

BUDGETING TIPS FOR SERVICE MEMBERS

Learning to balance your budget is a necessary life skill. It may sound like a chore, but once you develop sound budgeting strategies you can build wealth and enjoy peace of mind. Plus, sound finances are important for maintaining your security clearance, which is essential for your career.

Live within your means As you track expenses, decide how much you can allocate to each part of your life.

Some expenses may be covered by your service, but plan what you can put toward savings and retirement, insurance and taxes, debt reduction, housing and utilities, transportation, food, lifestyle, family education and recreation programs, and donations.

Pay down your debt ASAP This is key to your budget. You want your money paying for your needs, not interest. Record each credit card's balance and the interest being charged. Pay off the highest ones first while maintaining at least minimum payments for the others.

Creating and maintaining a budget takes an investment of time, but you will reap the rewards for years to come.

GOALS: Develop financial goals to help you:

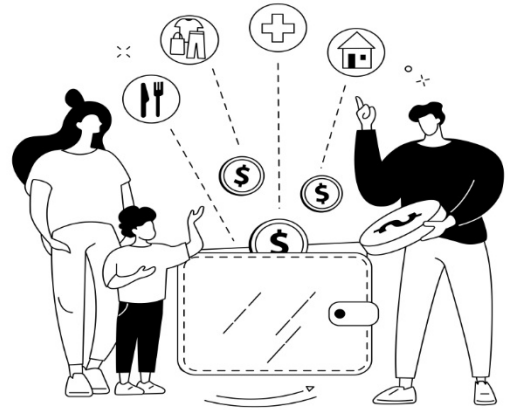
- Focus on what you want to achieve in life
- Develop an action plan to convert your dreams and wishes into reality
- Create a budget and a financial plan
- Prioritize your expenses—essentials vs. non-essentials
- Reduce debt
- Track your progress and celebrate achievements

INCOME: Understand your pay to make best use of it

- Take advantage of your pay's predictability. Anticipate promotion, longevity, or annual pay raises to determine how extra income can be used to meet goals.
- Although your pay may predictably increase, it also fluctuates up or down depending on your duty station, dependency status, and special pay; track these changes and adjust your budget accordingly.
- Use your allowances (BAH, etc.) and special pay (hazardous duty, etc.) wisely; don't use them for major purchases such as homes, vehicles, etc., since they change for many reasons.
- Stop living paycheck to paycheck; after building your emergency fund, also save the equivalent of one month's paycheck. This takes time, so be patient.

SAVINGS: Include plans for saving:

- To avoid using credit and creating debt



- For emergencies and unexpected expenses; create an emergency fund to cover 3 to 6 months of expenses
- To help you pay expenses related to your next deployment
- To help you meet your financial goals
- For retirement; participate in the Thrift Savings Plan
- To invest to meet long term goals: buying a home, college education, etc.
- Participate in DoD Savings Deposit Program and make optimum use of tax-free hazardous duty or combat pay

EXPENSES: Manage and control expenses to reduce or eliminate them

- Group and prioritize your expenses: essentials (needs) vs. non-essentials (wants).
- Maintain affordable housing costs and expenses
- For PCS, research the new location's BAH to help identify affordable housing, and adjust your housing budget when you change locations. Consider living on or near the installation to reduce the commute and take advantage of service resources.
- Use service resources for:
 - Needs, such as:
 - Commissary and exchange for food, groceries, clothing, etc.
 - Medical, dental, veterinary clinics
 - Childcare
 - Vehicle fuel
 - Legal services
 - Life insurance
 - Wants, such as:
 - Theatres, bowling alleys, clubs, etc.
 - Other recreation and health facilities
 - Youth programs
- Manage service-specific expenses; your budget will include job-specific expenses, e.g., uniform items, backup uniforms, etc. When you receive a clothing allowance, set that aside for uniform expenses.
- Save for big purchases instead of charging them.
- Create good habits with automatic deductions. Handling personal finances requires discipline; make it easier on yourself by using allotments or automatic deductions for expenses.
- Avoid impulse purchases; be aware of what triggers you to make them.
- Holidays can be stressful for you and your budget; your feelings may range from holiday blues to overly generous. Both can lead to purchases that wreak havoc on your budget. Plan for holiday gifts, decorations, and parties. Beware of impulse purchases and arrange travel plans early.

DEPLOYMENT: During deployment and/or PCS:

- Deployment often involves unusual expenses or special payments and entitlements, both before and after; track your leave and earnings statements via myPay or Payslip.

- Restrict yourself to your pre-deployment income. Use extra income to pay down debt, build emergency savings, invest for retirement, etc.
- Deployments usually don't happen overnight. Track, anticipate, and manage significant changes in expenses from one PCS to another. Start developing a deployment/PCS budget that includes these changes in expenses.
- Set up allotments or autopay for your recurring bills while preparing for deployment so they'll be paid in your absence.
- Take advantage of extra savings. With deployment often comes additional cash, which provides a good opportunity to save money and work toward financial security. Set savings goals to make the most of your extra pay. Determine how much you need to save each pay period to reach your goal. Take advantage of these savings opportunities:
 - Thrift Savings Plan (TSP) With your extra pay, increase your TSP contribution. You're not likely to miss that money and you'll enjoy the future benefits.
 - Roth TSP investments You can invest after-tax dollars into your TSP account. With Roth contributions you have already paid tax on the money going in so you can withdraw it, and its earnings, tax-free, as long as you meet certain IRS requirements.
 - DoD Savings Deposit Program With its 10% interest rate, this program (available only for certain deployments) is an excellent way to build your savings.
 - Military Star Card This card offers special low-interest rates during deployment.
 - If you have pre-service loans or credit cards with a high interest rate, check whether you can have the rates reduced through the Servicemembers Civil Relief Act (SCRA).
- Avoid the temptation to overspend when you celebrate homecoming. Some ways to keep your homecoming debt free:
 - During deployment, set some savings aside.
 - Visit your installation's travel office for post-deployment ideas.
 - Stick to your budget and shop at the exchange and commissary for celebration items.