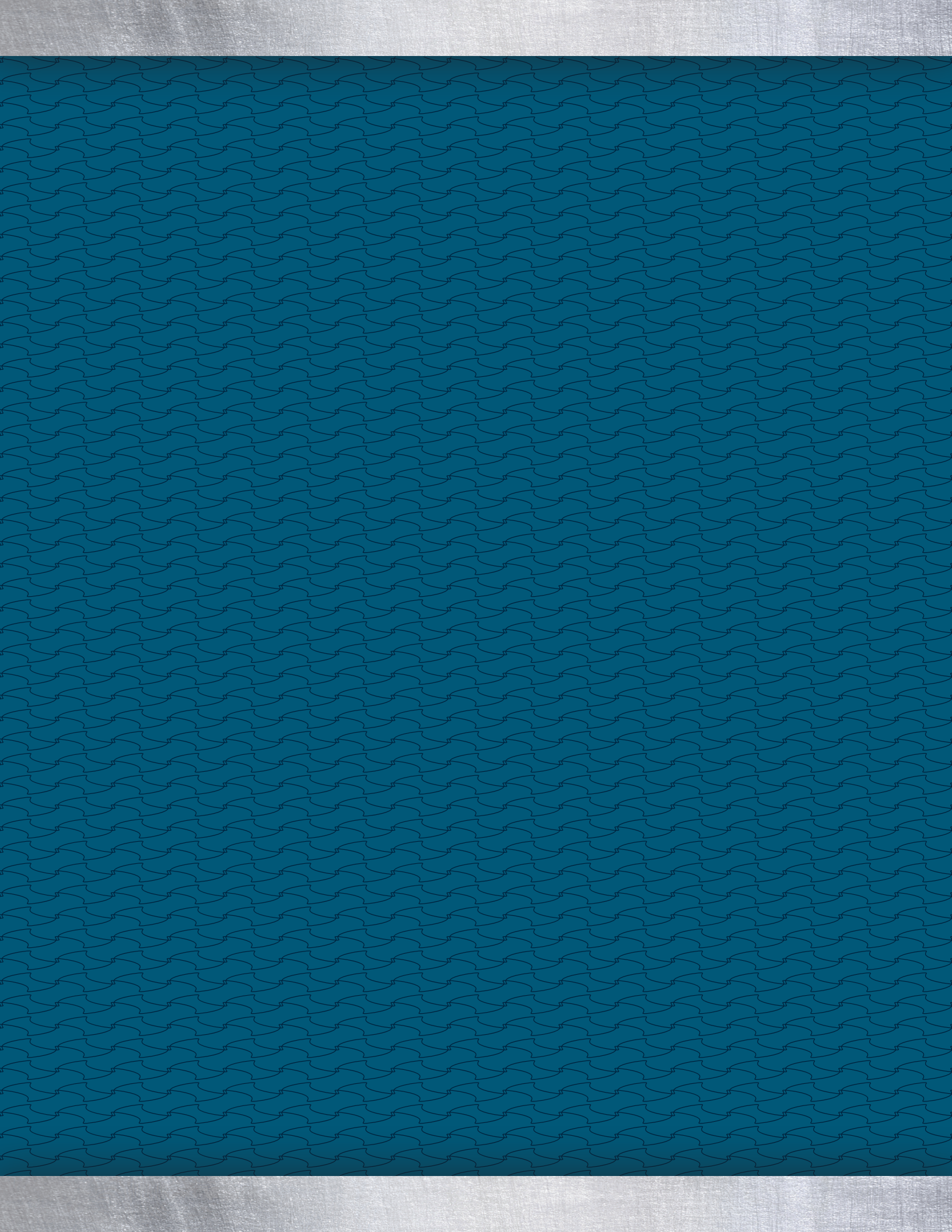
HEALTH CARE DIRECTIVE, LIVING WILL OR DIRECTIVE TO PHYSICIANS

- » Designates medical procedures you want taken if you become too ill to state your preferences.
- » Allows you to specify desired types of treatment, such as no cardiac resuscitation but maximum pain relief.
- » You designate when your instructions apply, such as when your diagnosis is a terminal condition.
- » Consult with your physician to determine your options.
- » Leave a copy of your living will with your physician.
- » New medical discoveries could alter your decisions. Review your options periodically and revise your health care directive accordingly.

DURABLE HEALTH CARE POWER OF ATTORNEY OR HEALTH CARE PROXY

- » Allows you to appoint someone to make health care decisions on your behalf should you become incapacitated.
- » Ask an attorney specializing in the field to prepare it according to your state's laws.
- » Be sure the health care power of attorney is compliant with the Health Insurance Portability and Accountability Act (HIPAA).

MEASURING YOUR PROGRESS



MEASURING YOUR PROGRESS

ONCE YOU KNOW WHAT IS INVOLVED IN
MANAGING YOUR FINANCES, YOU ARE READY
TO APPLY YOUR KNOWLEDGE AND REVIEW
YOUR PROGRESS OVER TIME.

TOP THINGS TO DO:

1. Set financial goals.
2. Create and follow a budget.
3. Avoid credit card debt.
4. Save or invest at least 10% to 15% of your gross pay.
5. Create an emergency fund.
6. Review insurance needs.
7. Seek professional advice from an attorney specializing in estate planning.

REVIEW YOUR FINANCIAL SITUATION

Periodically review this list to determine how well you are managing finances over time. Check all that apply.

- I know my short-term, intermediate-term and long-term financial goals.
- I understand my financial resources. I have calculated my net worth.
- I follow a budget for managing my income and expenses.
- I target at least 10% to 15% of my gross pay for savings/investments each pay period.
- I have an emergency fund with at least three to six months of my basic living expenses.
- I use credit wisely. I pay my balances in full each month. I limit my open lines of credit.
- I know my credit score and the information contained within my credit report.
- I check my credit report at least annually for accuracy.
- I understand my consumer rights and take steps to ensure my credit rating is accurate.
- I am investing for retirement by contributing to tax-advantaged accounts such as a TSP and an IRA.
- I am familiar with the federal income tax advantages of IRAs and other plans.
- I am familiar with my options for investing for education.
- I am familiar with the basic investing implications of stocks, bonds, real estate and mutual funds.
- I have purchased appropriate auto insurance coverage for my vehicles.
- I have purchased renters insurance to protect my personal property (if you do not own a home).
- I have insured my home for its complete replacement value (if you own a home).
- I have appropriate life insurance for my situation. My death will not create a financial burden for my family.
- I understand my TRICARE health coverage benefits.
- I have prepared and executed a will, powers of attorney and a letter of instruction as appropriate. I update them regularly to prevent court delays in my estate's settlement and other important matters after my death.





This publication is not intended to be, and is not legal, tax or investment advice. It is only a general overview of the subject presented. Applicable laws are complex, the penalties for non-compliance may be severe, and the applicable law of your state may differ. Consult your tax and legal advisers regarding your specific situation.

