OBJECTIVE
Establish credibility of the presenter and connect with the audience.

QUICK POINTS
» Provide appropriate level of presenter’s background
» Establish approachable and inviting environment
» Highlight that you’re here as volunteer for USAA Educational Foundation

MORE DETAILED EXPLANATION
» Presenter needs to purposefully use these couple minutes to connect with and engage the audience. Under the heading of “You can get one chance to make a first impression,” make this count.

» When representatives from financial services firms give presentations, there is very often a sales pitch woven into the program. So, despite being there as a volunteer representative of the nonprofit, USAA Educational Foundation, presenters need to be aware that many people will incorrectly assume this presentation is just a USAA sales pitch. The sooner it can be established that this presentation is different than what the audience might be expecting, the sooner the audience will be able to learn from the material being presented.

» Transition: “Let’s look a little closer at The USAA Educational Foundation – beginning with our purpose.”
SLIDE 02 – OUR PURPOSE

OBJECTIVE
Establish credibility of The USAA Educational Foundation and continue to establish differentiation from USAA.

QUICK POINTS
» Read the purpose statement
» Point out the Financial Readiness Guide
» Point out that the USAA Educational Foundation has additional content and its own website

MORE DETAILED EXPLANATION
» Point out the .org of the website to highlight the fact that we’re a nonprofit.
» Point out the Financial Readiness Guide.
» Tie the organization’s purpose to your personal mission today: helping the audience make smarter money moves. Your personal mission is to motivate audience members to take action to secure their financial future. Why? To help them achieve freedom and flexibility to do what they want, when they want.
» Transition: “Let’s quickly review some important disclosures associated with our nonprofit status and my being here with you today.
OBJECTIVE
Share the required disclosures and reinforce our separate and nonprofit status.

QUICK POINTS
» The USAA Educational Foundation does not endorse or promote any commercial supplier, product or service
» The DoD doesn’t either
» It’s an educational presentation only
» Don’t interpret the material as legal, tax or investment advice specific to your situation
» This is only a general overview
» Always consult with your tax and legal advisors regarding the legal consequences of your specific situation

MORE DETAILED EXPLANATION
» The USAA Educational Foundation does not endorse or promote any commercial supplier, product or service. As a nonprofit, we’re prohibited by IRS regulations from doing so and this is especially true as it relates to USAA since they founded us and significantly funded us 20 years ago.
» The DoD does not endorse or favor any commercial supplier, product or service.
» This is an educational presentation only and examples are for illustrative purposes only. I’ll be trying to help you understand various personal finance topics better and hopefully spur you to action in some areas but there’s no way you could learn everything you need to know about personal finance in this single presentation.
» Information found within this presentation is not to be construed as legal, tax or investment advice. It constitutes only a general overview of the subject matter discussed. Remind the audience that you are not a financial advisor and even if you were, you wouldn’t be able to give them tailored financial advice in this type of setting.
» Finally, The USAA Educational Foundation, a nonprofit organization, does not provide professional services for financial, accounting or legal matters. You should always consult with your tax and legal advisors regarding the legal consequences of your specific situation.
» Transition: “So with that all out of the way, let’s dive into the presentation starting with the agenda.”
OBJECTIVE
Provide an overview of the topics that will be covered in the presentation.

QUICK POINTS
» Goal setting
» Budgeting
» Understanding credit
» Protection – in the forms of insurance and protecting yourself from identity theft
» Saving and investing
» Generally attack in this order as well
» View this material from your perspective as well as the perspective of those who you may eventually be leading

MORE DETAILED EXPLANATION
» Goal setting: Making financial decisions without a backdrop of what you’re trying to accomplish financially can be difficult. It’s better to start by thinking about your goals and what’s important to you and then using that as a framework for your financial decisions. In this section, we’ll briefly talk about how to think about and set financial goals.

» Budgeting: In most cases, the key piece to achieving financial goals is having money available to apply to them. Making that happen on a long-term, ongoing basis usually requires having control over your monthly inflows and outflows. This section covers how to set up a budget for your situation.

» Understanding credit: For better or worse, establishing credit (or borrowing money) is almost a necessity in this day and age. The key is to know how to handle it thoughtfully, not recklessly. In this section we’ll cover the ins and outs of credit.

» Protection: In the form of insurance and protecting yourself from identity theft. This section hits on the highlights of what you need to know and do in each of these areas.

» Saving and investing: There is a difference. This section looks at when each makes sense and also covers some basic points you need to know about each.

» Order: In addition to this being the order in which these topics are going to be covered in this presentation, it’s also generally the order in which you should attack these things in your life... though it’s arguable that you can and sometimes should do all of them at the same time.

» Two perspectives: Finally, as you consider the material covered in this presentation, view it from your perspective, but also as something to share with those who you will lead.

» Transition: “So, without any further ado, let’s start with Goal Setting.”
OBJECTIVE
Set up the Goal Setting section.

QUICK POINTS
» Establishing a solid financial life starts with setting goals – your financial missions

MORE DETAILED EXPLANATION
» Financial planning begins with goal setting. Laying out what you want and what you’re trying to accomplish from a personal finance perspective gives you a backdrop against which you can make better financial decisions.

» In the military, you have a mission. With your finances that mission is your goal(s).

» Transition: “Asking yourself the right questions is where it all begins.”
OBJECTIVE
Help audience members understand how to frame up financial goals.

QUICK POINTS
» Ask yourself these four questions around each of your financial goals:
  1. What?
  2. When?
  3. How Much?
  4. Why Important?

» Help ensure success by:
  • Writing goals down
  • Enlisting the help of an accountability partner
  • Creating reminders (screensaver, photos, etc.)

MORE DETAILED EXPLANATION
» To actually create goals instead of just dreams, it’s important to be very specific in terms of your answers to each of the questions you see on the screen.

» What? The first question you need to ask yourself is what you’re trying to accomplish from a financial perspective. Think about all the things you’d like to do in the short-term, intermediate-term, and long-term. Be specific.

» When? Next think about when you’d like to accomplish it/them. Be specific.

» How Much? Of course, you’ll need to think about how much money you’ll need to accomplish the goals you’re setting. Here again, be specific, thought-through dollar amounts are better than round number guesses.

» Why Important? And finally, ask yourself why this is important to you. Here, you’re trying to generate an emotional response in yourself. Why? Because the more emotionally attached you are to a goal, the more likely you’ll be to continue to take the actions needed when times get tough.

» Hint: While going through this exercise in your head will certainly help, writing down your goals and regularly revisiting them greatly increases your chances of actually accomplishing them.

Page 4 of your financial readiness guide gives you a good form to capture and record your goals.

» Transition: “So once you know the goals you’re trying to accomplish, when you’d like to accomplish them, how much money it’s going to take, and why these goals are important to you, you then need to make sure you have the money available to make them a reality. This is where budgeting plans come into play.”
OBJECTIVE
Set up the Spending Plan section.

QUICK POINTS
» Spending plan – a plan for your spending (and saving)

MORE DETAILED EXPLANATION
» Some people view budgeting with a negative connotation but if done correctly, they’re not negative at all. Instead budgets are a positive because they give you a plan for your spending and saving.

» A budget (or spending plan) is often the origin of a lot of financial good.

» Transition: “Let’s look at how to set up a budget.”
OBJECTIVE

Explain the 4-step budgeting process.

QUICK POINTS

» 1. KNOW YOUR CURRENT SITUATION
  • Set Goals
  • Track inflows and outflows

» 2. KNOW WHERE YOUR MONEY SHOULD GO
  • Save and/or invest 10-15%
  • Transportation expenses no more than 10%

» 3. CREATE A PLAN
  • Goals come first

» 4. MAKE ADJUSTMENTS
  • Reassess frequently

MORE DETAILED EXPLANATION

1. KNOW YOUR CURRENT SITUATION
   • Set goals: Know why you’re developing a budget in the first place. For example, “Save up $4,800 for a car down payment in two years.” Ignoring interest you might earn, this will require you to save $200 per month. Do this for all of your goals.
   • Track inflows and outflows: Understand your monthly cash inflows and outflows. Be sure to understand things that happen infrequently as well as those which recur each week or month.

2. KNOW WHERE YOUR MONEY SHOULD GO
   • Rules of thumb: There are some great rules of thumb out there to help guide you on where your money should go each month. For example, saving and/or investing should typically be at least 10-15% of pre-tax pay. Total transportation costs shouldn’t exceed 10% of pre-tax pay. And housing expenses shouldn’t exceed 20-25%.

3. CREATE A PLAN
   • Now that you know what your situation really looks like and what you should be doing with your money, it’s time to put the two together and make a plan. Funding your goals should come first and when it comes to cutting back, no expense category should be off the table. 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.

» Transition: “We even have a tool to help you get started on this.”
OBJECTIVE
Call out tools to help and reiterate the process.

QUICK POINTS
» Point out the budget worksheet on pages 11 & 12 of Financial Readiness Guide
» Again, first understand where you are, then set targets of where you want to be
» Use the worksheets to capture this
» If not single, do this with your significant other – you need to be on same page

MORE DETAILED EXPLANATION
» Worksheet: To understand all of your target setting and tracking, you’re going to need a place to record your numbers in each category. The Budget Plan worksheet on pages 11 & 12 of the Financial Readiness Guide can be a good resource to help.
» Start with the Goal Planner worksheet on page 4.
» Make copies of the Budget worksheet on pages 11 & 12 and use them in three ways:
  1. Record your expected cash inflows and outflows for the next several months assuming you make no adjustments. This will show you if you currently have a surplus, shortage, or break even situation.
  2. Once you understand your current situation, make the necessary adjustments in each appropriate category to allow you to achieve your goals. Record these amounts in a new worksheet—this becomes your budget.
  3. Finally, throughout the month track your actual inflows and outflows and compare them to what you planned.
» If you find yourself going over in one category, be sure to make immediate reductions to planned outflows in other categories to keep from overspending.
» If you have a significant other, this exercise is a team sport. You typically need to be on the same page to achieve success.
» Transition: “Now let’s move to a completely different topic: Understanding Credit.”
OBJECTIVE
Set up the Understanding Credit section.

QUICK POINTS
» Credit can be good and bad
» It’s an important tool that’s easily misused
» Use it for the right reasons
» Understand you’ll eventually have to repay what is borrowed

MORE DETAILED EXPLANATION
» Is credit good or bad? (Allow students to answer briefly.) Actually, credit can be both.

» Credit is an important financial tool, but one that can be easily misused. One of the smartest uses of credit is for items that appreciate in value or increase your future earning ability, such as purchasing a home or financing a college education (though given the variables associated with earning potential and student loans, this one needs to be handled very thoughtfully). On the other hand, using credit for dining out, shopping or even gifts can lead to trouble if you charge more than you can afford to pay off and end up paying a lot of interest or even worse, get buried in debt. With credit, it is easy to lose track of how much you are actually spending.

» Bottom line: Don’t use credit to expand your lifestyle beyond what you can afford.

» Transition: “Before an institution will lend you money or issue you a credit card, they’re going to want to know if you’re good for it and will pay them back. Let’s look at some of what goes into how they decide that.”

NOTES:
**OBJECTIVE**
Explain what a credit reputation is and why it’s important.

**QUICK POINTS**
» Credit reputation is key
» Explain why it’s important
» Explain the points on the slide

**MORE DETAILED EXPLANATION**
» It all starts with your credit reputation. Or how you’ve behaved with credit accounts in the past.

» **Why:** Every time you use credit, you are building a credit reputation — summarized in a credit report — that employers, landlords, future lenders and other businesses often consider as they make decisions about you. Having a good credit reputation means you:
  • Have a better chance of being approved for credit
  • Are more likely to receive higher loan amounts at lower interest rates
  • Could be more likely to get a desirable job, secure an apartment and even acquire more affordable insurance coverage.

» **How:** The following steps can help you build a good credit reputation.
  • Manage the components of your credit score well – we’ll discuss on the next slide

**NOTES:**

- Don’t cosign for someone else. Their debt becomes your responsibility and is included in your credit report and reflected in your credit score.
- If you’re just getting started, consider applying for a small, secured loan or credit card from your financial institution, backed by your savings account as collateral. The funds will still earn interest and your timely payments will be reported to a credit reporting agency.
- Review your credit report – available for free each year from each of the 3 credit bureaus – by visiting annualcreditreport.com. While the reports are free, there is a fee for obtaining your credit score.

» **Transition:** “So now that you have a better understanding of what goes into your credit reputation, let’s see how that information is consolidated into a grade of your performance; your credit score.”
**OBJECTIVE**

Explain how credit scoring works.

**QUICK POINTS**

» Your credit report is a record of all your credit activities

» Again, ensure it’s accurate by checking reports at www.annualcreditreport.com

» Scores and scoring models vary, but basic factors are the same

**MORE DETAILED EXPLANATION**

» Your credit report is an ongoing record of your payment history with organizations that grant you credit. It shows how much credit you are using, how well you pay your debt, who is inquiring about your credit, information on bankruptcies or federal income tax liens against you, how long you have been managing credit responsibly and what types of credit you manage. Poor credit information remains on your credit record for 7 years. Bankruptcy will remain on your credit record for 7 to 10 years.

» It is your responsibility to make sure your credit report is accurate. As discussed on the previous slide, check your credit report at least once a year at annualcreditreport.com.

» Your credit score is a three-digit summary of your credit report. The higher your score, the better. Depending on the credit scoring model, scores may range from 300 to 850. Most lenders consider scores above 660 good credit risks. Scores below 600 may indicate problems.

» Today free educational credit scores are available from a number of financial institutions and other companies including credit card companies.

» No single factor determines your score. But one or more of the factors may affect the final score more than others depending on your history. Factors determining credit scores include:
  - **Payment history:** Pay on time, every time. Recent missed or late payments hurt most
  - **Amounts owed:** Debt owed vs. credit line available, less than 20% is good, zero is best
  - **Length of credit history:** Longer history is better
  - **Types/number of credit accounts:** A combination of installment, revolving and mortgage is often good
  - **New credit:** New inquiries can hurt score

» Transition: “Another important element of building your credit reputation is how you manage your existing debt. Let’s look a little more closely at that piece.”
**OBJECTIVE**
Provide high level debt management techniques.

**QUICK POINTS**
- Effort and discipline are key to fixing debt problems
- DTI calculators on page 31
- Can SCRA help?
- If debt is a problem, cut expenses to free up cash to allocate to debt reduction
- Always pay more than the minimum on credit cards
- Pay off highest rate debt first
- Use debit card instead of credit card to avoid overspending
- Military installations have family support centers that offer free counseling
- Lo9k at Debt Management Warning Signs on page 29

**MORE DETAILED EXPLANATION**
- If you become overextended, it takes personal effort and discipline to get spending under control. These tips will help you get back on track.
- Calculate your debt-to-income (DTI) ratios - Consumer DTI, Housing DTI and Total. Ideally your Consumer DTI will be less than 20%, Housing will be less than 28%, and Total will be less than 36%. See page 31 in the Financial Readiness Guide.
- SCRA: The Servicemembers Civil Relief Act provides a number of valuable protections to those that serve. Contact legal assistance for more info. Protections may include:
  - 6% interest rate cap on pre-active duty debts
  - Termination of phone service under certain conditions
  - Termination of certain residential and auto lease agreements
  - Stays and protections pertaining to certain court actions
- Review your budget and look for ways to reduce your expenses. Then redirect those funds to pay off debts.

- Pay more than the minimum payment due. This will help reduce the length of the loans and interest costs you must pay.
- Pay off your highest interest rate debt first. Consider consolidating your debts to a lower interest rate but if you do, be careful not to run the original debts back up again, leaving you with twice the debt.
- Use a debit card instead of a credit card. Because the money is taken directly out of your account, you are spending money you have, not increasing your debt.
- Seek credit advice. Many installation military and family support centers offer free credit counseling. Additionally, the National Foundation for Credit Counseling (NFCC) is a network of local, nonprofit debt counseling services throughout the nation. Counselors at Military OneSource may be able to help as well.
- Transition: “Let’s briefly look at one reason it’s so important to manage your debt carefully – interest expense.”
**OBJECTIVE**
Demonstrate the dangers of paying only the minimum on a credit card as well as how much of an impact interest expense can have.

**QUICK POINTS**
- Dangerous to only pay minimum or carry a balance
- Describe example emphasizing how much interest expense would be incurred and how long it would take to pay off debt if paying only the minimums

**MORE DETAILED EXPLANATION**
- This chart shows how dangerous it can be to pay only the minimums on your credit cards. If you do not pay your balance in full each month, you incur interest charges that can multiply your credit card debt.
- Credit cards require you to pay a minimum amount each month. In this example, we’re assuming the minimum is 2 percent of the outstanding balance or $25, whichever is greater. Given those assumptions, it would take you 22 years and 4 months to pay off a $3,000 balance on a card charging 18 percent and you’d pay over $6,300 in interest charges – more than double what you charged in the first place.
- But look at what happens if you pay only $10 or $20 extra each month. At $10 extra, you’d cut the repayment term almost in half to 11.5 years and save over $3,000 in interest. Pay $20 extra and it gets even better.

**NOTES:**

- Your credit card company is now required to include on your monthly credit card statement how long it would take and how much it would cost if you only pay the minimum. You should really avoid this behavior.

**Transition:** “Speaking of things you want to avoid...”
OBJECTIVE
Briefly explain payday loans, highlight why they should be avoided, and suggest alternatives.

QUICK POINTS
» Easy but dangerous
» Insanely high fees and interest rates
» Ways to avoid
» Alternatives

MORE DETAILED EXPLANATION
» A payday loan is a short-term loan, usually for less than $500 that is paid back on your next payday. However, fees, high interest rates and the common practice of rolling over the money owed to a new loan can make them particularly costly. Lenders also are provided access to borrower’s checking account to deposit funds and make withdrawals which can, through overdraft, cause additional problems.

» Obtaining payday loans is relatively easy. However, they are so burdensome that 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. Using payday loans often can lead to a pattern of debt and dependence.

» There are ways to avoid payday loans.
  • Create and follow a realistic budget. Know your monthly net cash flow and plan expenditures based on your income.

  • Create an emergency fund. Even small deposits can help you avoid borrowing for emergencies, unexpected expenses or other items.

» There are alternatives to payday loans.
  • Consult your military installation for financial counseling and information on zero-interest emergency loans. Ask about financial institutions that offer lower-interest loans.
  • Research interest rates on loans offered by your financial institution, which can be more competitive.
  • Seek consumer credit counseling.

» Bottom line: Avoid payday loans and make sure your future troops do as well.

» Transition: “Now let’s talk about another very important foundational element of personal finances – protecting yourself and your family (if you have one).”
OBJECTIVE
Set up the Protection: Insurance & Identity Theft section.

QUICK POINTS
» No financial plan is complete without considering what could go wrong and taking steps to protect against it
» This means having the appropriate amounts and types of insurance in place
» You also need to be sure you’re taking steps to protect your identity

MORE DETAILED EXPLANATION
» Another important facet of your financial plan is risk management. Even if you spend wisely, save regularly and invest strategically, you are not managing your finances well if you have not taken appropriate steps to protect your assets, your earning potential, yourself and your family from the possibility of suffering a loss.

» Managing financial risk means obtaining adequate insurance for you, your family and your possessions. Insurance can never repair the emotional damage a loss brings, but it can minimize your financial stress and help you preserve your personal financial resources if the worst happens.

» At a minimum, you should consider four types of insurance: auto, renters, life and health. For purposes of this presentation we will not discuss homeowners or health insurance.

» And no discussion about financial protection would be complete without looking at protecting your identity so we’ll briefly cover that as well.

» Transition: “Let’s begin this section looking at auto insurance.”
OBJECTIVE
Begin sharing some of the main factors impacting auto insurance costs to help the audience determine if they should adjust.

QUICK POINTS
» Numerous factors influence auto insurance premiums
» Run through factors and the impact each has on insurance costs

MORE DETAILED EXPLANATION
» In most states auto insurance is required by law, but it’s also important to protect you, your family and your vehicle.

» Numerous factors can impact the cost of auto insurance. You need to consider these for both your current and future situations.

» Where you live: Due to higher accident and crime rates, coverage in some locations is more expensive than others.

» Vehicle type: High performance vehicles tend to be more expensive to insure than more moderately powered vehicles. The same is true for higher priced vehicles. Some smaller vehicles can also be more expensive to insure due to safety issues.

» Driving record: Those with clean driving records typically pay less than those with tickets and/or accidents on their records.
OBJECTIVE
Continue sharing some of the main factors impacting auto insurance costs.

QUICK POINTS
» Numerous factors influence auto insurance premiums
» Run through factors and the impact each has on insurance costs

MORE DETAILED EXPLANATION
» Deductibles: The higher your deductible (the amount you have to pay before insurance kicks in), the lower your premiums. Just be sure you have the money to cover the deductibles if you decide to increase them.

» Financial responsibility: Some companies consider the insured’s credit score as a factor in determining cost. In these cases, poor scores could result in higher premiums.

» Liability Limits: The higher your coverage limits are, the higher your premiums typically are. However, it’s often not as bad as you might think and this is one case where cheaper is not always better. Liability insurance is usually sold with split limits, often expressed as a series of three numbers such as 100,000/300,000/50,000.
  • The first number is the maximum amount the company will pay for bodily injury or death to any one individual in an accident.
  • The second number is the maximum amount it will pay for all bodily injuries and/or deaths, no matter how many individuals are hurt in the accident.

NOTES:

• The third number is the maximum amount it will pay for damage to another’s property in an accident.

» Transition: “Now let’s move on to an often overlooked type of insurance protection: Renter’s Insurance.”
OBJECTIVE
Explain the basics of renters insurance and highlight the low cost.

QUICK POINTS
» Often overlooked
» Landlord or government typically doesn’t cover possessions
» 2 components of renters insurance:
  • Personal property coverage
  • Personal liability coverage
» Very affordable

MORE DETAILED EXPLANATION
» Renters insurance is a type of coverage often overlooked by consumers. Surveys consistently show that 2/3 of renters do not carry this important coverage.

» If you rent 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 disaster. Also, you would not be covered if you were held legally liable for injury to someone or damage to their property. Things like uniforms, computers and electronics may be difficult to replace without renters insurance.

» Do not assume your landlord’s insurance will cover your possessions. It usually covers only the actual structure. This also applies to 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. However, to provide the most protection, you need renters insurance.

» A renters insurance policy comprises the following types of coverage:
  • **Personal property coverage**: Protects your belongings if they are stolen from your home or vehicle or if they are damaged by certain perils named in the policy. You choose how the insurance company assesses the value of your property.
  • **Personal liability coverage**: Pays for medical expenses or repairs if you are legally liable for someone else’s injuries or property damage. Make sure you have adequate liability coverage. For example, if a neighbor trips on your rug and breaks an arm, liability coverage would pay the medical bills.

» Renters insurance is typically affordable. Depending on your location, $35,000 personal property coverage and $100,000 personal liability coverage with a $250 deductible would cost about $25 per month.

» **Transition:** “Now let’s look at life insurance...”
OBJECTIVE
Explain why life insurance is needed and how SGLI works.

QUICK POINTS
» Provide financial security to survivors
» Can also be beneficial for single people
» A non-employed spouse may also need coverage, especially if you have young children
» Explain SGLI and FSGLI

MORE DETAILED EXPLANATION
» Why do you need life insurance?
  • Life insurance can help provide financial security for your survivors should something unexpected happen to you. Examples include: Providing income for your survivors, money to pay off debt, and money for goals like college funding for children as well as providing money to pay funeral expenses.
  • If you are single, life insurance can help take care of your financial responsibilities. By purchasing life insurance while you are young and healthy, you can have coverage in the event you become uninsurable later in life.
  • There are two basic types of life insurance:
    - **Term**: Cost effective way to cover most life insurance needs. Does not build any cash value and can become unaffordable as you get older. Usually used to take care of needs that would be present for a set period of time (or term).
    - **Permanent**: Includes a cash value or investment component and is designed for needs that don’t go away such as support for special needs children or estate planning. It is typically much more expensive than term insurance during the earlier years for the same coverage amounts.

» If you have a spouse and young children, you probably both need life insurance. A life insurance needs calculator can help determine how much coverage you should have.
» Servicemembers automatically receive $400,000 of coverage through Servicemembers’ Group Life Insurance (SGLI) — unless you file an election reducing coverage by $50,000 increments or canceling it entirely. Premiums are based on the coverage amount, not age. The current monthly premium rate is seven cents per $1,000 of insurance.
» Your spouse can be covered up to $100,000 provided you have elected at least that much SGLI coverage on yourself. Monthly premiums depend on your spouse’s age. Your dependent children are automatically covered for $10,000 at no cost.
» SGLI remains in effect at no cost for 120 days when you separate. It can be converted to Veterans’ Group Life Insurance (VGLI) within 1 year and 120 days from discharge, usually with an increased premium. This can be done without proof of good health within 240 days of separation.
» Transition: “Now let’s shift gears a bit and talk about identity theft.”
OBJECTIVE
Explain what identity theft is and share some basic ways to reduce the risk of occurrence.

QUICK POINTS
» Big and increasingly common issue
» Occurs when someone fraudulently uses your identity, typically for their financial gain and to your financial detriment
» Help reduce the risk by taking precautions
» Service members can place an Active Duty Alert when deployed that lasts for one year
» identitytheft.gov is a great resource for additional information

MORE DETAILED EXPLANATION
» Identity theft is a serious issue in America. It occurs when someone uses your name, address, Social Security number (SSN), bank or credit card accounts or other personal information, without permission, usually for their financial gain and to your financial detriment. Your personal information could be utilized to file fraudulent tax returns, open fraudulent credit accounts and even take over your accounts.
» 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 for victims to clear their names and credit records. In the meantime, victims may be refused loans or even lose job opportunities. Identitytheft.gov is a great resource if you become a victim.
» To attempt to protect yourself:
  • Memorize your Social Security number (SSN). Never carry your number in your wallet
  • Protect documentation that displays your SSN
  • Do not have your SSN or driver’s license number printed on personal checks
  • Keep account numbers confidential
  • Be careful about providing too much personal information online
  • Be cautious when utilizing public WiFi to access bank and other at-risk sites and accounts
» Service members can also place an Active Duty Alert on their credit reports to help reduce the risk of identity theft while deployed. Active Duty alerts last for one year but can be renewed if needed and are intended to require lenders to verify your identity before extending credit.
» Transition: “Since our last few slides have been about some of the more negative personal finance topics, let’s move to something more positive in nature.”
SLIDE 22 – SAVING AND INVESTING

OBJECTIVE
Set up the Saving and Investing section and distinguish between saving and investing.

QUICK POINTS
» Saving and investing are different
» Saving is generally safer, and more short-term in nature
» Investing is generally riskier and should be viewed as more long-term in nature

MORE DETAILED EXPLANATION
» These terms are used interchangeably but really represent different methods of using money to prepare for the future.
» Both saving and investing are important components of your overall financial plan.
» Saving is accumulating money safely — generally for short-term needs such as upcoming expenses or emergencies.
» Investing requires that you take at least some risk with your money with the hope of earning higher, long-term returns.
» Transition: “So how should you approach this?”

NOTES:
OBJECTIVE
Highlight how to set yourself up for success with saving and investing.

QUICK POINTS
» Saving and investing success is more likely if you engage the following ideas:
  • Pay yourself first
  • Create an emergency fund
  • Save and/or invest regularly

MORE DETAILED EXPLANATION
» Saving and investing success is more likely if you engage the following strategies:
  • **Pay yourself first.** Most people should try to save and/or invest 10 to 15 percent of their gross pay. Gross pay is your pay before any deductions are made for things like taxes and allotments. Don’t wait to save what is left over. An allotment or automatic transfer allows you to systematically transfer a portion of your pay to a savings account, investment account, or the TSP...sometimes before the money is even deposited in your checking account. Get into this habit early (before you get used to spending the money) and you probably won’t even miss the money.
  • **Create an emergency fund.** 3 to 6 months of basic living expenses is a good target for most people — enough to manage unforeseen or crisis-related expenses without borrowing money or selling investments. If you’ve got high interest debt you’re trying to eliminate, begin with a smaller emergency fund of $1,000. This can be a good place to start as you hammer down the debt.
  • **Save and/or invest regularly.** However you chose to set aside money into savings and investments, automate it. The more you can make it easy and keep yourself out of the picture, the better your chances of success. While set it and forget it might not be the exact answer, it’s probably pretty close.

Transition: “Implementing these 3 simple points can make a big difference in your success in saving and investing. But there’s another important point – start now.”
OBJECTIVE
Demonstrate the potential of compounding and the corresponding value of starting early.

QUICK POINTS
» Walk through the slide
» Emphasize that the 8% is purely hypothetical and just made up for illustrative purposes

MORE DETAILED EXPLANATION
» The sooner you start putting money away, the better. This chart shows what a difference it can make in the investing arena.
» In this example, we’ve illustrated 6 different investing scenarios in which $100 per month is invested and earns a hypothetical 8% average annual return.
» The leftmost two columns show someone starting at age 22. The light blue column shows what happens if they stop investing after 10 years (after investing only $12,000 - $100 per month X 12 months X 10 years) but the money continued to earn 8% per year. Given these assumptions, they’d end up with around $300,000 by age 67. The dark blue shows the same set of assumptions except rather than stop after 10 years, they continue investing $100 per month all the way to age 67. You can see they end up with about $531,000.
» The next two columns show the same things but starting 10 years later at age 32. The interesting point here is the “Invest until age 67” column. Despite investing a total of $42,000 ($100 per month X 12 months X 35 years) they end up with only $231,000 – significantly less than the person who invested for only 10 years starting at age 22.
» And of course, you can see that the person waiting until age 42 ends up in even worse shape. However, no matter how old you are, you’re better off starting now rather than later.
» While a $100 example is powerful, let’s look at what would happen with the same basic assumptions if our hypothetical investor were to invest $458.33 per month (A full annual IRA contribution for 2018). Using that number, someone who starts and continues to invest until age 67 would end at about:
  • Start 22: $2,400,000
  • Start 32: $1,000,000
  • Start 42: $435,000
» The lesson here is simple – don’t wait to start putting money away. As the slide title says, Start Now.
» Transition: “Now let’s look at how you might do that, starting with a discussion of lower-risk savings vehicles.”
**Objective**
Provide examples of lower-risk savings vehicles, share attributes of these vehicles, and discuss the Savings Deposit Program at a high level.

**Quick Points**
- Typically good for short-term objectives or when relative safety is desired
- Benefits — generally pretty liquid and safe
- Drawback — don’t pay much in today’s low interest rate environment
- SDP pays guaranteed 10% on up to $10k if deployed to certain hazardous duty areas

**More Detailed Explanation**
- **Overview:** Various savings options are available to help you achieve short-term financial goals: savings accounts, certificates of deposit (CDs), money market deposit accounts, U.S. savings bonds and U.S. Treasury bills (T-bills).
- **Liquid:** The big benefit of these options is that they are lower risk and highly liquid — you can use your money when you need it, generally without penalty (CDs may impose a penalty for early withdrawal).
- **Generally Safe:** Another benefit is that they’re generally safe and stable. Savings accounts and most CDs are federally insured. U.S. savings bonds and U.S. T-bills generally are not insured but are backed by the “full faith and credit of the United States.”
- **Drawback:** The drawback to most of these options is that they offer a relatively low annual yield. They can be a good option for short-term savings or your emergency fund. But, they generally are not suitable for saving money for long-term financial goals because inflation (or rising prices) can overtake the growth of your savings.

**Exception:** One exception to the low-yield story on this slide is the Savings Deposit Program. If deployed in certain hazardous duty areas, you can deposit up to $10,000 and earn 10 percent interest annually. It’s taxable, but that’s a great rate. Contact your installation’s finance office for more information.

**Transition:** “Now let’s move on and discuss more risky investment alternatives.”
OBJECTIVE
Provide high-level overview of riskier, longer-term investments and set up mutual fund conversation.

QUICK POINTS
» Unlike saving, investing introduces the idea that you could actually lose money trying to earn more
» Stocks – Owning stock means owning a small piece of a company. Values can go up and down considerably
» Bonds – Bonds allow companies or governments to borrow money from the bond owners in return for a set interest rate. Generally, bonds are less risky than stocks
» Real Estate – Can be an investment in addition to a place to live. However, needs to be thought of as long-term
» Mutual Funds – Help average investors overcome the obstacles of stock and bond investing. They pool money from many investors to purchase investments like stocks and/or bonds. Some are aggressive. Some are conservative

MORE DETAILED EXPLANATION
» Overview: Unlike saving, investing exposes your money to the risk of loss in exchange for the potential to earn higher returns. Because investments fluctuate in value, they’re typically best used for long-term goals. Examples of investments include stocks, bonds, real estate, and mutual funds that invest in these or other types of holdings.
» Stocks: Buying stock means you become a part owner (though small perhaps) of a company. The stock market will determine the value of the stock, which can go both up and down. Of course, the hope is that it over time the value will go up more than if you had used safer alternatives. You might also receive dividend payments if the company decides to distribute some of its profits.
» Bonds: The original purchaser of a bond is lending money to an organization (corporation, city, state or federal government) in return for a promise to be paid a certain rate of interest over a specified period (typically 1 to 30 years). Generally – but not always – bond investments are less risky than stock investments. After their initial offering, bonds are often traded in secondary markets.
» Real Estate: Real estate should be considered a long-term investment. Values have generally increased over time, but not always. Since real estate transactions are so large, you need to be very thoughtful and prudent when purchasing real estate.
» Mutual Funds: Let’s go back to stocks and bonds. Properly diversifying stock and bond investments requires significant money and time – more of each than the average investor has. Mutual funds can help overcome this by pooling money of many investors to purchase stocks or bonds and/or other securities. Each fund, which may hold 50 to 200 or more stocks, bonds, cash and/or other investments, is professionally managed to achieve specific objectives at a chosen level of risk. Some mutual funds invest aggressively; others invest conservatively.
» Transition: “Since a significant percentage of investors use mutual funds let’s look at them more closely.”
OBJECTIVE
Provide a high level overview of how mutual funds are a better approach for the average investor and warn about expenses.

QUICK POINTS
» Again, mutual funds help overcome some of the challenges inherent in investing with individual stocks and bonds:
  • Diversification
  • Professional management
  • Relatively low investment minimums
» All funds have expenses and the more you pay, the less money you get to keep
» But...cheaper is not always better

MORE DETAILED EXPLANATION
» Overview: Mutual fund offer many advantages, especially for the inexperienced investor. Here are three:
  • Diversification: They allow you to invest in a variety of industries and investment instruments, even if you do not have large amounts of money to invest. Diversification in various industries and categories of stocks, bonds and other securities can potentially reduce investment risk.
  • Professional management: Mutual funds are managed by professionals who typically research and evaluate the investment potential of hundreds of securities. Individual investors usually cannot get the same level of investment guidance without a very large amount of money to invest.
  • Relatively low investment minimums: Some mutual funds accept investments of as little as $50 or $100 per month as long as you set it up as an automatic investment. This is a lot less money than you’d typically have to set aside to build a diversified portfolio of individual stocks and bonds.

» Caution - Expenses:
  • All funds charge certain fees and anything you’re paying in fees is money you’re not getting to keep...so understand what you are paying.
  • This doesn’t mean cheaper is always better but costs are certainly something to consider.
  • Every mutual fund is required to provide a prospectus which outlines the fund’s objective and provides detailed information on expenses and past performance.

» Transition: “Since mutual funds make it easier to invest on a regular basis, let’s look at a hypothetical example of how systematic investing might work and how it might be helpful for you.”
OBJECTIVE
Demonstrate the potential benefits of investing regularly while illustrating how markets can behave.

QUICK POINTS
» Systematic investing/dollar cost averaging helps make investing less complicated
» Invest a set amount at set intervals regardless of market movement
» Buy more when prices are down, less when they’re up
» Walk through illustration – purely hypothetical
» Remember – though easier, this doesn’t guarantee profits

MORE DETAILED EXPLANATION
» Systematic investing, sometimes also called dollar cost averaging, allows you to take advantage of one of Wall Street’s certainties — the daily ups and downs of the stock market. You invest a set amount of money on a regular basis whether markets are moving up or down.

» When prices are high, your regular contributions buy fewer shares. When prices are low, they buy more. This approach tends to avoid the risk of trying to buy “at just the right time” or “at just the right price”.

The example on the slide shows how this works assuming $100 is invested each month in a hypothetical stock over the last 10 years. At the beginning, when the stock was $10 per share, the $100 investment purchased 10 shares. As the stock price rose initially, fewer shares were purchased each month. You can see that when the stock was $13 per share, only 7.7 shares were purchased. When it dropped to $6.50, 15.4 shares were purchased and so on and so on.

» As the table shows, a total of $12,000 was invested with a final worth of $16,995. That’s a total gain of $4,995 or an average of 6.57% per year over the 10 year timeframe. And the investor didn’t have to try to figure out when to buy or sell.

» Keep in mind that dollar cost averaging does not ensure a profit or protect against loss in declining markets. You should also consider your ability to invest continuously through periods when the market is down.

» Transition: “Now that we understand a little more about investments and how investing in them might work, let’s look at two specific account types in which you might own them and save money on taxes along the way: IRAs and the TSP.”
INTRODUCE THE CONCEPT OF TAX-ADVANTAGED SAVING FOR RETIREMENT AS WELL AS IRAS AND THE TSP SPECIFICALLY.

QUICK POINTS

» Tax-advantaged accounts can help offset the tax problem of investing

» 2 main tax-advantaged account types for service members are IRAs and the TSP

» IRAs:
  • Traditional and Roth. Traditional can save taxes now but generates taxable income later. Roth doesn’t save taxes now but can save taxes later
  • Investments choices are up to you
  • 2018 contribution limit is $5,500 across all IRAs for those under age 50.

» TSP:
  • Roth and traditional accounts available like IRAs
  • 10 investment choices
  • 2018 basic contribution limit is $18,500
  • Withdrawals are generally taxed similar to IRAs

MORE DETAILED EXPLANATION

» Taxes can affect your ability to accumulate enough for your future because the growth on the money you set aside is often taxable. Tax-advantaged accounts can help offset this. The two main types of tax-advantaged accounts for service members are IRAs and the TSP.

» IRAs: (see page 87 in your Guide for more info)
  • Types: Can be set up as a traditional, pre-tax account, or as a Roth. Traditional IRAs can save you taxes up front but are taxable later. Roth IRAs offer no tax savings up front but could save taxes later.
  • Investments: You pick the investments.
  • Contributions: In 2018, 100% of taxable compensation up to $5,500. This is the maximum allowed across all types of IRAs to which you make contributions if you’re under age 50. Though the limit didn’t increase in 2018, it often increases year-to-year.
  • Withdrawals: Generally, withdrawals after age 59 ½ from traditional IRAs are taxable. Similar withdrawals from Roth IRAs are not. Both types have a potential 10% tax penalty if withdrawn early with one exception being that Roth contributions can be withdrawn any time without tax or penalty – but this is not advisable. These rules can get complicated so it’s best to speak with a qualified income tax advisor about your specific situation.

» TSP:
  • Types: Traditional and Roth are available — can even do both. Traditional contributions can save you taxes up front but are taxable later. Roth contributions offer no tax savings up front but could save you taxes later.
  • Investments: Ten choices including five Lifecycle funds that offer a professionally developed mix of the basic funds.
  • Contributions: Basic limit is up to $18,500 in 2018.
  • Withdrawals: Generally taxed similar to IRAs.

» Transition: “Sometimes people wonder what happens to their TSP once they leave the military so let’s look at the options available.”
OBJECTIVE

Encourage audience to participate in TSP – especially in light of the BRS – by highlighting the vested money is theirs when they separate.

QUICK POINTS

» 3 high-level alternatives:
  • Leave it
  • Withdraw it (usually a bad idea due to taxes and penalties if not yet age 59½)
  • Roll it to an IRA or other eligible employer-provided plan

MORE DETAILED EXPLANATION

» When you separate from military service, you have several options regarding your TSP account:
  • **Leave your money in the TSP.** You may leave your money in the account (until age 70½) and make a withdrawal decision later. Your account continues to accrue earnings and you may reallocate your investments within the TSP. You may also transfer funds into the TSP from an IRA, an eligible employer plan such as a 401(k) or another TSP account. However, you may not make additional TSP contributions (other than the transfers mentioned).
  • **Withdraw all or part of your money.** You may withdraw your entire TSP account balance in a single payment, a series of monthly payments that are either a specific dollar amount or based on life expectancy, or a mixed withdrawal (a combination of available withdrawal choices.) Any amount paid to you from your traditional TSP is taxable for federal income tax purposes in the year in which payment is made. Also, if you’re not yet age 59½, you could be hit with an additional 10% penalty.
  • **Transfer or roll over money to an IRA or other eligible employer-provided plan.** Roth TSP withdrawals could also result in taxes and penalties if you are not 59½. Taking withdrawals from the TSP prior to age 59½ is typically a bad idea.

- **Transition:** “Let’s look at one additional element of military retirement: the new Blended Retirement System.”
OBJECTIVE
Show highlights of the Blended Retirement System.

QUICK POINTS
» Blended means pension and TSP contributions
» Page 93 of Financial Readiness Guide has details
» Military start date determines plan eligibility
» 4 main elements – see slide

MORE DETAILED EXPLANATION
» The new plan is referred to as a Blended Plan because retirement benefits are provided through a blend of a retirement annuity (smaller than that provided by the Legacy System) as well as DoD automatic and matching contributions to the TSP. See page 93 of the Financial Readiness Guide.

» As illustrated on the slide, your military start date dictates whether you fall under the current system, the new system, or can choose which system you want

» Four main elements of the new system:
  1. Retirement pay (pension) – reduced by 20% from current system.
  2. Automatic and matching TSP contributions. Automatic contributions start after 60 days. Matching contributions start after 2 years.

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<th>DoD Matches</th>
<th>Total Contribution</th>
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3. Continuation between 8 and 12 years, with agreement to serve at least 3 more years.
4. Partial lump sum options available at retirement.

» Transition: “Well...that’s it for the main material we wanted to cover today. Let’s look back over what we’ve discussed.”
SLIDE 32 – SUMMARY

OBJECTIVE
No objective. Simply a transition slide.

QUICK POINTS
» No quick points. Simply a transition slide

MORE DETAILED EXPLANATION
» This is simply a transition slide so there is no additional information.
**OBJECTIVE**

Wrap it all up by emphasizing the need to have plans for your money.

**QUICK POINTS**

» Read the screen

**MORE DETAILED EXPLANATION**

» We have covered a lot of information to help you manage your financial situation. You may want to periodically review your progress over time to see how well you are applying the knowledge you have learned today.

» To recap what we have discussed today and the top things you need to focus on:
  • Set financial goals
  • Create and follow a spending plan
  • Avoid credit card debt and payday loans
  • Review your insurance needs
  • Create an emergency fund
  • Save or invest 10 to 15 percent of your gross pay
  • Start saving and investing sooner than later
  • Seriously consider using the TSP

» **Transition:** “Let me leave you with one final thought that I think brings all of this together.”
The USAA Educational Foundation provides free financial publications, articles, and online learning to help you manage your finances throughout your career. You can even access this PowerPoint presentation. All of our information is available through our website at usaaef.org. The website is located inside the back cover of your Guide.

**Transition:** “Thank you for your time, attention and engagement today.”

Most financial problems stem from **lack of planning**, not lack of money.
SLIDE 35 – THANK YOU

THANK YOU!

NOTES:

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