



DEVELOPING YOUR SPENDING PLAN

TRAINING TECHNIQUES

MODULE DESCRIPTION

Developing Your Spending Plan is a 60 minute program designed to provide the necessary background and tools to assist participants in developing financial goals and a written plan to achieve those goals.

LEARNING OBJECTIVES

At the conclusion of this program, participants will be able to:

- Develop one short- or one long-term financial goal.
- Identify the four primary areas of a spending plan.
- Define net income.
- State the ideal distribution for total net income.
- List three ways to improve any spending plan.
- Name one source of help in developing a spending plan.

REFERENCES

- OPNAV Instruction 1740.5B, Personal Financial Management Education, Training and Counseling Program
- Command Financial Specialist Training Manual, NAVPERS 15608D (or later)
- Garman, E. T. and R.E. Forgue, 1997. *Personal Finance*. New York: Houghton Mifflin Company.
- *Kiplinger's Practical Guide to Your Money*, 3rd Edition, 2005 Kaplan Publishing
- www.consumer-action.org (Consumer Education and Advocacy)
- www.lifelines.navy.mil (Lifelines Services Network)

- www.dfas.mil (Defense Finance and Accounting Service)
- <http://www.bls.gov/> (Department of Labor Consumer Expenditure Survey)
- <http://www.bea.gov/bea/newsrelarchive/2007/pi1206.pdf> (Bureau of Economic Analysis)
- www.ffsp.navy.mil (Fleet and Family Support Center Website)

■ MODULE PREPARATION

Handouts:

- Financial Planning Pyramid
- Financial Planning Worksheet Checklist
- Financial Planning Worksheet (FPW)
- Creative Savings Strategies
- Sources of Help for Military Consumers

Materials (varies depending on activities chosen):

- Bowling for Budgets Review Game
- Calculators
- Pencils and scratch paper
- Token prizes or candy

■ SUMMARY OF OPTIONAL PARTICIPANT ACTIVITIES

- **Financial Goal Setting Activity:** After a brief explanation of long- and short-term goals, have participants write a goal and then introduce themselves and read their goals.
- **Average American Expenses Activity:** In this activity, participants guess how much the “average American” spends on living expenses. The purpose is to get participants to focus on how much they spend each month, and, if they have no idea, it gets them to

realize the value of tracking expenses over a period of time to learn how much they spend.

- **Debt-to-Income Activity:** Participants have the opportunity to calculate their debt-to-income ratio in class.
- **What Are My Options:** Participants form groups and brainstorm on common expense categories and how to reduce the expenses. This activity, from the Command Financial Specialist Training Curriculum, is appropriate for larger audiences (recommend 12 or more). Plan for at least 30 minutes, 15 minutes for brainstorming and 15 minutes for reporting out.
- **It's Your Summary!** The responsibility for giving a summary of the presentation is given to the participants, in any way they choose.
- **Bowling for Budgets Review Game:** A quick question and answer review of session content.

CURRICULUM OUTLINE

1. Welcome and Introduction (5 minutes)
2. Setting SMART Goals (10 minutes)
 - a. Optional Participant Activity: Financial Goal Setting
3. The Financial Planning Pyramid (5 minutes)
4. Developing Your Spending Plan (10 minutes)
 - a. What is a Spending Plan?
 - b. What is an effective plan?
 - c. How can a Spending Plan help you?
5. The Financial Planning Worksheet (20 minutes)
 - a. The Net Worth Section
 - b. The Cash Flow or Budget Section
 - (1) The Income Section
 - (2) The Savings Section
 - (3) The Living Expense Section

- (4) The Indebtedness Section
- (5) The Summary
- (6) Debt-to-Income Ratio
- (7) Surplus or Deficit
- c. The Action Plan
 - (1) Optional Participant Activity: What are my options?
- d. The Spending Plan
- 6. Automated FPW (2 minutes)
- 7. Sources of Help (3 minutes)
- 8. Summary (5 minutes)
 - a. Optional Participant Activity: It's Your Summary!
 - b. Optional Participant Activity: Bowling for Budgets Review Game

■ INSTRUCTOR TECHNIQUES BY SLIDE NUMBER



Distribute handouts to participants. Introduce yourself to the class.



Optional Participant Activity: Financial Goal Setting

Time: 5-10 Minutes

Preparation: None

Procedure: Ask participants to turn to page five of the Financial Planning Worksheet and direct their attention to the “Setting Your Goals” section. Have participants draft a long- or short-term SMART goal. After a few minutes, instruct participants to stand, introduce themselves and read their goal. Tactfully tweak participant goals to make them “SMART” as appropriate. Congratulate all for putting their goal in writing.

8

Ask participants to refer to the “Financial Planning Pyramid” handout. Invite them to take notes as you review each level.

11

Ask participants to refer to the “Financial Planning Checklist” and the “Financial Planning Worksheet.” Explain that the checklist will help them get organized and gather all the documentation they need to accurately fill out the FPW.

Ask the class:

Is anyone currently tracking or has tracked expenses in the past? If so, what method did you use and what did you learn about your spending patterns?

16

Optional Participant Activity: Average American Expenses

Time: 10 minutes

Preparation: Scratch paper and pencils

Procedure: Ask the class, “How much do you spend on groceries every month?” Get a few answers. Then ask, “How much do you spend on transportation each month?” Get a few answers. Pass out scratch paper and ask participants to number it 1-8.

State the following: Every year the Department of Labor does a survey called the Consumer Expenditure Survey. They interview over 100,000 people. In 2005, the average income before taxes of the 100,000 + people interviewed was \$58,712 annually or \$4,893 per month. This is slightly more than a first class petty officer with 14 years of service, with dependents and BAH. Sea pay, incentive pays, other allowances, etc., are not included.

The average age of people surveyed was 48 years old which is considerably older than a first class petty officer. The average number in the family was 2.5 people. The average family had two vehicles and 67% were home owners.

Let's guess at how much this "average" American family spends each month. I'll read the category and you write a dollar amount.

1. How much does the average family of 2.5 people spend on food each month? Let's consider food at home and food eaten out.

Answer: \$495 (at home: \$275; away from home: \$220)

2. How much does the average family spend on housing? Remember, 67% owned their home. This would include taxes, insurance, and upkeep.

Answer: \$1,264

3. How much does the average family spend on clothing and services? Services would be things like haircuts, dry cleaning, etc.

Answer: \$157

4. How much does the average family spend on transportation? Remember, our average family has two vehicles and this includes payments, gas, maintenance and car insurance.

Answer: \$695

5. How much does the average family spend on health care each month? Remember, they probably have to pay something for health insurance.

Answer: \$222

6. How much does the average family spend for entertainment each month?

Answer: \$199

7. How much does the average family spend on personal insurance and pensions? This would include things like life insurance, contributions to their 401K, etc.

Answer: \$434

8. How much does the family spend on everything else? Tuition, vet bills, stamps, church contributions, whatever you can spend money on.

Answer: \$366

Ask participants how close they came to guessing the amounts. Ask them to look at the Living Expense portion of the FPW and then ask how accurate their numbers would be if they had to fill it out immediately. Move on to Slide 17 and discuss the value of tracking expenses.

21

Optional Participant Activity: Calculating Your Debt-to-Income Ratio

Time: 10 Minutes

Preparation: Pencils and calculators

Procedure: Have participants calculate their own debt-to-income ratio using the Summary portion of the FPW. Explain that even though the numbers are estimates it is still useful to participate so they will know how to calculate debt-to-income ratio when they have accurate figures. If time allows, poll the class as to how many are in the 20% and below range, and how many are above 20%. Encourage them to keep their debt to a minimum and their savings and investing to a maximum.

23

Optional Participant Activity: What Are My Options?

Time: 20 Minutes

Preparation: Colorful markers, masking tape or push pins, any resource guides available from I &R, and six sheets of newsprint pre-printed with one of the following topics on the top of each:

1. Housing
2. Transportation
3. Food
4. Entertainment
5. Communication
6. Clothing

Write "Referral Resources:" at the bottom of each sheet.

Procedure: Divide the class into 4, 5 or 6 groups, depending on class size. Optimum size is four people per group. If you don't have 6 groups, you won't need to use all categories of expenses. Give each group one of the prepared sheets of newsprint and some markers.

Have each group conduct a brainstorm session on their topic. Ask each group to make a list of ways to reduce living expenses in their category and write their suggestions on the sheet. Ask them also to list any emergency referrals appropriate for a crisis in their category (provide them with resource guides, if available). Ask each group to identify a spokesperson to share the group's answers with the rest of the class. When each group is done with their list, post papers at the front of the room, and call up each group spokesperson one by one to brief suggestions.

Comment and commend as appropriate, and when the spokesperson is done ask the class for any additional suggestions.

Typical answers to this activity include:

HOUSING:

- Use base housing
- Refinance
- Get renter's insurance
- Use water savers
- Recycle
- Change air filter monthly
- Wash dishes by hand
- Use Credit Union for deposits
- Combine insurance coverage
- Go to the Navy Housing Office for referrals
- Take in a roommate
- Move to less expensive home
- Decrease cable TV

- Fix it yourself
- Maintain upkeep of home
- Use clothesline to dry clothes
- Raise Homeowner's (HO) insurance deductible
- Conserve energy
- Put central air thermostat in "Auto" position vice "on", Get an energy check
- Get Homestead Exemption
- Do lawn yourself
- Do full loads of laundry
- Use BBQ instead of stove
- Cancel newspaper subscription
- Rent garage for storage
- Emergency Referrals: Navy-Marine Corps Relief Society

TRANSPORTATION:

- Keep cars for long time
- Replace cars that break a lot
- Do maintenance yourself
- Increase insurance deductible
- Use self-service gas stations
- Don't purchase unneeded options
- Use the bus or other public transportation
- Check on military discounts for tags, taxes, insurance, etc.
- Use base hobby shop for repairs
- Plan trips, map shortest routes
- Keep up with maintenance

- Shop around for insurance
- Use the right kind of gas
- Get manual vs. automatic
- Wash your own car
- Bicycle
- Move closer to job
- Drive a smaller car
- Call ahead to make sure destination is open
- Drop unneeded coverage
- Ask for discounts
- Keep tires properly inflated
- Car pool
- Don't let license expire
- Drive the speed limit
- Use cash for gas, not credit
- Emergency Referrals: American Red Cross, Navy-Marine Corps Relief Society, AAA

FOOD:

- Use coupons
- Cook from scratch
- Self Help and Resource Exchange (SHARE)
- Plant a garden
- Plan meals
- Don't use convenience stores
- Buy less expensive cuts of meat
- Eat your leftovers
- Progressive dinners

- Check the receipt (scanners make mistakes all the time)
- Buy in bulk
- Eat at home
- Food Stamps/FSSA
- Buy generic
- Don't shop when hungry
- Shop at the commissary
- Cook in bulk and freeze
- Stay away from machine cuisine
- Brown bag your lunch
- Learn to cook
- WIC
- Use galley
- Compare cost per unit
- Shop in-store specials
- Buy in-season foods
- Food banks
- Pot luck dinners
- Emergency Referrals: Local food banks, Navy-Marine Corps Relief Society, American Red Cross

ENTERTAINMENT:

- Go to base movies
- Watch videos at home
- Go for a walk
- Listen to concert on TV or radio
- Ask for military discount
- Get basic cable

- Go to the zoo
- Use the library
- Play cards and games
- Have a potluck party
- Use public/state/Nat'l parks
- Fish on base, if available
- Go to the beach
- Matinee movies
- Entertainment coupon books
- Eat at the galley
- Don't treat friends
- Use ITT Tickets for discounts
- Do things that don't cost \$\$
- Play sports

COMMUNICATION:

- Shop for best local phone rates
- Shop for best long-distance phone rates
- Shop for best cell phone rates
- Shop for best beeper rates
- Shop for best ISP rates
- Get rid of cell and beeper
- Cancel long-distance
- Use a timer to limit length of calls
- Write a letter
- Tell person on other end that you can only talk for a short time
- Make a list of discussion topics before phone call

- Use e-mail rather than long distance calls
- Buy phone cards and budget them
- Ask for discounts from all service providers
- Call local carrier to “freeze” your long distance carrier
- Emergency Referrals: Contact service provider

CLOTHING:

- Shop yard sales
- Use thrift shops
- Shop sales
- Learn to sew
- Mend clothes
- Use hand-me-downs
- Don’t dress in latest fashion
- Don’t dress kids in latest fashion
- Give children a clothing budget and have them buy their own clothes
- Use layaway
- Shop at the NEX
- Budget for clothing expense
- Properly care for clothes (read the label)
- Don’t buy name brands
- Use cash—not credit
- Barter/trade
- Buy wash and wear (not Dry Clean Only)
- Control impulse buying
- Shop outlet stores
- Buy clothes off-season or at the end of the season

- Emergency Referrals: Navy-Marine Corps Relief Society, Thrift Shops

Concluding Activities

Optional Participant Activity: It's Your Summary!

Time: 20 minutes

Preparation: Have a supply of markers and newsprint available for each group.

Procedure: Explain that rather than the instructor giving the summary of teaching points, you are going to ask the class to do it. Divide the class into groups of 4–6 participants each. Tell them that they have 10 minutes to design a one-minute review of all the material covered. They can use an outline, a mindmap, pictures, handouts, whatever they would like. Encourage creativity and prompt them with questions like: What were the major topics we covered? What were the key points? What are some new ideas and suggestions they picked up? What is their “action plan”?

Each group should pick someone to present their review to the class. After ten minutes have elapsed, have each group present their review to the whole class. Comment and add to the information as appropriate. Commend the class for their teaching skills and for learning so much during the presentation.

Optional Participant Activity: Bowling for Budgets Review Game

See “Introduction to the Modules: PowerPoint Games”

Bowling for Budgets Review Game

1. What are the five components of the Financial Planning Worksheet?

Net Worth, Cash Flow or Budget, Action Plan, Spending Plan, Expense Tracking.
2. What are the four parts of the cash flow or budget portion of the FPW?

Income, Savings, Living Expenses and Indebtedness

3. What are three ways any budget can be improved?
Decrease expenses, Decrease indebtedness, Increase income
4. In Goal-setting, what does SMART stand for?
Specific, Measurable, Action-oriented, Realistic, Timely (Start and stop dates.)
5. What is the difference between a short- and long-term goal?
Short-term is a goal to be achieved in five years or less. Long-term is over five years. Also acceptable: Savings are used for short-term; investments can be used for long-term.
6. Name two things that form the foundation or Management Level of the Financial Planning Pyramid.
Adequate income, Controlled spending, Insurance
7. What are the three types of savings funds on the Savings Level of the Financial Planning Pyramid?
Emergency fund, Reserve fund, Goal-getters fund
8. What is the definition of “net income”?
Total pay and allowances (gross) less taxes
9. What are the guidelines (percentages) for a well-balanced budget?
70% Living Expenses, 20% Indebtedness, 10% Savings
10. Net Worth is a measure of wealth. What is the formula for Net Worth?
Assets minus liabilities, or what you own minus what you owe.
11. List at least three ways having a written spending plan can help you.
Live within your income
Reasize personal goals

Maintain a good credit history
Get more for your money
Reduce financial stress and arguments
Achieve financial competence and confidence

12. What is the definition of gross income?

Total pay and allowances, everything you earn.

13. Name at least one source of help for developing your spending plan.

Your Command Financial Specialist
Fleet and Family Support Center
Navy-Marine Corps Relief Society Budget Counselors
Debt Management Programs at Credit Unions
Consumer Credit Counseling Services or other non-profit debt management counseling program

14. What does it mean if you have a debt-to-income ratio that is higher than 40% excluding your mortgage?

You need to seek help!

15. How long should you track expenses in order to get a realistic picture of your spending habits?

30 days or more

16. How much of your income should you save each month?

10%

17. Where can you get a copy of the Excel version of the Financial Planning Worksheet?

From your Command Financial Specialist, your FFSC Financial Educator, or on line at www.ffsp.navy.mil.

18. When should you start working on your Spending Plan?

Today! (only acceptable answer!)