

USE FINANCIAL COMMON SENSE

Making smart financial decisions requires analysis and careful attention to detail. Be financially cautious—some servicemembers have even lost their national security clearances due to extreme financial problems, and financial troubles can follow you back to civilian life. If you or your family members are having financial difficulties, don't let fear or embarrassment prevent you from getting help! Meet with base financial counselors to create a monthly/annual budget, identify your financial goals, and develop a financial plan.

Simple Steps to Manage Your Money

Paying bills and living paycheck to paycheck is never easy. Here are some steps to help organize your finances:

- Make a list of all your sources of income and all your expenses (big and small).
- Calculate the total amount you owe each month. Realize that amounts owed each month may vary depending on when bills are due. Prioritize your debts (pay off loans with the most expensive interest rates first).
- Cut the purchases that you can do without. Little day-to-day purchases, such as coffee, fast food, or movie tickets, can add up to a large portion of your income.
- Plan ahead for occasional big bills such as insurance, mortgage payments, property taxes, and car registration. Don't forget to factor in special occasions such as holidays and birthdays. Unexpected expenses or medical emergencies can be financially devastating.
- Save for a rainy day. Even a small amount per week will build up over time. An emergency fund comes in handy for unexpected expenses.
- Use credit cards for convenience only, and pay them off monthly if at all possible, or at least pay more than the minimum monthly payment. Remember, credit debt is actually a negative investment—it takes money *away* from you every month.
- Don't be a victim of predatory lending, including loans you cannot afford, undisclosed or excessive interest, hidden fees, and prepayment penalties.

Keep Good Credit

The better you manage your money, the easier it will be to get credit when you need it. Make sure purchases and investments are well within your budget; review payment due dates and pay bills on time; and don't get trapped by debt.

Your **credit score** is used by lenders to determine whether you qualify for a specific credit card, loan, or financial service, and impacts the interest rate on your current and future loans. The better ("higher") your credit score, the lower the interest rate you pay. You can improve your credit score by paying your bills on time (and paying them off in full). And avoid surprises—review your credit score *before* you apply for new credit (car loans, mortgages, or credit cards).

As part of the **U.S. Department of Defense Financial Readiness Campaign**, active duty servicemembers and their spouses can get a free copy of their credit score. Go to: www.saveandinvest.org/Military/manageMoney/managingCredit/P037115 for this offer. Otherwise, for a small fee, you can get your credit score from any of the national credit bureaus (listed on page 8) or go to www.myfico.com. Avoid other "free" credit score offers—most automatically enroll you (for a monthly fee) in a credit monitoring service that you may not need.

A **credit report** shows your credit activities, including loans, unpaid balances, how regularly you make payments, and any actions against you due to unpaid bills. Review your credit report regularly to make sure you are not a victim of identity theft. See articles on page 8.

Pay Attention to Monthly Statements

Keep tabs on your checking, savings, investments, insurance, phone bills, and credit card accounts. Review bills monthly to ensure all fees and charges are accurate. Make sure you have sufficient funds before writing checks or using your debit card—overdraft fees can be very expensive.

Before You Make Any Financial Decision

- Identify your financial goals and analyze various options before you make financial decisions. Consider how much financial risk you can tolerate, and recognize this may change as your life circumstances change. Base financial counselors are available to help you.
- Make certain you can really **afford** a major purchase, insurance product, or investment, and that you are certain the product/service is **suitable** for you and your family. Don't forget to consider cash flow, on-going maintenance, taxes, and other related expenses. Remember—only invest what you can afford to lose.
- If you don't have the time to thoroughly research alternatives, you probably should reconsider whether a particular financial decision really is suitable for you.
- Verify that people who make money from your purchases and investments have proper credentials before you disclose your financial information, Social Security number, or other personal information. Always ask salespeople to fill out the “**Check Before You Invest**” form (see page 15) to verify their California licenses, work history, company, and products. Immediately report concerns or complaints to the appropriate agency.
- Insist that salespeople disclose, **in writing**, all costs, service charges, penalties, fees, and commissions (this allows you to better compare products and services). Ask about their potential conflicts of interest; for example, salespeople may receive bonuses if you buy a particular product they recommend.
- Be sure to ask about prepayment and early withdrawal penalties or fees. Also make sure that you will be able to access your assets if you need cash in the future.

Before You Sign Any Documents

Get all details in writing, and fully read the fine print no matter how long it takes. Ask questions, only sign paperwork when you understand the details, and **NEVER** sign a blank form.

Transaction Fees and Surcharges

Be aware of fees and surcharges! Airline and concert tickets, gasoline, ATMs, hotels, and even gift cards may have added-on charges that make seemingly inexpensive items much more costly. These small charges make it difficult for you to compare prices, and can quickly add up to hundreds of dollars per year.

Cell Phone Contracts

Call your cell phone service provider to find out whether they offer special assistance for servicemembers. Often, if you provide copies of your military orders, cell phone service providers will suspend or cancel your plan without penalties or fees (although they are not legally obligated to do so). Since cell phone contracts usually last two years, ask your service provider about deployment options before you sign any new agreements.

Car Loans

Check with your bank or credit union to explore car loan financing options and interest rates. A car loan typically takes 4 to 6 years to repay. Also consider whether you will be able to manage the payments, car insurance, operating costs, and repairs.

Other Helpful Links

- To help you establish and keep good credit, get out of debt, and save and invest: www.saveandinvest.org
- To help you develop a personal roadmap to saving and investing: www.sec.gov/investor/pubs/roadmap.htm
- For impartial investor educational information: www.investorprotection.org
- For a glossary of financial terms and phrases: www.corp.ca.gov/Education_Outreach/literacy/glossary.asp