

Better Money Habits®

# Military Families Transitioning to Civilian Life

# Managing debt

Better Money Habits®





# The slippery slope of credit card debt

## 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



# Steps to take control of your debt

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.



# Step 1: Take stock of your financial picture

- 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.



# Sample budgeting tool

Spending Plan Worksheet



Income	
Your take-home pay	\$
Additional household take-home pay	\$
Other	\$
<b>Total income (sum of rows above)</b>	\$

Spending category	Planned spending	Actual spending	Check if spent as planned
<b>Expenses: Home and Utilities</b>			
Mortgage or rent	\$	\$	<input type="checkbox"/>
Groceries	\$	\$	<input type="checkbox"/>
Electricity	\$	\$	<input type="checkbox"/>
Gas	\$	\$	<input type="checkbox"/>
Water	\$	\$	<input type="checkbox"/>
Cable/internet	\$	\$	<input type="checkbox"/>
Mobile phone	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
<b>Expenses: Insurance and Financial</b>			
Health insurance	\$	\$	<input type="checkbox"/>
Other insurance	\$	\$	<input type="checkbox"/>
Credit cards	\$	\$	<input type="checkbox"/>
Other loans	\$	\$	<input type="checkbox"/>
Savings	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
<b>Expenses: Personal and Medical</b>			
Medication (not covered by health insurance)	\$	\$	<input type="checkbox"/>
Medical, dental and eye care costs (not covered by health insurance)	\$	\$	<input type="checkbox"/>
Education	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
<b>Expenses: Entertainment</b>			
Restaurants	\$	\$	<input type="checkbox"/>
Movies and music	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
<b>Expenses: Transportation and Auto</b>			
Public transportation	\$	\$	<input type="checkbox"/>
Car expenses	\$	\$	<input type="checkbox"/>
Other	\$	\$	<input type="checkbox"/>
<b>Expenses: Other</b>			
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
	\$	\$	<input type="checkbox"/>
<b>Total expenses (sum of all expenses)</b>	\$	\$	<input type="checkbox"/>
<b>Net savings or loss (subtract Total expenses from Total income)</b>			
	\$	\$	





## Step 2: Choose a strategy to reduce debts

### Snowball method

*Pay off lowest balance first.*

For those who have trouble sticking to a plan  
or need constant motivation

VS

### High-rate method

*Pay off highest rates first.*

More efficient strategy but may be  
harder to sustain



Strategies for  
Paying Down Your Debt



## Step 3: Start paying down your debts

- 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.





## Step 4: Monitor your credit report

View your credit report at [AnnualCreditReport.com](https://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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## Step 5: Get outside help

- 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.



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.

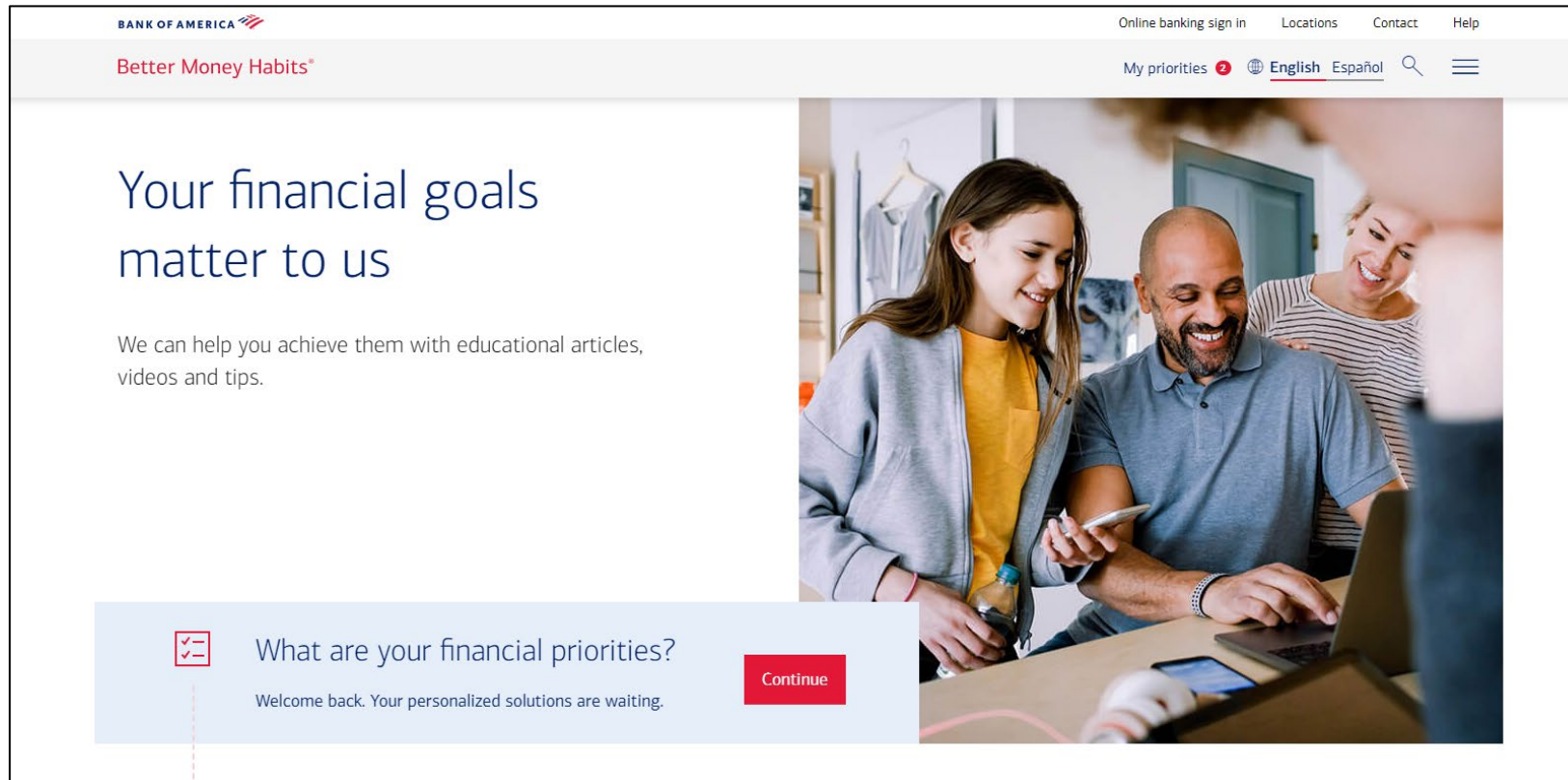
4

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

5

Use government and other support resources to help.

# Conclusion



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# Thank you

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PRES-02-24-0396.A | MAP6465380 | 03/24

