



SERVICEMEMBERS: MANAGING MONEY IN THE MILITARY



Consolidated Credit Counseling Services, Inc.
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1-800-210-3481
www.ConsolidatedCredit.org

Congratulations on taking this important step to a brighter financial future. Consolidated Credit Counseling Services, Inc. has been helping Americans across the country solve their credit and debt problems for more than a decade.

Our Educational Team has created over twenty publications to help you improve your personal finances. By logging on to www.ConsolidatedCredit.org you can access all of our publications free of charge. We have the tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit addresses range from identity theft and building a better credit rating to how to buy a home and pay for college. On our web site you will also find interactive credit courses, a “Best of the Web” debt calculator, a personalized budgeting tool, and much more.

We are dedicated to personal financial literacy and providing a debt-free life for Americans. If you are overburden by high interest rate credit card debt then I invite you to speak with one of our certified counselors free of charge by calling 1-800-210-3481 for free professional advice. We also have partnership programs available where groups, businesses, and communities can hold financial workshops and receive free money management guides and workbooks like the one you are reading now. Please call 1-800-210-3481 if you would like to discuss pursuing a personal financial literacy program.

Sincerely,



Gary Herman

President

Consolidated Credit Counseling Services, Inc.

Financial problems can cause a lot stress. For members of the Armed Forces, however, they can be even more traumatic. Money problems can result in losing a security clearance, or even bring your career to a halt. Even if it doesn't get that far, you can't afford to be distracted by money troubles when you're busy trying to protect our country!

This guide is designed to alert you to some of the potential pitfalls you may encounter as a servicemember, and alert you to resources that can help if you are having financial problems.

Some Words to the Wise

Make Your Paycheck Last: According to Meredith Leyva, author of *Married to the Military* and founder of CinHouse.com, your paycheck may not always stretch as far as you might think. Pay for those who are just entering the service is often low, and it can be difficult to try to budget while you're living with the ups-and-downs of military life.

A budget will be an essential part of your financial success, whether you serve your country for a few years or for your entire career. Getting in the habit of carefully tracking your finances – even if you've never done so before – will give you the freedom of choosing how you want to spend your money, and free you from the stress that too much debt can cause. A free budgeting guide is from ConsolidatedCredit.org in the Learning Center. If you do have a family, make sure you and your spouse work on the budget together so you are both clear on expenses and priorities.

Military pay can also be confusing, but it is important to stay on top of it. CinHouse.com offers a Military Pay Estimator calculator you can use to estimate your military pay when it changes. You can also get a free booklet on military pay from the Navy Marine Corp. Relief Society at <http://www.nmcrs.org/highlights.pdf>

One of the most important things you can do to avoid being taken in by scams is to sock away money for emergencies, relocation, etc. The average family loses \$800 each time a family member deploys, says Leyva. While you may receive hardship pay or other forms of additional pay, you are likely to have higher expenses as well. You need to prepare for higher expenses to support the family members you leave behind. There are many things that you would have taken care of if you were home, that your spouse now must cover, such as babysitting, lawn care, household repairs, car repairs, etc.

It's the “Murphy's Law of the Military”: The second your servicemember walks out of the door, your car is going to break down, the roof is going to leak and the plumbing will burst.” -- Meredith Leyva

It is also important to stay on top of your taxes. Visit the IRS website at www.IRS.gov and download IRS Publication 3, Armed Forces' Tax Guide or order it by calling toll free 1-800-TAX-FORM (1-800-829-3676). If you find yourself getting a refund, you may want to adjust your withholding and instead put the money you free up into savings.

Be Ready for Anything: Make sure you have an up-to-date will, a power of attorney for your spouse or other family member, and list designated beneficiaries on your insurance, retirement and bank accounts as needed. You may have little notice before you deploy, so you must attend to these details immediately. The less rushed you are, the more time you can take to make the best decisions for yourself and your family.

Check the List: Most bases have a "blacklist" of businesses that have harmed local servicemembers. Leyva recommends you check that list before you do business with local companies. You can typically find that list in the public affairs or base commander's office.

Get On Board: There are a number of free classes that may be available to help educate yourself on financial issues. For example, the Navy Marine Corps. Relief Society (see below) presents a very popular "Budget for Baby," workshop and offers other financial management programs to over 100,000 people a year. Just make sure, if you attend a seminar aimed at service people that the sponsor of the program is giving independent advice, and not a sales-pitch in disguise.

"Every family is going to experience a financial screw up. You'll be caught short. The question is whether you learn from it. Some of our best volunteers are those whom are originally recipients of our help. They have done the right thing by learning from it."

-- Meredith Leyva, Cinc House and Operation Homefront

Watch Out For... Payday or Quick Cash Loans

Businesses offering quick cash to "tide you over until payday" are really selling high price, short-term loans. Military personnel are often targeted for these loans because of the steady paychecks you receive, and because the lenders believe you aren't likely to complain publicly if you become a victim of one of these companies. Interest rates on these loans can be as high as 900%! They are extremely dangerous. Not only are the interest charges astronomical, if you cannot pay these loans off in full when due, interest will begin to add up very rapidly and you may find yourself unable to dig out.

Unfortunately, 91% of people who use payday lenders use them several times a year. While you may think using one of these lenders is a "one time deal," the deck is stacked against you. The best piece of advice is never start using a payday service!

"We've seen situations where a servicemember has borrowed \$500 from one of these outfits, has paid back \$5000 but hasn't touched the principal."

--John Alexander, director of communications
Navy Marine Corp. Relief Society

If you need emergency financial help, check the resources section of this brochure for organizations that may be able to help. While we don't advocate maxing out your credit cards, even a credit card cash advance is likely to be significantly cheaper (and safer) than one of these loans!

Title Loans

Short on cash but own a car? You may be tempted to take out a title loan – a short-term loan using your car as collateral. Like payday loans, the interest charges may be astronomical, and if you miss a single payment you may lose your vehicle and the equity in it! Don't risk it. Again, there may be other alternatives to help you get through your crisis.

Auto Loans

Auto loans and auto expenses are one of the top financial problems for many servicemembers. "Auto (costs) are the #1 service for Operation Homefront (an organization that helps servicemembers and their families with short-term crises)," says Leyva.

Sometimes the problem is an older car that is inexpensive to purchase but breaks down frequently. Other times the problem is buying an expensive new car with a long-term loan. These loans can instantly put you "upside down" on your vehicle, meaning you owe more than it is worth.

It can be difficult to get out of a vehicle loan, especially a bad one. It is worthwhile to look into refinancing your auto if the original loan is too high (your credit union is a place to start). In the meantime, talk to the lender about a modified repayment plan if you are having trouble keeping up. Operation Homefront

may provide auto repair assistance or vehicle donations to families in crisis. If you have leased a vehicle, you may be able to end the lease if you are called up for active duty (see The Servicemembers Civil Relief Act on page 6).

Furniture and Rent-to-Own Loans

When you are on a tight budget, the monthly payments offered by rent-to-own stores can seem very attractive. Low monthly payments, typically mean you will be renting the item long after it has become outdated and you will pay a small fortune for it. The Iowa State University Extension Office, for example, illustrates that a renting a 25-inch television could cost more than three times the amount than buying it outright! By the time you pay it off, it may be long out of date. Visit www.extension.iastate.edu/Publications/SP58.pdf for a free brochure that will help you understand Rent-to-Own contracts.

If you need furniture or appliances, you may be better off looking for good, used items by hunting through garage sales, flea markets, classified ads, etc. You can also visit www.freecycle.org to find a local “freecycle” organization. Members give away items they no longer need, and if you need a particular item, you can post it in the “items wanted” section.

Insurance and Investment Products

Watch out for pitches for insurance and investment products! Just because someone approaches you on base, or in uniform, about an insurance or investment policy does not mean it is a good program or endorsed by higher ups! Anytime you are presented with an investment or insurance product, take time to research it and read the fine print before you sign up. Don't be pressured into making a quick decision. If you don't understand it, or cannot get impartial advice, pass on it.

For life insurance, servicemembers should take advantage of the Servicemembers' Group Life Insurance (SGLI) program. SGLI offers low-cost group life insurance for servicemembers on active duty, ready reservists, members of the Commissioned Corps of the National Oceanic and Atmospheric Administration and the Public Health Service, cadets and midshipmen of the four service academies, and members of the Reserve Officer Training Corps. It is considered an excellent program, the cost is very attractive, and insurance is available for spouses. You can get more information from the Office of Servicemember's Group Life Insurance at 1-800-419-1473.

Also, be wary about investment plans promoted on base or through other servicemembers. The National Association of Securities Dealers for example, has warned those serving in the armed forces about systematic investment plans that require monthly payments and carry high, up-front costs. NASD's Investor Alert, Systematic Investment Plans – Educate Yourself Before You Enlist, follows an NASD enforcement action against a brokerage firm selling these plans to military personnel.

Servicemembers Civil Relief Act

The Servicemembers Civil Relief Act is a federal law that protects all Active Duty servicemembers, Reservists and the members of the National Guard while on active duty.

One of the main protections it offers is the opportunity to reduce the interest rate to 6% on debts incurred before you enrolled in the service, if you can demonstrate that your service in the military has a “material effect” on your ability to pay that financial obligation. If, for example, your pay has decreased or necessary expenses have increased, then you may be able to get your interest rates on credit cards, a mortgage, etc. lowered to 6%.

The SCRA may also allow you to terminate an auto lease if you are called into active duty for six months or more, or if you receive orders for a permanent change of station outside the U.S. You or your family may also have protection under the SCRA if you want to terminate a lease for housing that you entered into before you were called into active duty. If your family remains in your rented home and you are unable to pay your rent, you may be able to have a judge stop eviction procedures, provided your rent is less than \$2400 per month.

Finally, the SCRA may allow you to defer life insurance premiums while you are on active duty; and to have prior health insurance reinstated without waiting periods or exclusions when you leave active duty.

You can find more details about the Servicemembers Civil Relief Act at <http://usmilitary.about.com/od/sscra/>

**For a Free Consultation with
a Certified Credit Counselor
call 1-800-210-3481**

Get Help!

While the best time to get help is before you need it, it is never too late to learn better ways to manage your money. The two biggest traps consumers fall into when they have debt are:

1. Trying to dig out of a money mess on their own, and
2. Waiting too long to get help.

If you are struggling, or your money situation isn't getting better, it's important to get qualified help from someone who can give you impartial advice.

The following are some organizations and resources that can help you create a better financial future for yourself and your family. Thousands of people get help from these agencies each year, so don't be embarrassed to contact them. It is far better than the alternative!

Consolidated Credit Counseling Services Inc. is a non-profit agency with the mission to assist families throughout the United States in ending financial crisis, and solving money management problems through education and professional counseling. You will find a wealth of free educational materials in our online Learning Center, and you can always call us or visit us online for a 100% confidential, no obligation consultation. Visit ConsolidatedCredit.org or call 1-800-210-3481.

CinCHouse.com: CinCHouse is a non-profit organization of military wives. It's popular web portal was created to help military wives and women in the military manage day-to-day life and get on with the adventure.

Credit Unions: As a servicemember, you are eligible for membership in at least one of several credit unions. Credit unions usually offer very cost effective products and services. Visit www.cuna.org to locate one you can join.

MilitaryOneSource.com is a website provided by the Department of Defense. It offers tools and resources for military families, including financial assistance resources. You can also call them 24/7 at 1-800-655-4545

Navy Marine Corp. Relief Society, in partnership with the Navy and Marine Corps, offers financial, educational, and other assistance to members of the Naval Services, eligible family members, and survivors in need. Their programs include interest-free loans and grants for emergency needs, needs-based scholarships and interest-free loans for educational purposes, budget counseling, and thrift stores. Visit www.nmcrs.org for more information.

OperationHomefront.net provides assistance with day-to-day issues for military families so that deployed service members are not preoccupied by the crisis at home and can focus on protecting our country. They have arranged assistance such as home and auto repairs, computers, childcare, groceries and infant supplies, and more.

The Savvy Sailor series of books is helpful for those serving in the Navy but offers advice that can be useful for members of other branches of the service as well. Visit www.savvy.onweb.com.

About the author and Consolidated Credit Counseling Services, Inc. Consolidated Credit Counseling Services, Inc. is a consumer-oriented, nonprofit, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States. Our mission is to help families end financial crisis and solve money management problems through education and professional counseling.

Gerri Detweiler is Consolidated's educational director and author of this publication. She has written numerous books including *The Ultimate Credit Handbook*, which was featured in *Money* magazine as one of the five best new personal finance books of the year when it was released. Ms. Detweiler has been quoted in thousands of publications including *The New York Times* and *The Wall Street Journal*. She co-hosted an award-winning syndicated financial radio program, and has been a guest on *The Today Show*, *Dateline NBC*, the *CBS Evening News*, and *CNN*. She has testified before Congress and lobbied on behalf of consumers protection measures. She is the former executive director of *Bankcard Holders of America*, as well as a policy director for the *National Council of Individual Investors*. She has also served on the Board of Directors for the *National Coalition for Consumer Education* as well as *Experian's Consumer Advisory Council*.



Now you can find **FREEDOM FROM DEBT!**

Consolidated Credit Counseling Services, a nationally recognized non-profit organization, will provide you with professional financial education, counseling and resources.

In addition, you can benefit from customized Debt Management Programs, which incorporate a bill consolidation plan to help you regain your financial freedom.

Our professionally trained Certified Public Accountants will negotiate directly with your creditors to:

- **Reduce or even eliminate interest rates!**
- **Lower monthly payments by up to 50%.**
- **Eliminate late charges and over-limit fees.**
- **Consolidate debts into one lower payment.**
- **Help you pay off debt faster.**
- **Rebuild your credit rating.**
- **Save you thousands of dollars.**
- **Get you on a plan to be debt free!**



Call today, and take
your first step
toward financial freedom!

1-800-210-3481



You can be **debt free**



There is help waiting for you now.

- Reduce or eliminate interest charges.
- Consolidate credit card bills into one lower monthly payment.
- Pay off your debt in half the time.
- Save thousands of dollars.



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