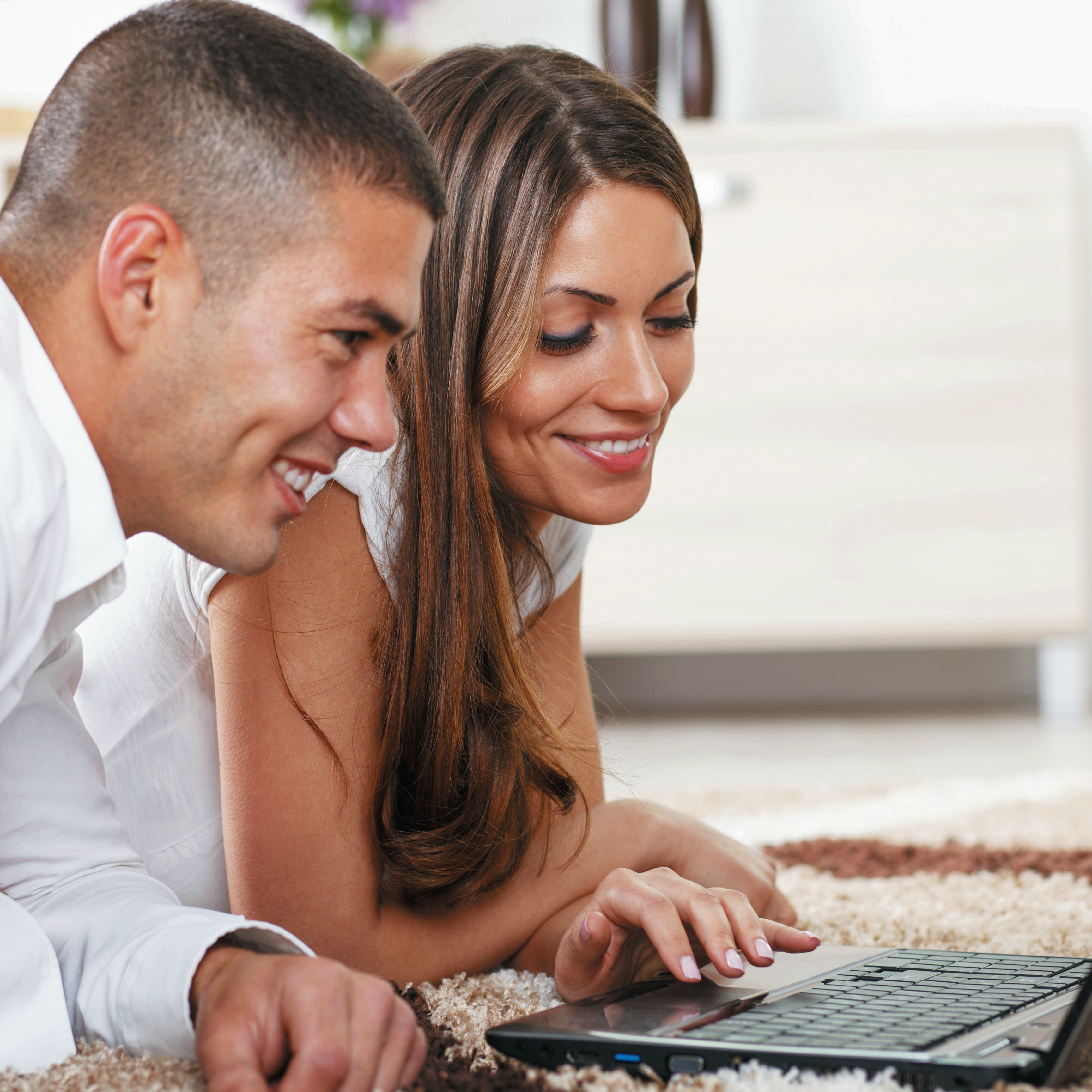
FINANCIAL PLANNING AND GOAL SETTING

PERSONAL FINANCE FOR MILITARY LIFE



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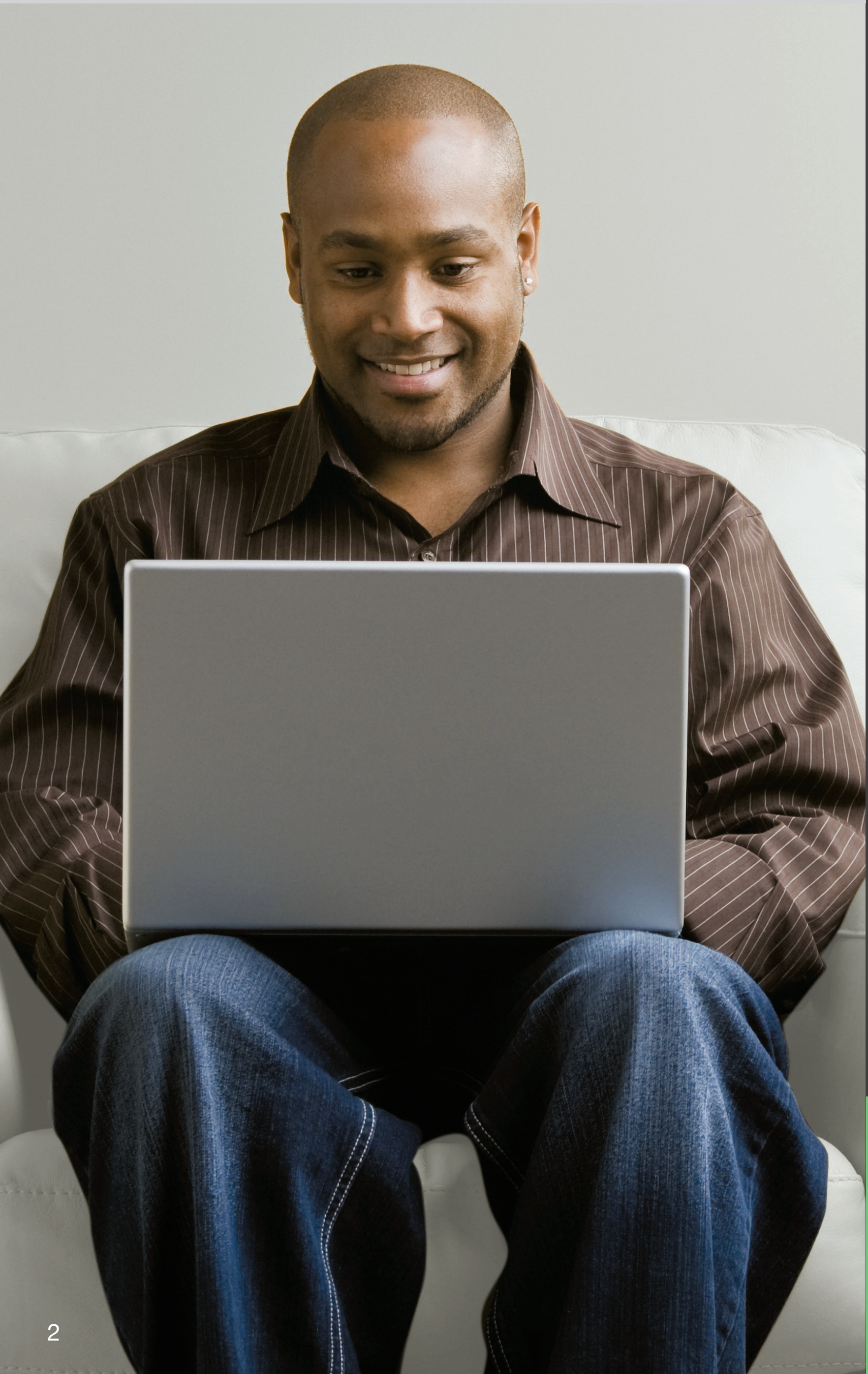
THE POWER OF PLANNING



WISHES VS. GOALS

If a genie granted you a wish to travel anywhere in the world, where would you go? What would you do? Imagine the incredible time spent making memories to last a lifetime.

Whether it's a dream vacation, a new car, or retiring early, everyone has a wish. But wishes aren't enough. You need more; you need the power of planning to turn your wishes into goals you can actually achieve.

This book provides six steps, with helpful worksheets, to help you identify your goals and establish a financial plan for a secure future. A strong plan can make wishes become reality.

Wishes become goals through the power of planning.

Financial planning does take some work but it doesn't have to be overwhelming. Take it one step at a time.

And don't worry about waiting until the "right" time. Start now. Even if you can't do everything you want or can't reach all of your goals, you won't achieve anything if you don't start. Take control by beginning to map out your financial plan. Then, revisit it on a regular basis.

Financial worries aren't necessarily caused by a lack of money, but from a lack of planning. Solid financial planning can help take the uncertainty out of your financial future and provide a process that allows for "course correction" as circumstances change.

> The "perfect" time to start planning will likely never come. There's no better time than now to get started.

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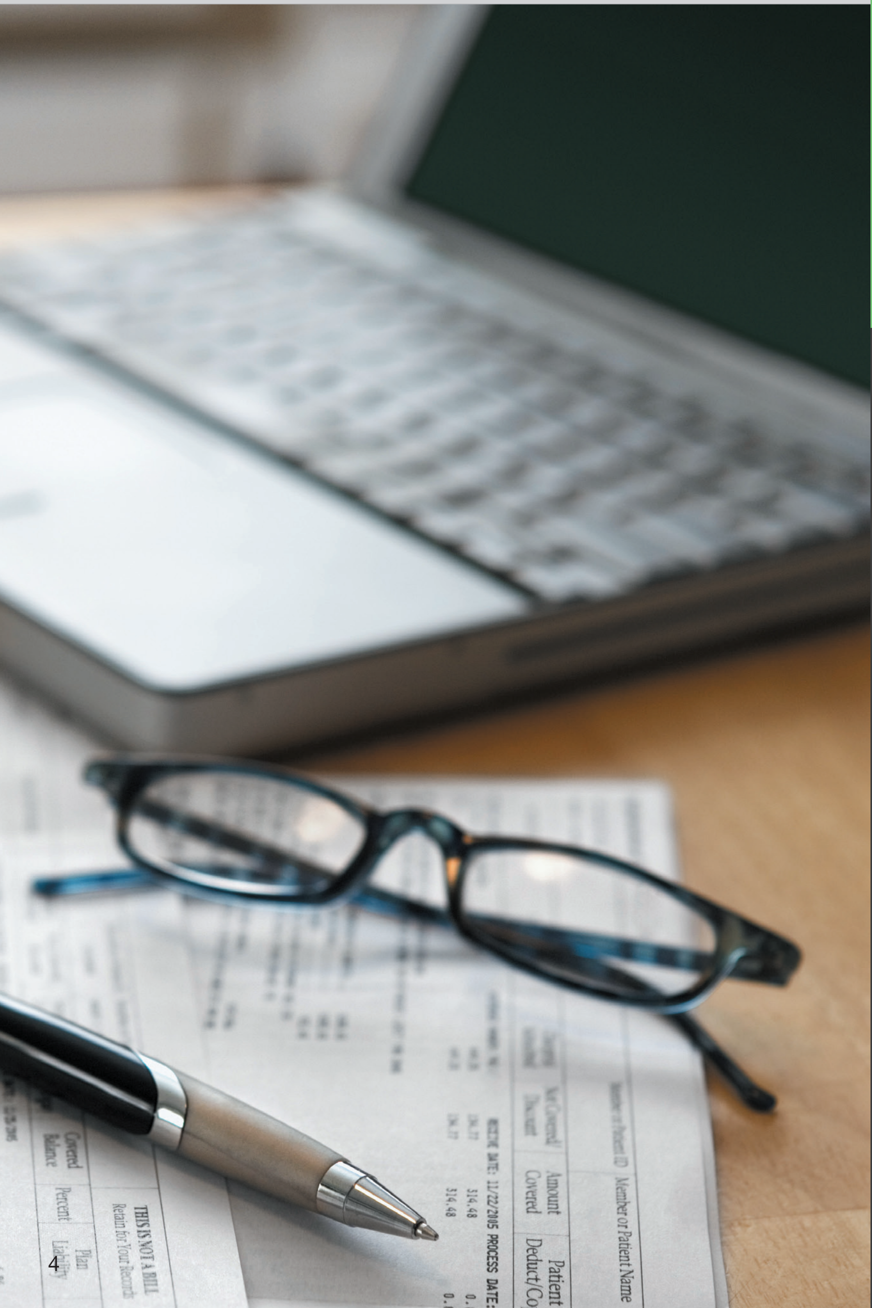
STEP 1: IDENTIFY YOUR FINANCIAL GOALS



Thoughtfully write down the financial goals you would like to achieve. Some goals may be short-term and others might be 30 years from now. Whether you have goals of leisure, purchasing property, philanthropy, or early retirement, the idea is to brainstorm.

Knowing your goals will give you the motivation to save and manage your money better. When your financial plan includes specific savings and investment goals, you have something to work toward - and this helps you to keep focused.

PRIORITIZE YOUR GOALS

Once your list is complete, it's time to prioritize. Which goals should come first? Foundational goals like building emergency funds and protecting against unplanned events should take priority. Another important goal to consider is saving for retirement since it requires accumulating a large amount of money.

The sooner you get started the better. If there's not enough money to go around, goals such as funding for children's education, vacations, and more expensive vehicles may need to take on less importance.

GOAL EXAMPLES

SHORT-TERM

» Establish a budget.

» Make a plan to eliminate debt.

» Begin creating an emergency fund — targeting 3-6 months of basic living expenses.

» Purchase appropriate insurance coverage.

» Start building credit.

» Make a smart vehicle purchase.

» Prepare and execute a will, powers of attorney and letter of instruction.

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

» Save enough to make work optional.

» Provide for your children's college education.

» Start a business.

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

Another way to think about your goals is to use the acronym SMART:

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

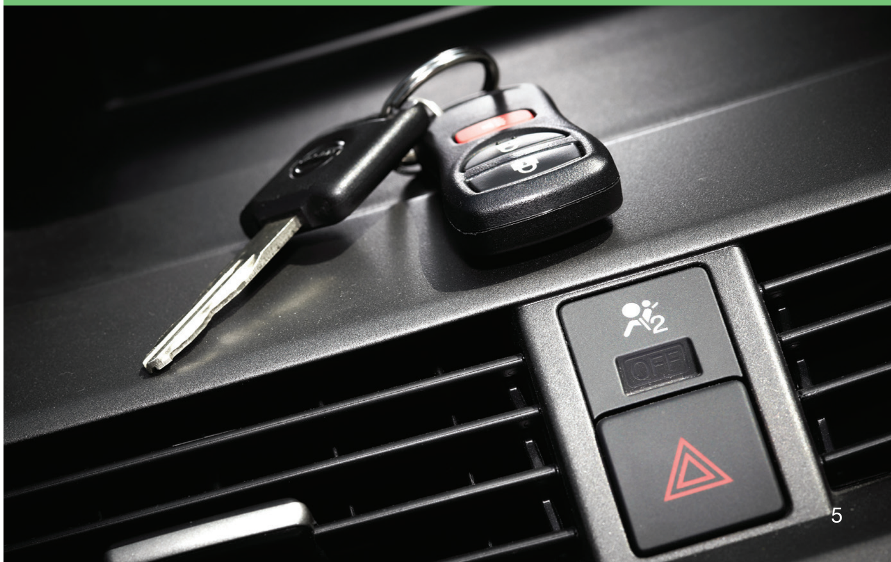
Set goals that are attainable, not merely dreams.

RELEVANT

Your goals need to be relevant and important to help you stay engaged.

TIME-BOUND

Set a target date of accomplishment.



QUANTIFY YOUR GOALS

IDENTIFY HOW MUCH TIME AND MONEY YOU WILL NEED TO REACH EACH GOAL.

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				

STEP 2: CALCULATE YOUR NET WORTH

In the race to achieving financial success, calculating your net worth is a good way to establish a starting line. Complete the "Personal Financial Statement" worksheet on the next two pages to see where you stand.

STEP 1: ADD UP THE VALUE OF YOUR ASSETS.

Think about what you own - your home, car, electronics, investments, jewelry, etc. Be sure to use fair market values. For example, your house is an asset and should be valued as if you sold it today.

STEP 2: ADD UP ALL OF YOUR LIABILITIES.

Consider who you owe - loans, mortgages, credit cards, and student loans.

STEP 3: CALCULATE YOUR NET WORTH.

Subtract your total liabilities from your total assets to determine your net worth.

PERSONAL FINANCIAL STATEMENT

ASSETS		$ VALUE
Bank Accounts & Cash Equivalents		
Cash		
Checking accounts		
Saving accounts		
Money market accounts		
Certificates of deposit (CDs)		
Cash value of life insurance policies		
SUBTOTAL	**[A]**	**$**
Retirement & Investment Accounts		
Thrift Savings Plan (TSP)		
IRAs		
Other employer-provided retirement plans like 401(k)s		
Stocks/Bonds/Mutual Funds		
SUBTOTAL	**[B]**	**$**
Property		
Your home		
Vehicles		
Rental property		
Personal Property (Ex. Electronics, Jewelry, Collectibles)		
Other		
SUBTOTAL	**[C]**	**$**
TOTAL ASSETS	**[A+B+C]**	**$**

PERSONAL FINANCIAL STATEMENT

LIABILITIES	$ OWED
Mortgages	
Personal loans	
Vehicle loans	
Credit cards	
Education loans	
Other	
TOTAL LIABILITIES	**$**

CALCULATING NET WORTH	
Total Assets	**$**
Less “Total Liabilities”	**- $**
NET WORTH	**= $**

If you have a **positive** net worth, keep up the good work! The goal is to grow your net worth over time.

If you have a **negative** net worth, don’t be discouraged. You can turn things around with discipline and time.

STEP 3: CREATE YOUR BUDGET

By now, you know where you're starting (your net worth) and where you're heading (your goals). The next step is to figure how you're going to get there by creating a budget. A budget will help you understand how to allocate the money you have coming in every month.

Some categories like loan payments and rent will be easy to identify. Others, like entertainment, might be harder to account for, but you need to be mindful of where all your money goes. And don't forget, you'll need to set aside money for your goals.

Challenge yourself to save and invest at least 10-15% of your gross income. Generally the best way to do this is by paying yourself first. Set up an automatic withdrawal or allotment that takes money directly from your paycheck and sends it to a savings or investment account.

GETTING STARTED

The "Budgeting Worksheet" on the next two pages is a tool to help you estimate your current monthly inflows and outflows.

You'll probably want to have your bank and credit card account statements handy for quick reference. Recording your expenses and analyzing your spending habits is a good practice. It can help you identify where to make adjustments so you spend less than you earn and bring you closer towards accomplishing your financial goals.

BUDGETING WORKSHEET

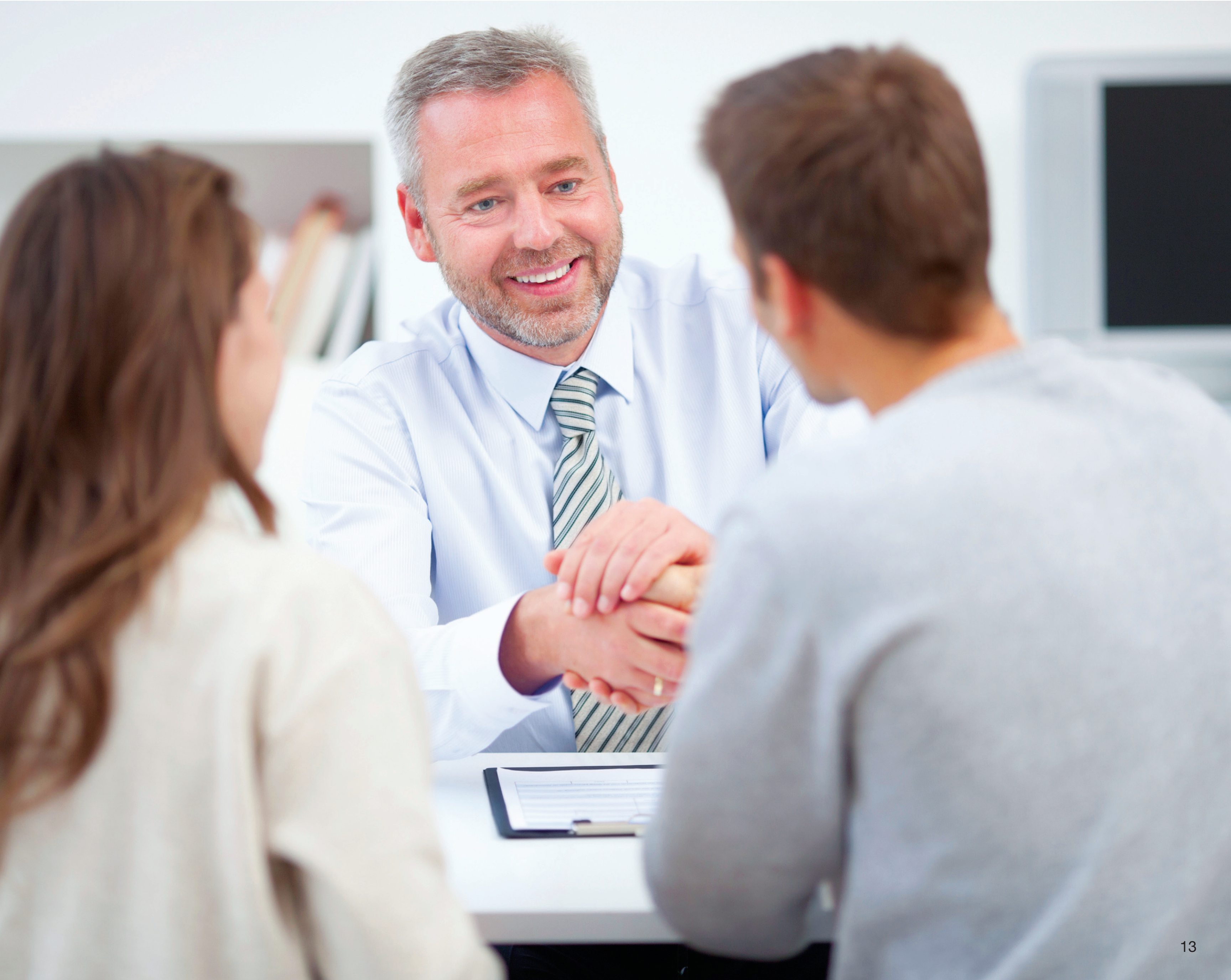
MONTH

INFLOWS		YOU	SPOUSE
Basic pay		$	$
Special pay (hazardous duty, flight pay, etc.)			
Housing allowance			
Subsistence allowance			
Total Monthly Gross Income	**[A]**	= $	= $
DEDUCTIONS			
Federal, State, and FICA Tax Withholding (if applicable)		$	$
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 (target at least 10%-15% of monthly gross income)			
Emergency fund		$	$
Retirement accounts (IRA, Roth IRA etc.)			
Other			
DEBT			
Credit cards		$	$
Loans (other than mortgage and autos)			
HOME			
Food		$	$
Rent/Mortgage payment (include property tax)			
Utilities, cable, satellite, internet, etc.			
Home maintenance			
Furniture			
Phone/Mobile phone			
Property insurance (renters, homeowners)			
CHARITABLE GIVING			
Place of worship		$	$
Other			

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)	= $	= $

STEP 4:
PROTECT AGAINST THE UNEXPECTED



A sturdy house is built on a strong foundation. The same can be said for the dependability of a strong financial plan.

Now that you have identified your financial goals, calculated your net worth and determined your budget, the next step in developing your financial plan is to protect against the unexpected.

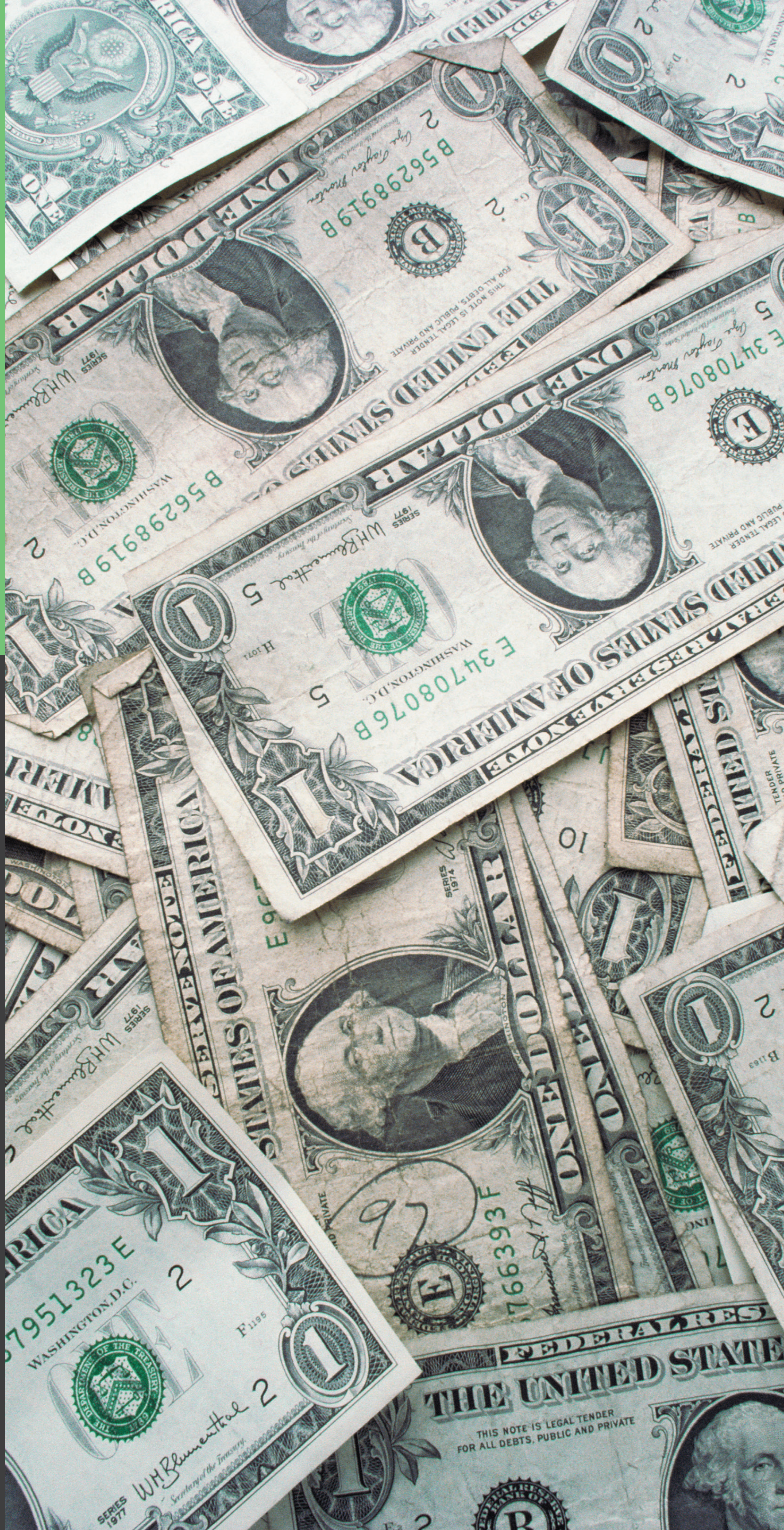
This step begins with a review of emergency funds and insurance coverages. These foundational pieces help to protect you when unplanned events threaten to keep you from meeting your goals.

EMERGENCY FUNDS

An emergency fund can offset events like car repairs, emergency trips home, or even repairing or replacing your smart phone.

In most cases you should set aside a fund to cover a least three to six months of basic living expenses. Because you never know when you'll need it, this money should be kept in a safe and easily accessible account.

If you don't already have an adequate emergency fund, consider making it a priority on your list of financial goals.



INSURANCE

Even an emergency fund cannot prepare you for catastrophic loss or illness. Insurance is often the better answer. The most common types of insurance include:

» Auto

» Property (renters, homeowners)

» Health

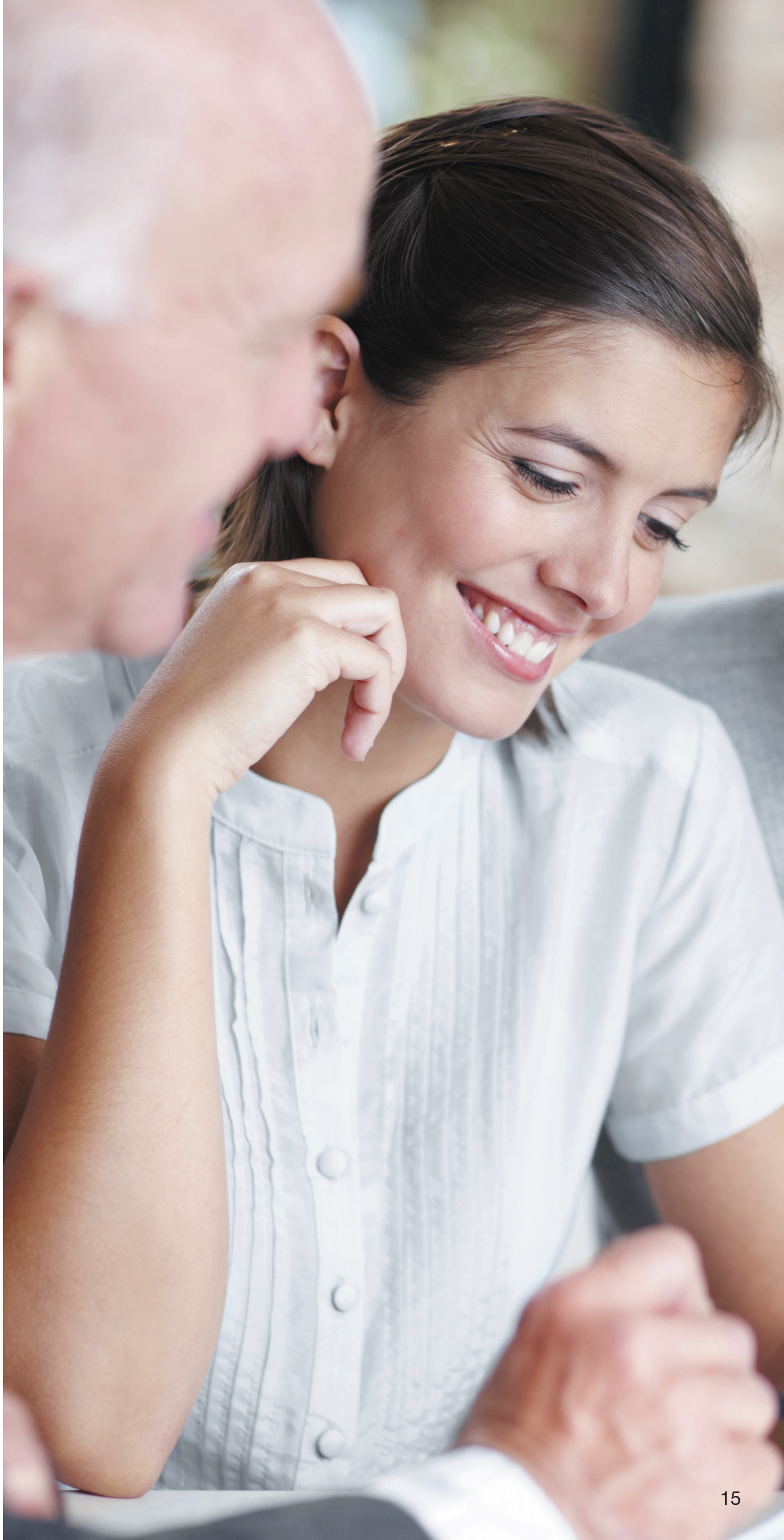
» Life

» Disability

It is important to review your current coverages at least annually to determine if you have adequate protection.

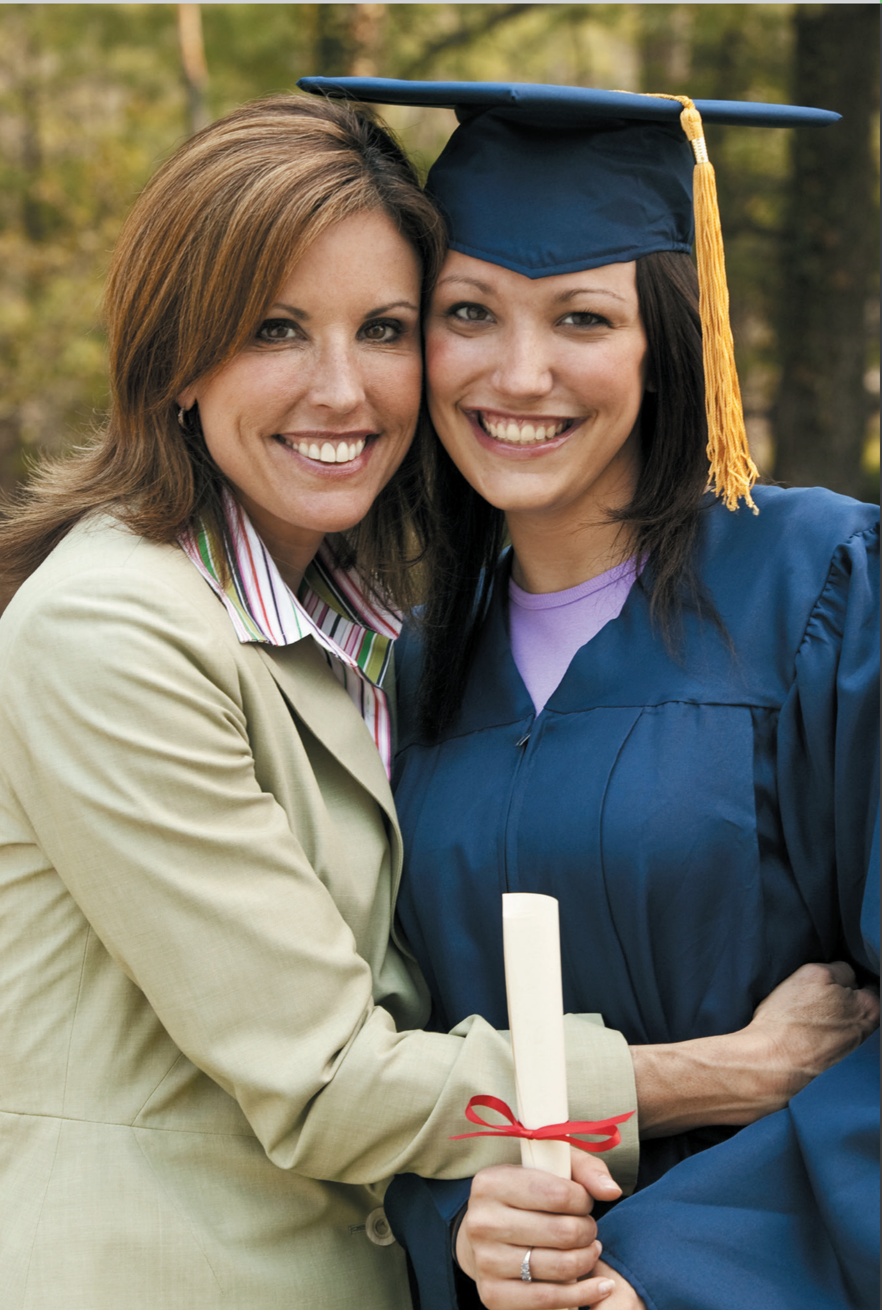
Health and disability insurance are provided to Active Duty personnel as part of the benefits of service. Life insurance is also available to service members and their families however, some situations will dictate purchasing additional personal coverage.

Auto and property insurance must be purchased in the private sector and can vary greatly in terms of coverage and cost. It's important to discuss your specific situation with your insurance company or agent to make sure your coverage is adequate for your needs.



STEP 5: COMMIT TO YOUR GOALS

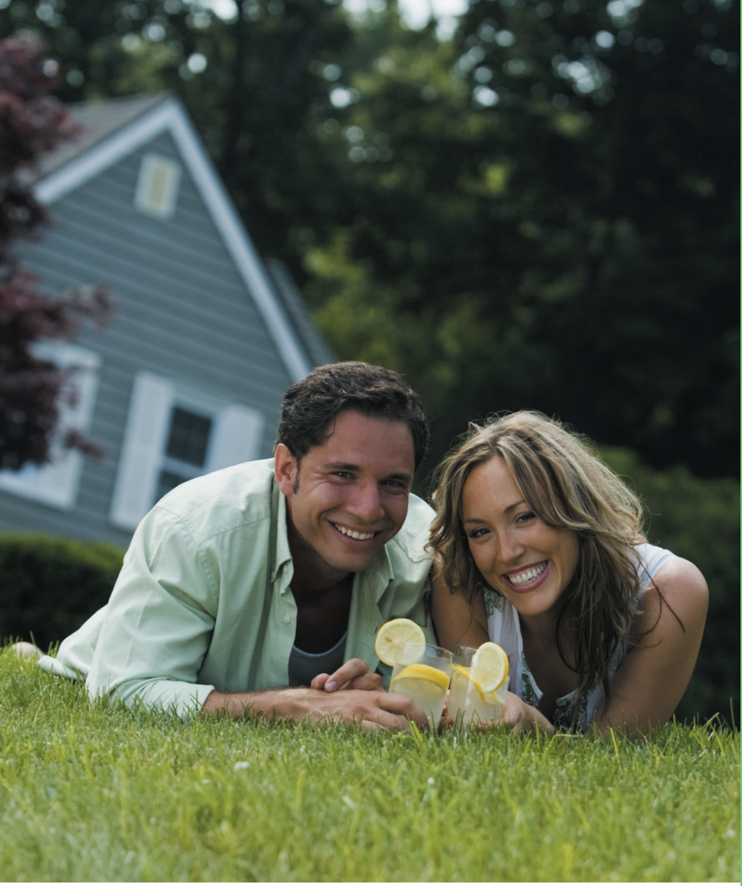
Once you have secured your financial foundation with an emergency fund and the protection of adequate insurance, you are ready to save and invest towards your financial goals. Let's take a closer look at identifying the gaps between your financial goals and available resources.



TIME TO SAVE!

Start saving and investing early and regularly to reach your financial goals. The key is to get started and keep it going, even if the amount you can initially save isn't as much as you need for all of your goals.

Increase your 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.



Knowing how much you need to save each month is critical to achieving your goals.

GUIDELINES FOR THE “SAVINGS GOALS WORKSHEET” ON THE NEXT PAGE:

GOALS
Copy the goals you listed on the “Financial Goals Worksheet” in Step 1.

TARGET DATES
Record the target dates of your goals.

AMOUNT NEEDED
Estimate the amount needed for each goal using today’s dollars. For long term goals such as retirement, consider using a retirement calculator to estimate goal amounts and monthly investments. For shorter term goals, simply enter the dollar amount needed. For example, In two years your goal is to make a 5% down payment for a house valued at $200,000. You would enter $10,000 under “Amount Needed”.

CURRENT ASSETS
Identify any assets on your “Personal Financial Statement” from Step 2 that you are willing to commit to your goals. Then, indicate how much you would like to allocate to each. For example, if you have $4,000 in a savings account and decide to allocate half of it to the down payment goal, write $2,000 under “Current Assets”.

GAP
Indicate the gap between the cost of each goal and the assets you have allocated to it.

NUMBER OF MONTHS TO TARGET DATE
Enter the number of months between now and your target date.

AMOUNT TO BE SAVED EACH MONTH
Divide the gap amount by the number of months to the target date. The result will be what you need to save each month to reach your goal.

TOTAL
Add all the amounts to get you an estimate of how much you need to be setting aside each month to reach all of your goals.

SAVINGS GOALS WORKSHEET

GOALS	TARGET DATES	AMOUNT NEEDED	CURRENT ASSETS	GAP	NUMBER OF MONTHS TO TARGET DATE	AMOUNT TO BE SAVED EACH MONTH
Down payment on home	October 2018	$10,000	$2,000	$8,000	25	$160
					TOTAL =	

FIND THE GAPS

Now look back at the "Budgeting Worksheet" from Step 3. Does your budget allow for enough savings to meet your goals? If not, what adjustments can you make to your monthly budget? Or do you need to revisit your goals?

Keep in mind this worksheet is designed to give you an estimate of what you need to set aside. In many cases, use of on-line calculators may be necessary to get a more accurate picture. Investment returns, inflation, and life events will also have an impact on your success.

ADJUST YOUR PLAN

If the amount you are now saving falls short of the amount you need to save to reach your goals, try asking yourself these questions:

» Are you paying yourself first with a disciplined saving and investment program in which you're setting aside at least 10 to 15 percent of your gross pay?

» Could you increase the amount you are setting aside?

» Could you earn more and spend less?

» Are you spending too much on impulse purchases and neglecting long-term savings and investment goals?

» Are your goals too ambitious?

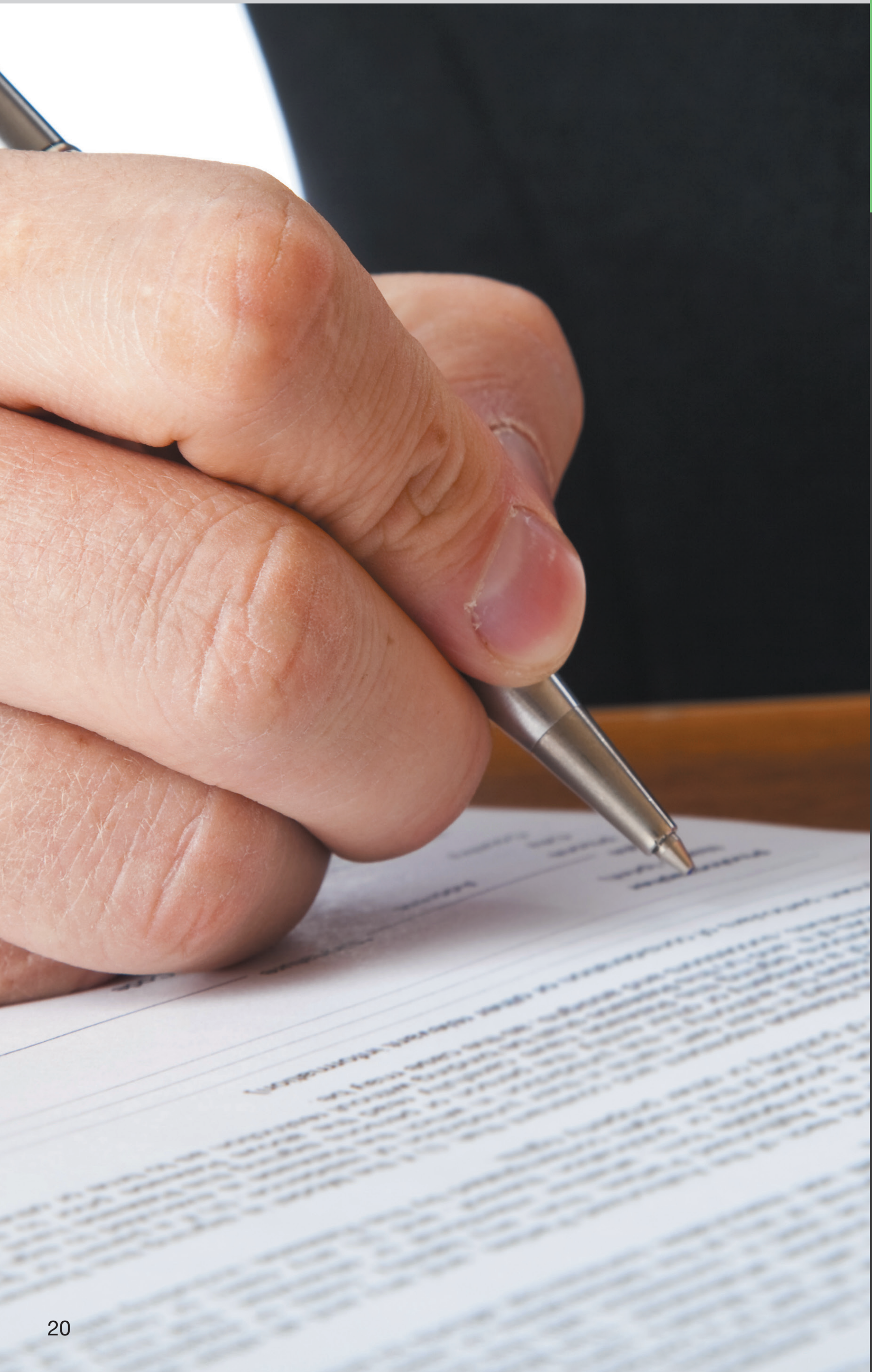
» Could you eliminate any of your goals?

» Could you delay any target dates of your goals?

» What is the impact on you and your family if your goals are not accomplished?

It's important to repeat this exercise at least annually and adjust as appropriate. If your income increases — for example, if you receive a pay raise, unexpected bonuses, or find other ways to accelerate your savings — then you will be able to accelerate your progress toward your goals. Be prepared to modify your goals if you suffer a setback. The key is to remain flexible.

STEP 6: UPDATE YOUR PLAN



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.

Your financial plan, just like your real-world financial situation, is subject to change. Make it a point to review your finances annually and at significant life events such as:

» Marriage

» Divorce

» Birth or adoption of a child

» Job change, promotion, or loss

» Home purchase

» Move, PCS, or relocation

» Death of spouse or heir

» Retirement or separation from the military

CONSIDER PROFESSIONAL ASSISTANCE

Many things can interfere with your ability to initiate a solid financial plan — and for many people, choosing the right investment plan is pretty intimidating. You may want to consider working with a CERTIFIED FINANCIAL PLANNER™ (CFP®) practitioner if:

» You want to improve your overall financial situation, but do not know where to start.

» You would like a professional to evaluate your existing financial plan.

» You need financial advice on investment, risk management, or estate planning strategies.

» You have experienced a significant life event.

» You do not have time to build your own financial plan.

» You need help balancing multiple goals and limited financial resources, such as: college planning vs. retirement planning.

SELECTING THE RIGHT FINANCIAL PLANNER DON'T BE AFRAID TO ASK QUESTIONS:

» Ask people you respect for a referral to their trusted financial planning professional.

» Ask about the financial planner's background and work experience.

» Ask the planner as many questions as you need to understand and feel in control of your financial future. A true professional will encourage questions and show interest in tailoring a plan to meet your needs.

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FACE THE FUTURE WITH CONFIDENCE

Financial uncertainty can cause worry and stress. Using these six steps to understand your financial situation and plan your financial future may seem intimidating at first, but ultimately, it can lead to true peace of mind.

You may not be any richer, but knowing where your finances stand right now, where you would like to be, and what resources you have to make that possible, will help you face the future with confidence.

NOTATIONS

NOTATIONS

ACCESS MORE FREE EDUCATIONAL MATERIALS TODAY

- Financial Planning and Goal Setting
- Building Your Savings
- Understanding Credit
- Managing Debt
- Buying or Renting a Home
- Buying a Vehicle
- Basic Investing
- Planning for Retirement
- Individual Retirement Accounts (IRAs)
- Financing College

PERSONAL FINANCE FOR MILITARY LIFE

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