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PERSONAL MONEY MANAGEMENT TIPS

BASIC TRAINING FOR FINANCIAL SUCCESS

Planning a budget is essential to ensuring your income is used efficiently. It helps cut down on unnecessary spending and enables you to use your money to purchase the things you need—or want—most.

IT'S EASY TO GET STARTED

To build the most practical budget, start by taking a look at your basic needs. Think about your rent or mortgage, food, utilities, clothing, gas, and vehicle maintenance, along with other everyday expenses. To figure out the cost of these necessities, just total up your past records—your checkbook or online statements, debit and ATM receipts, and paid bills. If you don't have records, try to remember how much you spent on those items.

Another way to determine your expenses is to keep track of everything you spend for a two- or three-month period. That way, you can see exactly where your money goes. After defining your basic needs, make a list of your financial goals and prioritize them. Consider not only your monthly or yearly requirements, but longer-range goals, such as a wedding, college costs, a down payment on a house, or the purchase of a new car.

An important thing for any family is to have an emergency fund in case of unemployment or to cover an accident, auto repairs, disability, sickness, death, fire, loss of property by theft, or any unforeseeable major expenses. Many families start an emergency fund by saving when expenses are low. Some designate certain types of income, such as part-time employment, as their emergency fund. It's always smart to have an amount equal to at least three months' salary set aside in a savings account to protect you in case of an unexpected situation.

PLAN AHEAD

The next steps are: (1) total the sum of your family's monthly income and (2) estimate your total monthly expenses, including basic needs and long-term goals.

If your estimated monthly expenses are going to be greater than your monthly income,

revise your budget, keeping in mind there are many possible ways to reduce costs.

- Buy less expensive items, such as store brands, and shop sales or discount outlets.
- Review your goals, temporarily postponing those that are secondary.
- Pay off high-cost installment loans or credit cards with funds borrowed elsewhere at a lower rate of interest.
- Increase disposable income by additional or part-time employment and by placing your savings where it earns the highest interest.
- Consider using energy-efficient appliances to save money on your utility bill.

If your estimated expenses exceed your income during some months of the year but total less than your income over the entire year, rearrange your expenses. Consider these factors:

- The dates when any current installment payments will cease, freeing up money for other purposes.
- The effective dates of a promotion or increase in pay.
- The months during which certain utility bills—heating, electricity, etc.—will be less due to seasonal usage.

Regardless of how your income and expenses balance out, remember that saving is the best way for a family not only to fulfill its long-term goals but to help it reach them sooner.

SAVING MONEY FROM THE TOP DOWN

"Saving from the top" means making a savings payment when—or even before—you receive your paycheck, before buying anything. Paying yourself first guarantees you a source of funds for your future goals.

One way to save is by starting an allotment to your Navy Federal savings account. Your savings payment will be deducted and deposited in your account before you get your paycheck.

PERSONAL MONEY MANAGEMENT TIPS

"Saving from the bottom" means setting funds aside during periods when income exceeds expenses. Money saved from the bottom may also be funds you've learned to live without that become available when certain fixed, but temporary, commitments end, such as a car loan.

If you get in the habit of saving from the top and find that, from time to time, you can also save from the bottom, you're really getting the hang of budgeting your money.

THE BEST WAYS TO BORROW

Sometimes it makes sense to borrow to pay for major expenses now instead of saving money to pay for them later. This is especially true during periods of high inflation when the future cost of the item you want may rise by more than the amount of interest you'd pay if you borrowed and bought it now. But if you borrow, do so wisely. It's not a good idea to borrow to cover ongoing, day-to-day expenses. And when you borrow, try your credit union first. You'll get the lowest interest rates for just about any loan you need.

Be careful with credit cards—impulse buying can destroy any budget. Before charging a purchase, ask yourself, "If I had to pay cash, would I still buy it?" A good guideline is that installment debts, charge accounts, and consumer loans should not exceed 20 percent of your take-home pay. The higher you go, the tougher it gets to manage debt. Keep your debt within your ability to pay. Credit, if misused, can ruin you, so use it wisely.

FOLLOWING A BUDGET—IDENTIFY YOUR SHORT-AND LONG-TERM GOALS

Short-term goals are those you plan to reach within a year or less. You might take several years to save for long-term goals.

EXAMPLES OF SHORT-TERM GOALS

- Paint your kitchen
- Eat out once a week
- Purchase a DVD or MP3 player
- Go to the movies

EXAMPLES OF LONG-TERM GOALS

- Vacation
- New car
- Down payment on a house
- Children's education
- Plan for PCS move

Be realistic. Your list should include things you can comfortably afford. Also consider the difference between needs and wants. Needs are those items you must have to survive, such as food, shelter, and clothing. But you may want a new TV, stereo system, or tropical getaway. Wants are things you can live without.

Set priorities. Number your goals based on how important they are and how soon you'll be able to afford them. Keep a record of what and where you're spending. There are two kinds of expenses: fixed and variable.

- Fixed expenses don't change in amount or due date, and you're responsible for paying the amount owed in full on that date.
- Variable expenses occur randomly throughout the year or regularly in varying amounts. They can be altered, meaning if you want to devote more money to one goal, try to save money from other areas of your budget. It's a give-and-take process you can use to shift funds to save money for a specific goal. Budget wisely and reduce utilities, entertainment, clothes, and food costs to free up more money to buy other things you need or want.

Note: Periodic expenses, such as car insurance, taxes, or tuition, are fixed expenses that come once a year or every few months. Divide yearly charges by 12 and quarterly charges by 4 to determine what to set aside each month to meet these expenses when they arise.

PERSONAL MONEY MANAGEMENT TIPS

EXAMPLES OF FIXED EXPENSES

- Housing
- Taxes (property, local)
- Education costs
- Installment loans (car, furniture, personal)
- Insurance

EXAMPLES OF VARIABLE EXPENSES

- Food
- Clothes
- Utilities
- Transportation
- Contributions
- Entertainment

Personal money management consists of identifying your goals, setting priorities, making a plan, and keeping a record of your expenses so you can review and evaluate your goals. Some people believe that a budget should not be deviated from once drawn up and that there's no use in making a budget if you don't stick to it. Others say that a budget should be used as a guideline and should be changed as necessary.

Whatever you believe, remember this: a budget is not just a tool to help you live within your income. It can also enable you to get some of the things you want out of life.

DID YOU KNOW?

Declaring bankruptcy is not the way to a debt-free life. A poor credit rating can keep you from getting a loan or increase the interest rate, and it can also lead to higher insurance. It can even affect your future ability to get a job.

Navy Federal offers Personal Finance Counseling at no charge to help resolve your personal money management questions or problems. This counseling deals with recommending adjustments in your budget to help you meet present and future financial commitments in a timely and orderly manner.

Requests for information and/or questions concerning our Personal Finance Counseling can be directed to any Navy Federal office or by calling the Personal Finance Counseling staff. Members outside the Washington, DC area may call toll-free at 1-888-842-6328. Members in metropolitan Washington, DC can call locally at 703-255-8492. Mail requests should be addressed to Navy Federal, PO Box 3000, Merrifield, VA 22119-3000.

Other Navy Federal publications of interest include:

- Personal Finance Management—(NFCU 1178ep)
- Credit Wise—(NFCU 2140ep)

To make money management work, learn to save, spend, and buy wisely and constantly be aware of where you stand financially. Know where your money is going so you can plan your future goals.

PERSONAL MONEY MANAGEMENT TIPS

HELPFUL HINTS FOR COMPLETING THE MONTHLY BUDGET CHART

- Put your net income amount in the column for the week you receive it. Net income is money you have left after you have paid your tax deductions (federal, state, FICA/Social Security).

CAUTION: If you have allotments or direct deposit of net pay to one or more financial institutions, be sure to count them correctly—first as part of your income, then as outgoing for whatever purposes the money is used, whether it be loan payments, insurance, or a savings deposit.

- Fixed and Variable Expenses—list the amount you **plan** to spend for the entire month in the “Budget Amount” column, and put the amount you **actually** spend in the weekly columns.
- Savings—list the amount you **plan** to save for the entire month in the “Monthly Goal” column, and put the amount you **actually** save in the weekly columns.

At the end of the month, total all columns (down and across). Be sure that total expenses plus total savings equal net income.

FIGURE YOUR MONTHLY BUDGET

Expenses	Budget Amount	Actual Amount Per Budget Period					Amount Spent
		Week 1	Week 2	Week 3	Week 4	Week 5	
NET INCOME	\$	\$	\$	\$	\$	\$	\$
Fixed Expenses	\$	\$	\$	\$	\$	\$	\$
Rent/Mortgage							
Insurance							
Auto							
Health							
Car Payment							
Loan Payments							
Property Taxes							
Furniture/Appliances							
Other:							
Other:							
Other:							
Variable Expenses	\$	\$	\$	\$	\$	\$	\$
Food							
Clothing							
Transportation/Car Upkeep/Gas							
Total Utilities							
Phone/Cable/Internet							
Dental/Medical							
Entertainment/Recreation							
Credit Cards*							
Other:							
Other:							
Other:							
TOTAL EXPENSES	\$	\$	\$	\$	\$	\$	\$
Savings	Monthly Goal	Actual Amount Saved Per Budget Period					Amount Saved
Savings Account	\$	\$	\$	\$	\$	\$	\$
Emergency Savings							
IRA/Retirement							
Other:							
TOTAL SAVINGS	\$	\$	\$	\$	\$	\$	\$

*Don't count a credit card purchase twice. Example—once as furniture payment and a second time as a credit card payment.