



MONEY MANAGEMENT TIPS

WHY DOLLAR DISCIPLINE IS NECESSARY

Dollar discipline is a plan showing how income will be used over a period of time. It helps you cut down on unplanned spending and enables your family to use money earned to purchase those goods and services you need and want most. Dollar discipline is another way of saying “budget!”

HOW TO BEGIN!

To be useful, your family budget must begin with your family’s current basic needs. You must budget for such things as rent, food, utilities, clothing, transportation and other everyday expenses. To find out your expenses for these daily necessities, you probably need only to total up your past records—checkbook, receipts and paid bills. However, if you do not have records, you may be able to recall how much you have spent for the different items.

Another way of determining what your expenses are is to keep track of everything you spend for a two- or three-month period. This record will show you where your money goes.

After you define your family’s basic needs, decide which financial goals you want to aim for, and set a priority for each. Think through not only your monthly or yearly requirements, but also longer-range goals, such as college costs for children, weddings, a down payment on a house, purchase of a new car, etc.

Perhaps the most important financial goal of any family is a fund for emergencies, money that can be used in the event of an accident, auto repairs, disability, sickness, death, fire, loss by theft or any unforeseeable major expenses. Many families try to start an emergency fund by saving when expenses are low. Some earmark certain kinds of income—such as part-time employment—as their emergency fund. It’s always wise to have a sum equal to at least three months’ salary set aside in a savings account to meet any unexpected situation.

ESTIMATE AND PLAN

After you have identified your family’s present needs and future goals, you need two figures: (1) the total amount of your family income each month and (2) your total estimated monthly expenses (including basic needs and long-range goals).

If your family’s estimated monthly expenses are going to be *greater* than your monthly income, you must revise your budget, keeping in mind that there are many possible ways to reduce costs:

- buy less expensive items or shop sales and 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 spendable income by additional or part-time employment and by placing your savings where they earn the highest interest

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

- the dates when any current installment payments will cease and the amount of money that will then be free for other purposes
- the effective dates of any promotions or increases in pay
- the months during which certain utility bills—such as heating oil or electricity—will be below normal costs due to seasonal use

If your income *exceeds* your requirements, then you have nothing to worry about, except wise management of your money.

Regardless of how your income and expenses balance out, don’t make the mistake of thinking that savings are only for those who have extra money. Savings are often the best way for a family to fulfill its long-range goals—and saving regularly will allow your family to meet its financial goals sooner. Remember—if your family does not begin to save systematically *now* for the things they want tomorrow, their long-range wishes may always remain dreams.



REMEMBER...

a budget is not

just a tool to

help you live within

your income.

It is also a means

of enabling you

to get some of

the things you

want out of life.

HOW TO SAVE MONEY

Saving from the top means making a savings payment when—or even before—you receive your paycheck, before you buy anything. **Paying yourself first** guarantees you a source of funds for your family's future goals. One way to save is by starting an allotment to your Navy Federal share savings account. Your savings payment will be taken out and deposited in your account *before* you get your paycheck.

Saving from the bottom means setting funds aside during periods when income exceeds expenses. Money saved from the bottom may also be funds you have 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," then you're really practicing dollar discipline!

EFFECTIVE BORROWING

Sometimes it makes sense to borrow in order to pay for major expense items now, instead of saving money to pay for them in the future. This is especially true during periods of strong inflation, when the future cost of the item you want may rise by more than the amount of interest you'd pay if you were to borrow and buy it now. But *if* you borrow, borrow wisely and *not* to cover ongoing, day-to-day expenses. And *when* you borrow, be sure to check with your credit union. It will usually offer the lowest interest rates, no matter what the purpose of your loan.

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 rule of thumb is that monthly installment debts—charge accounts, consumer loans, etc.—should not exceed 20 percent of your take-home pay. The higher you go, the tougher things get. Keep the amount of the money you owe within your ability to pay. Credit—if misused—can ruin you. Use credit wisely!

DOLLAR DISCIPLINE WORKS

How to Follow a Budget — A Summary

Identify your goals—make a list of your goals, both short- and long-term. Short-term will be goals you want to reach within a year or less. Long-term are goals that might take several years to save for.

SHORT-TERM GOALS (examples)

- wallpaper kitchen
- eat out once a week
- purchase a DVD/stereo/MP3 player
- buy new uniforms

LONG-TERM GOALS (examples)

- vacation
- new car
- down payment on a house
- children's education
- plan for PCS move
(Permanent Change of Station)

Be realistic—limit your list to things that you can realistically afford. Also consider the difference between needs and wants. Needs are those items that you must have to survive, such as food, shelter, clothing. Your wants are items such as a new TV, a stereo system or tropical getaway. Wants are things you can live without.

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





- Fixed expenses are those that do not change either in the amount owed or the date due. You are responsible to pay the amount you owe in full on the due date.
- Variable expenses are those that occur randomly during the year, or regularly, but in varying amounts. These expenses can be altered, meaning if you want to devote more money to one goal, you must try to save money from other areas of your budget. It's a give-and-take process that you can use to shift around funds to save money for a specific goal. You can budget wisely and reduce long-distance phone calls, utilities, entertainment, clothes and food costs to free up more money to buy the things you really need or want.

NOTE: Periodic expenses—such as car insurance, taxes, tuition, etc., are fixed expenses that come once a year or every few months. Divide yearly charges by 12 and quarterly charges by 3 to determine what you must put aside each month to meet these expenses when they come due.

FIXED EXPENSES (examples)

- housing
- taxes—property, local
- fees for education
- installment loans—car, furniture, personal
- insurance

VARIABLE EXPENSES (examples)

- food
- transportation
- clothes
- contributions
- utilities
- 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 it has been 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 guide as a means to an end, rather than an end in itself, and that it can 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 is also a means of enabling you to get some of the things you want out of life.

If there is a surplus after you have paid all your monthly expenses, put this money into a savings account.

If there is a shortage, there are just THREE things to do: INCREASE YOUR INCOME . . . REDUCE YOUR EXPENSES . . . CONTACT A PERSONAL FINANCE SPECIALIST at your CREDIT UNION for help in shaping your budget.

AVOIDING BANKRUPTCY

Declaring bankruptcy is not the way to a debt-free life. It can affect your future ability to get a job or a loan. Instead of declaring bankruptcy, contact your creditors. Many companies will agree to accept less money over a longer period rather than taking a total loss.

DO YOU KNOW THAT...

Navy Federal Credit Union offers Personal Finance Counseling at no charge to help resolve your personal money management questions or problems.

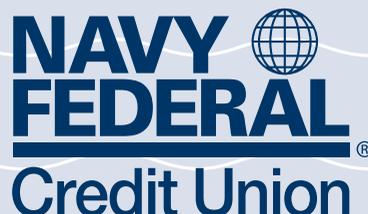
Personal Finance Counseling deals with recommending adjustments in a member's financial budget to help the member meet present and future financial commitments in a timely and orderly manner.

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 1-888-503-7106 and select option 4; members in metropolitan Washington, DC can call locally 703-255-8492. Mail requests should be addressed to Navy Federal, PO Box 3000, Merrifield, VA 22119-3000. Other Navy Federal publications of interest:

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

DON'T FORGET...

In order to make money management work, you must 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.



**Helpful Hints for
Completing the Monthly
Budget Chart**

1. 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.

2. Fixed and Variable Expenses—list the amount you *plan* to spend for the entire month in the “Budgeted Amount” column, and put the amount you *actually* spend in the weekly columns.

3. 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	Budgeted 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							
Car payments							
Loan payments							
Property taxes							
Furniture/appliances							
Other:							
Other:							
Other:							
VARIABLE EXPENSES	\$	\$	\$	\$	\$	\$	\$
Food							
Clothing							
Transportation/car upkeep							
Total utilities							
Phone							
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.



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