

Better Money Habits®

Military Families Transitioning to Civilian Life



SPEAKER NOTES

Welcome to Better Money Habits for military families transitioning to civilian life.

I'm [insert name], and I work at [insert organization].

Today, I'm happy to present the benefits of good financial habits to help you achieve your financial goals.

Introduction

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Building healthy financial habits is important for everyone, but research shows that navigating the significant differences between military and civilian finances is challenging.

63% of reservists and National Guard members feel financially insecure

65% of reservists and National Guard members live paycheck to paycheck

Source: Bank of America AMI Analysis of 2022 Kantar U.S. Monitor Data.

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Building healthy financial habits is important for everyone. But reservists and National Guard members have even more to think about — whether it's transitioning out of the military into civilian life or taking advantage of their various financial benefits like the GI Bill or VA loans.

If thinking about finances makes you uncomfortable, you're not alone; 63% of reservists and National Guard members (and 46% of active duty members) feel financially insecure according to one survey.

Being here today is an important first step. Better Money Habits is designed to make you feel more prepared to tackle your financial challenges and take full advantage of some of the benefits that come with being in the military.

Source: Bank of America AMI Analysis of 2022 Kantar U.S. Monitor Data.

NOTE TO PRESENTER

- *Highlight some challenges that reservists and Guard members face.*
- *Highlight 1 or 2 key statistics that show they're not alone in how they feel about finances.*
- *Reassure them that the session and information are an important first step.*



Today, we'll be covering some topics that are important for those with families who recently served:

- Navigating the financial transition to civilian life.
- Managing household finances.
- Managing debt.
- Buying a home.
- Teaching better money habits to kids

In each section, we'll share some key steps for addressing those challenges and practical tips to help make it easier.

Any questions before we get started?

NOTE TO PRESENTER

- *Quickly highlight the five topics that will be covered.*
- *Ask if they have any questions before starting.*

NOTE: If you don't have much time (say 30 minutes) and only want to cover a specific section, go to that section or see the key points of a particular section.



Navigating the transition



As you know, there are a lot of differences between military and civilian lifestyles. Your finances are no exception. As you and your family navigate this transition, there are a few things you need to be aware of to make the financial adjustment as smooth as possible.

- **There are differences between military and civilian pay:** The salary you're offered in a job interview is generally not what you'll take home, and there are other parts of your paycheck that are treated differently than they are in the military.
- **How taxes work:** Tax rules for civilians may seem complex after time spent in the service. In addition to impacting your paycheck, some of the rules around filing your returns are different as a civilian.
- **Where to get health insurance:** Your military health insurance generally ends the day you separate. Knowing what you're eligible for now, and how the costs and coverage vary, can help you make sure you and your family are protected.
- **Your VA benefits:** There are a number of valuable benefits made available to you because of your service — most notably, the GI Bill and VA loans.

NOTE TO PRESENTER

- *Introduce this as one of the most important topics for families transitioning out of the military.*
- *Highlight the four key things to know.*

Difference between military and civilian pay

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1. Your take-home pay may be less than you expected.
2. Much more of your paycheck will be taxed.
3. You'll have to compensate for allowances you no longer receive.
4. You'll pay for health care coverage.
5. You may be able to negotiate salary.



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The first thing to be aware of is that there are key differences between military and civilian pay. Take these into account when you build and manage your budget.

1. **Your take-home pay may be less than you expected.** For civilian jobs, after taxes and benefits are deducted, your net pay will likely be much less than the salary you were quoted. In the service, the opposite was probably true. You may have qualified for a number of allowances or incentives that made your take-home pay more than your base salary.
2. **Taxes, taxes, taxes.** We'll go into more detail on this in a moment, but the biggest deduction from your civilian paycheck will likely be taxes. In the military, the federal government generally only taxes base pay, and many states waive income taxes. Other military pay — things like housing allowances, combat pay or cost-of-living adjustments — isn't taxed. In the civilian world, just a few benefits are deducted before taxes, and overall much more of your paycheck is taxable.
3. **You'll have to compensate for allowances.** You may want to make a list of the allowances and special pay you were receiving in the military and then estimate their dollar value. This will allow you to get a better sense of your total military salary — beyond base pay — which will help you figure out how much you'll need to make as a civilian. It will also help you figure out your civilian budget. Use the Defense Department's Basic Allowance for Housing (BAH) calculator to estimate allowance value.
4. **You'll pay for health coverage.** As an active duty service member, you may not have had any out-of-pocket costs for health care. As a civilian, you may need to pay monthly premiums and copays when you see a doctor or fill a prescription. Even if you are insured through your employer, you will likely need to contribute to your coverage, usually via a deduction from your paycheck. If your employer doesn't offer coverage, you may need to purchase your own insurance via a state exchange, or pay a tax penalty if you remain uncovered.
5. **You may be able to negotiate.** When you're in the military, your pay is determined by your rank. In the private sector, however, there's room for negotiation. Knowing how much you need to cover your living expenses with something left over is a good starting point for determining your minimum acceptable salary.
Tip: If your employer won't negotiate on the dollar amount, you may be able to negotiate benefits like vacation time.

NOTE TO PRESENTER

Use the script above to highlight how the differences between military and civilian pay can impact budgeting.

How taxes work

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- Taxes are likely to be higher.
- Location is important.
- You may qualify for tax breaks and benefits.
- Some jobs offer perks.
- The usual deadline for filing is April 15.



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Taxes are another key difference as you transition to civilian life. There are five things to be aware of:

- **You'll owe different (and probably more) taxes.** You previously probably received a number of tax advantages, like tax-free allowances. As a civilian, most of your income will likely be taxable. Beyond federal income tax, you may also owe state income tax, local tax, Social Security and Medicare tax.
- **Location is important.** Different states and municipalities have different tax rates. When deciding where to put down roots post-service, you may want to look up the income and property tax rates.
- **You may qualify for tax breaks and benefits.** Your local Veterans Affairs office can help you maximize your benefits, including any state-specific advantages.
- **Your new career may offer perks.** You may choose a post-active duty career that offers tax breaks. Once you decide on a career, you might consider researching common tax deductions used in your field.
- **You must file by April 15.** As a civilian, you must file by April 15 — unless that date falls on a weekend or holiday — or request an extension. Keep in mind that tax paperwork can take a few weeks, so plan accordingly. If you need help, many taxpayers qualify for free federal and state tax prep software via MyFreeTaxes.com.

NOTE TO PRESENTER

Use the script above to highlight how taxes are different for civilians.

Where to get health insurance

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TRICARE	Civilian plans	Veterans Health Administration (VHA)
<ul style="list-style-type: none">• Available to those retiring from the military• National Guard members may be eligible• Continued Health Care Benefit Program (CHCBP)• Transitional Assistance Management Program (TAMP)	<ul style="list-style-type: none">• Employer-sponsored health care• State health care exchange	<p>Veterans Health Administration (VHA) is not insurance but does offer care.</p>

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Your military health insurance generally ends the day you separate. But you do have other options.

There are a few options involving **TRICARE**:

- If you are retiring from the military, you are still eligible for TRICARE.
- The Continued Health Care Benefit Program (CHCBP) is TRICARE, but you have to pay for it out of pocket. It costs \$603/month for you or \$1,513 for you and your family.
- The Transitional Assistance Management Program (TAMP) provides temporary coverage for up to 180 days.
- National Guard members may be eligible for TRICARE.

There are **other long-term options** for civilians:

- Many employers offer coverage for you and your family. Generally, they pay a portion and you pay a premium deducted from your pay.
- You can buy insurance through a state health care exchange.

The Veterans Health Administration does not provide insurance, but it can provide health care.

NOTE TO PRESENTER

Use the script above to highlight some health insurance options.

Your VA benefits

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Education

- Post-9/11 GI Bill
- Montgomery GI Bill
- Veterans' Educational Assistance Program
- Reserve Educational Assistance Program
- Veteran Readiness and Employment program

Home loans

- VA loans
- FHA loans
- FHA 203(k) loans
- Other government loans

To learn more, go to benefits.va.gov/gibill or benefits.va.gov/homeloans

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The Department of Veterans Affairs offers a host of benefits to those transitioning out of the military. Two of the most significant areas they provide help are in funding education and buying a home.

Financial and tuition assistance is provided through programs such as the:

- Post-9/11 GI Bill
- Montgomery GI Bill
- Veterans' Educational Assistance Program
- Reserve Educational Assistance Program
- Veteran Readiness and Employment program

Be sure to properly plan what type of career you want, how long it will take and how much it will cost. These benefits can often be applied to many types of education, including private and public higher education, vocational training, flight school (up to a maximum tuition), correspondence programs and certificates.

Home loans are another important benefit.

- VA loans are backed by the VA. They can offer low or no down payment, lower interest rates and no mortgage insurance requirement.
- FHA loans are designed for those with limited funds for a down payment.
- FHA 203(k) loans are renovation loans to help you turn a fixer-upper into a primary residence.
- You may be eligible for other types of government loans.

As with the GI Bill, make sure you do your homework on what you're eligible for and what type of loan makes the most sense.

To learn more about tuition assistance, go to benefits.va.gov/gibill.

To learn more about home loans, go to benefits.va.gov/homeloans.

Has anyone here used the VA educational benefits or home loans? If so, do you have any advice for people here considering them?

NOTE TO PRESENTER

- Use the script above to highlight some of the key benefits available to veterans.
- Highlight the URLs as resources for more information: benefits.va.gov/gibill or benefits.va.gov/homeloans
- Ask the audience if anyone has experience using their VA education or home loan benefits and if they have any advice or experience they'd like to share with the group.

Key takeaways

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1

Take-home pay may be less than you expect based on various mandatory deductions, such as taxes, and voluntary deductions, such as savings.

2

Taxes are likely to be higher than what you expect, and the mandatory filing deadline is usually April 15.

3

Depending on your circumstances, TRICARE may be available.

4

You may get health insurance through your employer or through a state exchange.

5

There are a variety of educational and lending benefits available through the VA, including GI Bill and VA loans.

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Let's review the key takeaways for navigating the financial transition from military to civilian life.

1. Take-home pay may be less than you expect based on various mandatory deductions, such as taxes, and voluntary deductions, such as savings.
2. Taxes are likely to be higher than what you expect, and the mandatory filing deadline is usually April 15.
3. Depending on your circumstances, TRICARE may be available.
4. You may get health insurance through your employer or through a state exchange.
5. There are a variety of educational and lending benefits available through the VA, including the GI Bill and VA loans.

NOTE TO PRESENTER

Review the five key takeaways for navigating the financial transition from military to civilian life.



Managing household finances



There are four basic steps you can take to make the most of your money:

1. **Talk to your spouse**
2. **Establish an emergency fund**
3. **Define the long-term plan**
4. **Plan the short-term goals**

When put into practice, these steps can have a big impact not only on your monthly budget but also on your overall financial future.

Let's begin with step 1: Talk to your spouse.

NOTE TO PRESENTER

Introduce the four steps for managing household finances that will be discussed in this section.

Step 1: Talk to your spouse

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Honesty and cooperation are key. There's no one right approach.

1. Talk about current finances.
2. Consider shared expenses.
3. Identify debts.
4. Define financial goals.
5. Decide where to cut spending.
6. Set dates to review spending and progress.



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There's no one right way to manage your finances as a couple, but having open and honest discussions about your money can be key to avoiding misunderstandings and strengthening your financial future together. Here are a few helpful steps:

1. **Talk about your current income and financial responsibilities.** Even if one person currently earns a lot more than the other, it's a good idea for both partners to be involved in financial decisions that affect them.
2. **Consider shared expenses.** Agree upfront on which expenses you'll share as a couple and which you'll cover individually to make paying bills a little less stressful.
3. **Talk about any debts or other expenses that impact your individual budgets.** This could include student loans, credit card debt, child support or other expenses. Whether you decide to keep these financial responsibilities separate or manage them as a couple, discussing these costs openly with your partner can help him or her understand the financial pressures you might be under.
4. **Think about the things you hope to achieve in the next five, ten or thirty years,** and see how your personal and financial goals agree or differ.
5. **Go over your income and expenses together to decide what costs you can reduce and which you agree to keep.** Then you can start setting aside money for your shared goals.
6. **Set up dates to look at your spending and savings and see if you're on track to reach your goals.** Setting occasional "money dates" can help both of you feel confident about your financial goals and can help you avoid conflicts over spending.

NOTE TO PRESENTER

- *Introduce the first step of Managing Household Finances: Talk to your spouse.*
- *Highlight that honesty and cooperation are key and that there's no one right approach.*

Step 2: Establish an emergency fund

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What is it and why is it important?

- Life can be unexpected, but bills must get paid.
- Avoid getting into debt to deal with emergencies.
- Try to save for three months of expenses.
- Account must be stable and accessible.



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Accidents can happen to anyone. And when they do, they can take a heavy financial toll. Without savings in place, an unexpected car repair, job loss or trip to the hospital could force you into debt and derail your goals. That's where an emergency fund can help.

Many experts recommend putting three to six months of living expenses into an emergency fund. But if that seems impossible, start smaller with an amount that feels reasonable — it could be \$25 a week.

Once you've got a handle on a monthly budget, you'll be able to figure out how much you can reasonably set aside and contribute to your safety net.

This money should be kept in a place where it can earn interest and be relatively easily accessible, but not so readily available that you'll use it for everyday expenses.

Remember, your safety net isn't an investment. Consider setting up a separate account, especially one that's online. A savings account or a money market savings account are both good options.

NOTE TO PRESENTER

- *Introduce the second step of Managing Household Finances: Establish an emergency fund.*
- *Explain you want to discuss what it is and why it's important first.*

Step 2: Establish an emergency fund (continued)

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How do you do it?

- **Take it day by day:** Pick a realistic number and start today.
- **Pick something and cut it:** Find one or two specific things to cut.
- **Use automated features:** Set up automatic transfers.
- **Don't let debt get in the way:** If your debt is manageable, consider allotting funds to both debt and savings.
- **Keep your funds accessible:** Create a separate savings account.
- **Add money each month:** Steadily increase the balance until you have enough to cover three to six months of expenses.

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Putting aside months' worth of living expenses might see like an impossibly tall task. Here are six simple tips for helping you build an emergency fund.

1. **Take it day by day.** More important than hitting your savings goal right away is simply getting started. To do that, pick a realistic number you think you could work toward in the short term. Some people, for example, might start with a goal of \$50 or \$100 a month — a little as \$2 to \$3 a day.
2. **Pick something and cut it.** Carpool or use public transportation to save on gas, bring your lunch to work or cancel that gym membership or cable subscription you don't use. You may want to identify one discrete thing you can cut, which can be easier than trying to change your behavior.
3. **Use automated features.** Set up automatic transfers from your checking to your savings account.
4. **Don't let debt get in the way.** If your debt carries high interest rates — like credit cards — it might make more sense to aggressively pay down balances first. But if your rates and balances are lower and more manageable, you should work on both saving and debt repayment goals at the same time.
5. **Keep your funds accessible — but away from temptation.** The most important thing about your emergency savings is that it's easily accessible. Put the money in an account like standard savings or money market where you can draw on it when needed. Don't lock them up in accounts that charge you to access your money — or keep them in an account you'll be tempted to tap for everyday expenses. Consider creating a separate, interest-bearing, FDIC-insured savings or money market account.
6. **Now, up the ante. Don't stop once you've hit your initial savings target.** Try to steadily increase your savings goals until you have put aside enough money to cover your expenses for three to six months — a significant buffer against unexpected emergencies.

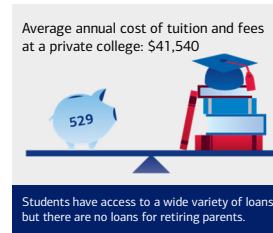
NOTE TO PRESENTER

- *Acknowledge that saving can be hard, but there are things people can do to help make it easier.*
- *Review the tips for creating an emergency fund.*
- *Ask the audience if anyone has any other tips that have helped them that they'd like to share with the group.*

Step 3: Define the long-term plan

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1. Put retirement savings before kids' education.
 - Fund your company retirement plan.
 - Student financial aid doesn't look at retirement savings.
2. Save for kids' college tuition (529 plans).
3. Tackle other long-term goals, like care for aging parents.



Source: College Board, 2023-2024

Investment products:

Are Not FDIC Insured

Are Not Bank Guaranteed

May Lose Value

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The next step toward better managing household finances is to define the long-term plan. Here are three steps for properly addressing those plans.

1. It may seem far away, but financial planners recommend that first among your long-term goals should be prioritizing saving for retirement, even ahead of saving for your kids' college educations. Remember: Students have access to a wide variety of loans, but there are no loans for their retiring parents. Also keep in mind that federal financial aid formulas don't factor in parents' retirement savings. So consider contributing as much as you can to retirement funds, and take advantage of your full company match if your employer offers one.
2. Then save for your kids' college tuition. Consider using a 529 plan, which allows for tax-deferred contributions and tax-free withdrawals for education.
3. Next, you can consider other long-term priorities. One common family priority is to care for aging parents. If this responsibility falls on you, think about ways you can reduce costs, such as sharing your home with your parents, in addition to saving.

NOTE TO PRESENTER

- Introduce the third step of *Managing Household Finances: Define the long-term goal*.
- Review the three steps for planning long-term financial goals.

Step 4: Plan the short-term goals

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List five-year goals

- Vacations, new cars, home remodels, weddings
- Open separate savings accounts or sub-accounts
- Make weekly or monthly contributions

Get creative

- Have a garage sale
- Start a side hustle
- Prepare your meals instead of eating out
- After paying off car, redirect payments into savings

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Once you've established your emergency savings and are contributing to your retirement, start building toward your short-term goals.

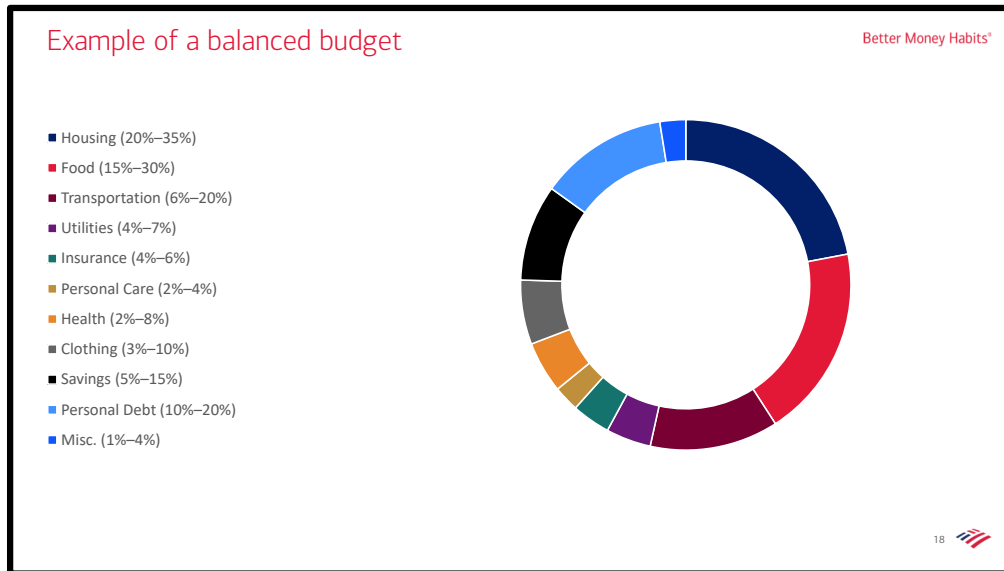
Make a list of all your goals within the next five years. Whether it's saving for a vacation, your wedding or the down payment on a home or new car, it's helpful to determine how much money you need as well as when you need it. Once you've figured out how much you want to save each month and you're confident you'll pull in enough income to meet that goal, you can set up automatic transfer between your checking and savings accounts. By automating deposits, you can eliminate the temptation to redirect your extra money to other things.

Ideas for meeting your short-term goals include:

- **Have a garage sale.** Sell the clothing and items you never use. You're decluttering your home as well as making some money.
- **Start a side hustle.** Turn a hobby, talent or skill into a side job to bring in extra money.
- **Plan your meals ahead or eat at home more often.** This may help prevent you from tossing out spoiled groceries that you didn't eat or ordering take-out because you didn't buy enough food for the week.
- **After paying off car, redirect payments into savings.** Since you were already accustomed to allocating this money elsewhere, you can redirect it into a savings account without having to change your budget.

NOTE TO PRESENTER

- *Introduce the fourth step of Managing Household Finances: Plan the short-term goals.*
- *Explain how to plan, and meet, short-term goals.*



Here's an example of a fairly balanced budget. Of course, everyone's situation is unique, so you will need to make adjustments to meet your specific needs.

This pie chart shows that 20-30% of the budget goes toward housing, 15-30% for food, 6-20% for transportation, 4-7 % for utilities, 4-6% for insurance, 2-4% for personal care, 2-8% for health, 3-10% for clothing, 5-15% for savings, 10-20% for personal debt and 1-4% for miscellaneous expenses.

NOTE TO PRESENTER

Introduce the example budget distribution.

Key takeaways

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1

Open and honest communication is key to good household financial management.

2

Establishing an emergency fund is an important first step.

3

Save money by prioritizing and cutting unnecessary expenses, and don't let debt get in the way.

4

Define your long-term financial goals and outline a savings plan to get there.

5

Address shorter-term goals, outline a plan and find creative ways to save toward them.

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Let's review the key takeaways for managing household finances.

1. Open and honest communication is key to good household financial management.
2. Establishing an emergency fund is an important first step.
3. Save money by prioritizing and cutting unnecessary expenses, and don't let debt get in the way.
4. Define your long-term financial goals and outline a savings plan to get there.
5. To address shorter-term goals, outline a plan and find creative ways to save toward them.

NOTE TO PRESENTER

Review the five key takeaways for managing household finances.



Managing debt




The slippery slope of credit card debt


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If you're carrying credit card debt:

- Your credit score may go down.
- Home and car loans may cost more.
- Emergencies may be more expensive.
- Everyday spending may feel like a stretch.
- You may have less money for retirement.
- You may be giving up the fun stuff.

If you charge a \$1,000 car repair:

Payment	Total interest	Payoff time
		
\$50 monthly	\$133	Nearly 2 years

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Credit card debt can pile up quickly and have a negative impact in a number of ways:

- **Your credit score may go down:** The amount of debt you carry can hurt your credit score, especially if your debt exceeds 30% of your credit limit.
- **Home and car loans cost more:** Generally, the higher your credit score, the lower your rates on auto loans and home mortgages. A lower score could prevent you from securing a home loan backed by the Veterans Administration, too. Many lenders issuing VA home loans require a score above 620.
- **Emergencies may be more expensive:** It's harder to build an emergency fund when extra cash goes to credit card payments. If you're forced to finance an emergency on your credit card, the situation could get worse. Let's say you had to charge \$1,000 for a car repair. If you make payments of \$50 a month, it could take you nearly two years to pay off that amount, plus interest.
- **Everyday spending may feel like a stretch:** The money you pay in interest could instead be going toward everyday items. If you're paying \$55 in interest a month, that could have gone toward a tank of gas, your cell phone bill or your utilities.
- **You may have less money for retirement:** Any money you're using to pay off debt could have otherwise been contributed to a retirement account, which can offer growth potential and tax advantages.
- **You may be giving up the fun stuff:** The money you spend on interest adds up. That's all money that could have helped you buy a new TV, a couch or a musical instrument.

These are reasons why you want to avoid credit card debt. But what if you're already in debt?

NOTE TO PRESENTER

Use the script above to highlight the dangers of credit card debt.

Steps to take control of your debt

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1. Take stock of your financial picture.
2. Choose a strategy to reduce debts.
3. Start paying down your debts.
4. Monitor your credit report.
5. Get outside help.



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While on active duty, your family may have faced unique budgeting challenges. Relocations can make it hard for a spouse to find and keep a job. And some families resort to taking out loans or increasing their credit card debt to make ends meet. If you find yourself in debt, there are some steps you should take to get control of it and pay it off.

To begin, make sure you and your spouse are both aware of your **whole financial picture**: how much you owe in debt — and what it's costing you, how much income you have coming in and your total monthly living expenses.

Once you have a list of your debts and their associated interest rates, you can **figure out a plan** to pay them down. Some people prefer to pay off debts with the highest interest rate first. Others choose to pay their smallest loans off first.

Now, at the very least, it is important to **make the minimum required payment** on all of your debts every month so you don't damage your credit score. But if you can afford extra payments, **paying more than the minimum** can help you get out of debt faster and save you a lot in interest over time. Once you've decided which debts you want to tackle first, you can take a look at your income and expenses to see how much money you have available to put toward extra debt payments.

Going forward, make sure you **monitor your credit report**. You can view a free credit report once a year, and you should correct any errors as soon as possible.

Lastly, there are **resources available** to help you get out of debt. Make sure you do research to find reputable organizations.

Let's take a closer look at each one of these steps individually.

NOTE TO PRESENTER

- *Reiterate the importance of paying off debt.*
- *Describe the five steps to take control of debt listed above.*

Step 1: Take stock of your financial picture

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- Sit down and review your finances together.
- Record each debt: who you owe, how much, interest rate.
- Determine your combined income.
- Calculate your monthly expenses.

Be aware that your interest rate may be higher on things such as credit card debt, now that you're out of the service.



Use a budgeting tool to record your financial picture.

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The first step is to take stock of your financial picture.

Find a time to sit down together and go over your finances. While talking about debt can be a sensitive topic, coming up with a plan to pay off what you owe — and a budget to achieve these goals — can help you reach your goals that much faster. You can start by figuring out how much you owe on each loan, each credit card and any other debt you have and the interest rates for each one (keep in mind that you may be looking at higher interest rates on things like credit card debt post service). This is especially important to be aware of because you may have had access to lower interest rates while you were on active duty. Now that you're out of the service, these rates may increase.

A budgeting tool can help you accomplish this step.

NOTE TO PRESENTER

Introduce the first step of managing debt: Take stock of your financial picture.

Sample budgeting tool

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Spending Plan Worksheet

Income

Base Pay	1
Additional benefits/allowances pay	1
Other	1
Total Income (Sum of rows above)	1

Spending Categories

Spending Category	Planned spending	Actual spending	Spending in excess of plan
Utilities			
Electricity	1	1	-
Gas	1	1	-
Water	1	1	-
Cellular phone	1	1	-
Other	1	1	-
Transportation			
Public transportation	1	1	-
Other transportation	1	1	-
Car	1	1	-
Other	1	1	-
Food			
Food	1	1	-
Alcohol	1	1	-
Other	1	1	-
Health			
Health insurance	1	1	-
Other insurance	1	1	-
Other	1	1	-
Education			
Education	1	1	-
Other	1	1	-
Entertainment			
Entertainment	1	1	-
Other	1	1	-
Other			
Other	1	1	-
Total			
Total spending (Sum of all categories)	1	1	-
Net change in this category (Total income - Total spending)	1	1	-

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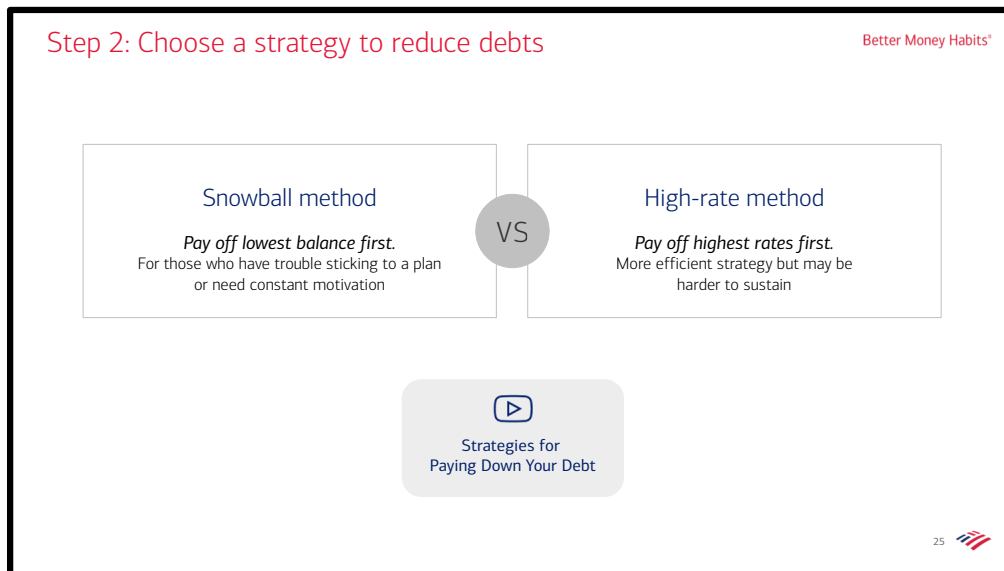
Here's an example budget tool. The left column includes your income and all your expenses. The other columns include the monthly amount for each item.

To take stock of your full financial picture, you should sit down with your spouse and fill this out. That will give you a better idea of what you owe, what you're earning, how much the gap is between income and expenses and where you can cut back.

Does anyone have any questions before we continue?

NOTE TO PRESENTER

Introduce the worksheet as a way to build an effective budget.



The second step of managing debt is to choose the right repayment strategy.

It can be overwhelming to think about if you have significant debts, but the important thing is that you develop a realistic plan, start trying to pay them off and make steady progress each month. While there are many ways you can attack your debt, there are two main strategies we'll discuss here. The first is commonly referred to as the **snowball method**. It's when you pay off your debts by balance, the lowest first. The other method is to pay your debts according to their interest rates, starting with the highest rates. For this discussion, let's call it the **high-rate method**.

So how do these strategies actually work? Let's start with the snowball method. First, make a list of all of your credit card balances from lowest amount to highest. If two balances are similar, prioritize the card with the higher interest rate. When you pay your monthly bills, make the minimum payment due for all your debts. Then take any additional money you have available and put it toward the debt with the smallest balance. Do this each month until you've paid off your smallest debt. The next step is to take the money you were paying toward that bill and apply it to the next smallest balance on your list. And as you continue moving down your list, the amount you're able to apply to each balance continues to grow and grow, creating a snowball effect.

Now let's talk about the high-rate method. Again, make a list of all your debts, but instead arrange them according to their interest rates, with the highest interest rate first. Using this method, you'll also pay the minimum amount due across the board. Then you'd focus on sending as much as you can afford to the account with the highest interest rate. Keep doing that until it's paid off. Once your balance is zero, concentrate on the card with the next highest rate on your list. And so on. Just remember, regardless of which method you choose, when you pay off a debt, don't use that account again until you're completely out of debt. The goal is to stop increasing your debt.

Supporters of the snowball method say that you'll feel a boost each time you pay off an account. And those small victories keep you motivated to reach your goal. On the other hand, supporters of the high-rate method will tell you that over time you'll save much more money and get out of debt sooner by paying off your higher-interest-rate debts first. If you want to get out of debt paying as little as possible, it's probably a savvier decision to use the high-rate method because you'll get rid of your most expensive debt sooner and pay less over the long run. But if you're the type of person who has trouble sticking to a plan or you need constant motivation, then the snowball method might be a better fit for you.

NOTE TO PRESENTER

- Introduce the second step of managing debt: Choose a strategy to reduce debts.
- Quickly introduce the snowball method and the high-rate method.
- Play video: "Strategies for Paying Down Your Debt" (5:00)
<https://bettermoneyhabits.bankofamerica.com/en/debt/strategies-for-paying-debts>

NOTE: If internet is not available, and the video cannot be played, use the script above.

Step 3: Start paying down your debts

Better Money Habits®

- Revisit your budget to see how much you can put toward debt.
- Pay at least the minimum every month to protect your credit score.
- Calculate how much you can put toward your target bill.
- Find ways to cut back on spending.



26



Carrying debt threatens your ability to spend on what you need now — as well as your capacity to save. Although paying off debt can seem daunting, you can start to tackle it by following a few simple steps.

- **Revisit your budget to see how much you can put toward debt.** The first step is understanding what you owe. To start, make a master list of all your monthly credit card and loan statements. For each bill, include the creditor's name, the total amount you owe on that bill, the minimum required monthly payment, the interest rate (also known as APR) and the payment due date. Add up all your monthly expenses: rent, car, food, utilities, health insurance and the minimum payments on your debts, as well as regular spending on things such as entertainment and clothing. Subtract that figure from your monthly after-tax income. The remaining amount is what you could put toward debt repayment each month — though you may also want to save some.
- **Pay at least the minimum every month to protect your credit score.** Pay the monthly minimum on each debt. The exception: your target bill. Whichever method you choose — the snowball or high-rate method — put more money toward this target bill to pay it down faster. Once you pay off that bill, choose another to pay down aggressively. Your monthly debt repayment shouldn't change, even when you eliminate bills. This way you gain momentum as you go, putting more and more money toward each remaining bill.
- **Find ways to cut back on spending.** You can use your annual tax refund or holiday bonus to pay down debt. Look for small ways to save money every day, such as riding your bike to work, eating in instead of dining out or having a yard sale. Consider downgrading your car to a more affordable model with lower monthly payments. As you start to escape debt, it can be tempting to reward yourself by splurging on a new smartphone or an expensive dinner. But just a few purchases can erase all your hard work. Instead buy things with cash or your debit card, and think long and hard before taking on any new debt.

NOTE TO PRESENTER

- *Introduce the third step managing debt: Start paying off your debts.*
- *Using the script above, discuss the four ways to start paying off debts.*

Step 4: Monitor your credit report

Better Money Habits®

View your credit report at AnnualCreditReport.com.

- You can see a breakdown of debt and payment history.
- A small fee may be required to view your credit score.

>700

Anything above 700 is more attractive to lenders

<620

Anything under 620 could make it harder to get a mortgage

Poor 300–579	Fair 580–669	Good 670–739	Very good 740–799	Exceptional 800–850
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27



The fourth step of managing debt is to monitor your credit report. The three national credit-reporting bureaus—Experian, TransUnion and Equifax—are required to give you a free copy of your credit report every 12 months. Go to AnnualCreditReport.com to check it for free. You won't see your credit score, but you'll see a breakdown of your debts and payment history. If you want to know your score, there are a few options, though you may be required to pay a small fee. Also be sure you check your reports for accuracy and take care of any problems ASAP.

What does your actual credit score mean? **Anything above 700 is more attractive to lenders. Anything under 620 could make it harder to get a mortgage.** These are general estimates of categories. Different lenders may have different standards for categories.

NOTE TO PRESENTER

- Introduce the fourth step of managing debt: Monitor your credit report.
- Using the graphic and script above, explain how to get a free credit report and what constitutes a good or bad credit score.

Step 5: Get outside help

Better Money Habits®

- Avoid payday loans or nontraditional lenders.
- The VA may be able to help with consolidation.
- Visit the National Foundation for Credit Counseling.
- For those eligible, Veterans' Group Life Insurance can provide help at VA.gov.
- The Consumer Financial Protection Bureau can help correct errors on your credit report.

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- You may be tempted to use nontraditional means, like a payday loan or a pawnshop, to help you pay your bills. But you may want to **tread carefully**. The high rates on these types of loans make them extremely difficult to pay back.
- **The VA may be able to help with consolidation.** Generally, consolidation is when you take out one big loan to cover all of your existing debt, leaving you with one loan to repay, usually with a lower rate. The Veterans Administration does not specifically offer a debt consolidation loan, but it does offer a type of home refinancing that is often referred to as one. It may be a long process, and it's a good idea to discuss options with a financial advisor or your lender. If you have Veterans Group Life Insurance, you may be eligible for free financial counseling.
- Beyond the VA, the **National Foundation for Credit Counseling** can point you to certified credit counselors.
- You can also report any problems you might encounter to the **Consumer Financial Protection Bureau**, which has a division specifically tasked with helping service members and veterans.

NOTE TO PRESENTER

- *Introduce the final step of managing debt: Get outside help.*
- *Using the script above, highlight the different resources veterans can use.*

Key takeaways

Better Money Habits®

1

Credit card debt can make buying a car or home harder, lower your credit score and have negative impacts on your financial circumstances.

2

Write down your income, expenses and debts to keep track of everything.

3


Choose a debt repayment strategy that works for you and chip away.

4

Your credit report is key to your financial future; make sure you periodically monitor it.

5

Use government and other support resources to help.

29

Let's review the key takeaways for managing debt.

1. Credit card debt can make buying a car or home harder, lower your credit score and have other negative impacts on your financial circumstances.
2. Write down your income, expenses and debts to keep track of everything.
3. Choose a debt repayment strategy that works for you and chip away.
4. Your credit report is key to your financial future; make sure you periodically monitor it.
5. Use government and other support resources to get help.

NOTE TO PRESENTER

Review the five key takeaways for managing debt.



Buying a home

Consider your mortgage choices

Better Money Habits®

VA loans are the most popular mortgage choice for veterans, but they aren't the only option.

- VA loans: benefits.va.gov/homeloans
- FHA loans: HUD.gov
- FHA 203(k) loans: HUD.gov
- Other government loans: govloans.gov or HUD.gov



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Let's talk about an important benefit that you have as a veteran — home loans. VA loans are the most popular choice, but they aren't the only option.

- First, **VA loans** are backed by the VA. They're particularly attractive because they offer low or no down payment, lower interest rates and can require no mortgage insurance.
- **FHA loans** are designed for those with limited funds for a down payment.
- **FHA 203(k) loans** are renovation loans designed to help you buy a fixer-upper and turn it into a primary residence.
- You may also be eligible for **other types of loans** for certain types of property or circumstances.


View the websites listed here for more information on any of these options.


NOTE TO PRESENTER:


Using the script above, highlight the different mortgage options.


Assistance programs

Better Money Habits[®]


Local agencies and nonprofits


Employer programs



Mortgage tax credit certificates


Homebuyer education (HBE)

Eligibility for assistance may depend on:

- Type of mortgage
- Property location
- Steady source of income
- Savings for down payment
- Good credit

Bank of America and its affiliates do not provide legal, tax or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

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When combined with an eligible loan, the following programs can help you achieve homeownership successfully.

Local agencies: Many state and local governments, as well as charities, provide resources to help plan for homebuying or to avoid foreclosure. Try an online search for help in your area.

Employer programs: Some employers provide down payment and closing cost assistance for their employees. Check with your human resources department to find out more.

Mortgage credit certificates: This tax credit could reduce your federal income tax liability, which would free up more funds to qualify for and repay a loan.

Homebuyer education: A homebuyer education program is usually required when you use these resources. You can search for these counseling agencies online and contact them to learn more.

Remember that eligibility for assistance may depend on:

- Type of mortgage
- Property location
- Steady source of income
- Savings for a down payment
- Good credit


NOTE TO PRESENTER:

Use the script above to discuss assistance programs.

How VA home loans work


Better Money Habits[®]

- They have specific eligibility requirements.
- Potential benefits include:
 - Lower interest rates
 - No down payment
 - No mortgage insurance required
- You'll need to pay the appraisal fee and funding fee.
- They can take longer to process than traditional mortgages.



How VA Home Loans Work

Visit benefits.va.gov/homeloans for more information.

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As you consider the various options, make sure you learn about how each one works. In the case of VA loans, be aware that there are **specific eligibility requirements** in order to qualify, like the length of your service. Check the VA's website to find out if you or the home you want to purchase qualifies. VA home loans can offer advantages over a traditional mortgage, including:

- Lower interest rates
- No down payment
- No required mortgage insurance

Different lenders will offer different interest rates and terms on VA home loans, so it's worth taking some time to shop around for the best deal. Keep in mind, not putting anything down means you'll be taking out a larger loan, so over time you'll likely pay more in interest. If you can make even a small down payment, you could save money in the long run.

In addition to the typical closing costs and fees, there are two fees specific to getting a VA home loan that are worth noting: the appraisal fee and the funding fee. In addition to the home inspection your lender may require, the VA will also require a separate **appraisal** by an independent inspector. In most parts of the country, an appraisal will cost you around \$300 to \$400. There is also a **funding fee**. This is a one-time fee on the loan that is intended to reduce the loan's cost to taxpayers. It's charged as a percentage — from 0 to 3.3% of the total amount of your loan. What you'll be charged depends on a variety of factors, including some of the details of your military service and how much of a down payment you make on your home — the lower your down payment, the higher your funding fee. You can get estimates for these fees at va.gov.

Like other types of loans, the better your credit score, the lower the interest rate you'll likely be offered. It's also worth noting that VA home loans can take longer to process than traditional mortgages.

For more information on VA loans, visit benefits.va.gov/homeloans.

NOTE TO PRESENTER

- Explain that as they're choosing among the various options, they'll need to learn how each works.
- Quickly highlight the three key benefits of VA loans.
- Play video: How VA Home Loans Work (6:17)
<https://bettermoneyhabits.bankofamerica.com/en/home-ownership/how-va-home-loans-work>
- Highlight where they can get more information: benefits.va.gov/homeloans
- Ask the audience if anyone has used the VA home loan program and whether they have any tips for navigating the program that they'd like to share with the group.

NOTE: If internet is not available, and the video cannot be played, use the script above.

Key takeaways

Better Money Habits®

1

VA loans can offer lower interest rates, low or no down payment and no mortgage insurance required.

2

In addition to VA loans, there are other mortgage options available.

3

Determine which options and assistance programs you're eligible for.

4

Visit benefits.va.gov/homeloans for more information.

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Let's review the key takeaways for buying a home.

1. VA loans can offer lower interest rates, low or no down payment and no mortgage insurance required.
2. In addition to VA loans, there are other mortgage options available.
3. Determine which options and assistance programs you're eligible for.
4. Visit benefits.va.gov/homeloans for more information.

NOTE TO PRESENTER

Review the four key takeaways for buying a home.




Teaching better money habits to kids

Tips for teaching better money habits to kids


Better Money Habits[®]

- Allowance can be a useful tool.
- Help them learn saving and budgeting skills.
- Teach them about credit cards.
- Look for teachable moments.



Military OneSource offers a wide range of individualized consultations, coaching and non-medical counseling for many aspects of military life.

Be mindful of their age:
Don't treat a 10 year old like a 16 year old.

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It's important to teach your children good money management habits. Here are tips to help:

- Allowance can be a useful tool.** Even young children can use a small allowance to learn essential money management skills. Some parents intend to pay for chores; other simply want to provide their children some real-life experience of handling money. Experts believe an allowance can be a tool to teach children about basic money management life skills.
- Help them learn saving and budgeting skills.** Discussions at the toy store or grocery store can help illustrate the idea that if your child spends all of his money the day he receives it, there's nothing left over for the end of the week. When it comes to saving, consider suggesting that your child set short-term savings goals.
- Teach them about credit cards.** Explain that credit cards are not free money. Instead, they offer a way to take a small loan with interest from a bank or credit card company. People who pay bills on time will usually be offered a lower interest rate.
- Look for teachable moments.** Teach your child their spending should not exceed their income. If they overspend, help them look for ways to cut back or to increase income.
- Make it age-appropriate. If you set money rules, make sure they are age-appropriate. Some guidelines: As young children reach fourth and fifth grades, they start to grasp the value of a dollar and the concept of saving. By middle school, children understand that the clothes and games they covet can cost a lot. And as they get into the teens, kids have a much better grasp of how much stuff costs and are capable of understanding quite a bit about money if they are actively taught how to manage it.

[Military OneSource](#) offers a range of resources to help service members and their families, such as individualized consultations, coaching and non-medical counseling.

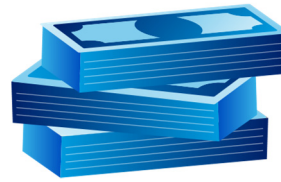
NOTE TO PRESENTER

- Introduce the importance of teaching children the basics of good money management.*
- Use the script above to introduce the tips for teaching better money habits to kids.*

Using allowance as a tool

Better Money Habits®

- Paying an allowance can help your child learn good financial habits.
- A majority of parents require children to earn allowance by doing chores. Other choose to use it as a teaching tool.
- Either way, teaching children how to spend and save responsibly is a valuable life lesson.



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Many experts agree that an allowance can be a helpful tool for teaching children how to handle money. This lesson is best learned when parents take an active role, explaining to kids why they are receiving an allowance and how to manage it.

Of parents who give an allowance, a majority require their children to earn it. Experts are split on that strategy. Some like the idea that kids can earn their money, but others think the cash should be strictly a hands-on, money-management teaching tool. In other words, kids should do their chores because they are part of a family, not because they are paid to do them.

Ultimately, there's no wrong approach. Just be clear with your expectations and philosophy, both in terms of how they earn money (e.g., chores, allowance, job) and how they use it (e.g., no spending rules, savings requirements, etc.).

NOTE TO PRESENTER

- *Use the script above to discuss the first tip for teaching better money habits to kids: using allowance as a tool.*

Teaching saving and budgeting skills

Better Money Habits®

- Many parents require their children to save part of their allowance.
- Their savings goals should be age-appropriate.

An exercise for children in elementary or middle school is the three little piggy banks. Kids split their allowance into three separate piggy banks:



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In the interest of using allowance as a teaching tool, many parents require their children to save part of their allowance. If you choose to go this route, keep in mind the savings goals should be age appropriate.

For example, the three little piggy banks exercise is effective for children as young as five or six.

Here's how it works: Give children three piggy banks. Every time your child gets cash, whether it's an allowance or birthday money, they can allocate a percentage to each piggy bank. One bank collects money for spending, another collects money for saving and the last collects money for giving. Experts recommend 50% to 80% of kids' money go to spending, 10% to 25% of kids' money be put into the savings pig and 10% to 25% of their money be put into the giving bank. Experts recommend that whatever percentage you decide, what's important is that your child sticks to it.

Exercises like this can help impart good money management skills early on and better prepare them for budgeting their own money when the time comes.

NOTE TO PRESENTER

- *Highlight that many parents require their children to save part of their allowance.*
- *Review the three little piggy banks exercise.*

Teaching about credit cards

Better Money Habits[®]

Assume that they don't understand how credit cards work.

Teaching topics:

- Not all debt is alike.
- Credit score matters — a lot.
- Today's choices impact their futures.

39

What your children learn about credit today could determine the decisions they make when they have their own credit cards and loans in a few years. But it can be tough to explain how credit works. Here are key facts to consider before you start the conversation.

First and foremost, always assume teens do not understand how credit cards work. Even older kids don't realize credit card companies charge interest and additional fees that can really add up. Explaining interest to kids can help set them on the right track when they start managing their own credit cards.

They may not realize that all debt is not alike. It's easy to see why tweens and teens may think that everything from a car loan to a college loan to a payday loan has the same consequences, since they seem to function by the same basic rules. Parents can explain that the terms of the debt and how the debt is used determine its effect on personal finances. Not all interest is the same.

Credit score matters — a lot. Most Americans' credit scores fall with the 680 to 720 range. A score above 740 typically qualifies you for lower interest rates.

Your child's early credit choices could determine their financial future. Mortgage lenders, credit card issuers, banks and auto lenders use your credit score to help gauge their risk in lending you money. With a good credit score, you may qualify for lower interest rates because you're perceived as a desirable customer and a low risk. Young adults may not know that in some cases, credit reports are also used to assess how responsible you are by insurance companies, landlords and potential employers.

Credit report dings can haunt a young person for a long time. The impact of credit inquiries and negative activity diminishes over time but generally doesn't disappear for years. Even if you pay off overdue debt quickly, it can take 7 to 10 years from the delinquency date for negative marks to be removed from your report.

Adding a teen's name to your credit card can help them build credit — but the risk is on you. As an authorized user on a parent's credit card account, the account appears both on your credit report and the child's. The child can use the card to make purchases but isn't responsible for repayment. Instead parents are responsible for anything the teen buys.

The right message about credit can stay with kids forever. When it comes to the value of a good credit history, the lessons parents impart today can help kids establish positive habits later. If they're too credit-averse and use cash or debit cards for everything, they will not establish a credit history and could have a hard time qualifying for a mortgage or car loan. But if they overuse credit, they can easily fall into too much debt. That's why it's important to strike the right balance between using credit but not abusing it.

NOTE TO PRESENTER

Use the script above to highlight how parents can teach their kids about credit.

Teachable moments

Better Money Habits®

Elementary school

- Turn weekly shopping into a quest to save money.
- Manage a budget at a toy store.

Middle school

- Evaluate dine-in and -out implications.
- Track digital expenses.

High school

- Budget and prioritize clothes shopping.
- Manage cell phone budget.



40 

Most kids start learning about money earlier than a lot of people think — and it's usually from watching you, their parents.

Your everyday decisions about what to buy and how to save can be teachable moments: opportunities to talk to kids about money so they learn good spending and saving habits early.

A child in elementary school is just learning how money works, so simple lessons are best. For example, an ordinary trip to the grocery store can be an opportunity to play a money saving game. When your child picks an item from your shopping list, have him find the sticker price and compare it with other brands with the goal of finding the lowest price. As he gets older, you can teach him to compare unit prices to figure out when buying larger quantities can help you save money. You can also give your child a mission to find coupons for the things on your list.

The next time you're at the toy store could also be an opportunity to teach your child to make choices within their budget. If you give them a defined amount of money, they can figure out how to narrow down their options based on how much they actually have to spend. And they'll learn how to consider trade-offs.

Middle schoolers can already be more sophisticated consumers, which may mean it's a good time to reinforce basic money habits and teach them about new things they might be exposed to, like digital spending.

So, for example, you could talk about the trade-offs between eating at home and eating out. Eating out might be more convenient and fun, but making a habit of it is bound to get expensive. Have your child estimate the cost of one of their favorite home-cooked meals: the cost of the groceries and the time it takes to prepare food and clean up afterwards. The next time your child asks to buy a movie or video game can be a good time to talk about buying versus renting. Ask him if he'll watch that movie more than once. If not, renting it could save you quite a bit. Or, if your child wants a video game, have them consider renting it first to make sure it's something they really want. Then they can make the decision to buy it.

High schoolers will be much more independent and will have a lot more experience with money, but there are also more spending temptations for teens as well.

The next time you're shopping for clothes with your teen, remind them to prioritize what they really need over what they want. You can also teach your teen to keep an eye out for sales and discounts. By doing a little online research, they may find that they can get something they saw in a store for less somewhere else.

When you're paying the phone bill, sit down with your teen and go over how their monthly cell phone and data plan works. If they pay a fee each time they send a text to a friend, seeing how these fees add up over a month can be a surprise. Looking at the bill with your teen each month can help them get in the habit of carefully looking over each bill they receive to make sure there aren't any unusual charges. This could also be an opportunity to collaborate with them in researching alternative plans that may be less expensive for your family. Beyond learning good money habits for everyday situations, it's also important to teach your teen about saving for bigger expenses that can benefit their future, such as a college education.

These are just a few examples of everyday opportunities to talk to your child about money. Once you get in the habit it's easy to find teachable moments like these. The earlier you start, the sooner you can set the foundation for the money habits they will have in the future.

NOTE TO PRESENTER

- Quickly review the teachable money moments for elementary schoolers, middle schoolers and high schoolers, show in the bullets.
- Ask the audience if anyone has any other tips that have worked well with their kids that they'd like to share with the group.

Key takeaways

Better Money Habits®

1

Allowance can be a useful tool, but set clear expectations.

2

Encourage saving and budgeting early on.

3

Teach them about credit cards, interest rates and credit scores, and why they're important to their futures.

4

Look for age-appropriate, teachable moments in everyday life to reinforce better money habits.

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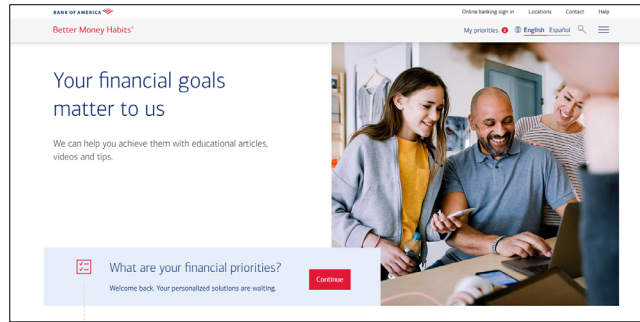


Let's review the key takeaways for teaching better money habits to kids.

1. Allowance can be a useful tool, but set clear expectations.
2. Encourage saving and budgeting early on.
3. Teach kids about credit cards, interest rates and credit scores and why they're important to their futures.
4. Look for age-appropriate, teachable moments in everyday life to reinforce better money habits.

NOTE TO PRESENTER

Review the four key takeaways for teaching better money habits to kids.



BetterMoneyHabits.com

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We've covered a lot today. I hope you'll use some of the things we've talked about to start down your own path to getting — and keeping — your finances in order. Keep learning; there is a lot of information out there if you want to do some exploring on your own.

A good source is bettermoneyhabits.com. It's a site put together by Bank of America to help people — wherever they are in their financial journey — make sound decisions.

Thank you for coming.

Thank you

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Thanks!