

UNITED STATES MARINE CORPS
Marine Corps University
Corporals Noncommissioned Officer Program

CPL 0211
Jan 99

STUDENT HANDOUT

Formulate A Personal Financial Plan

LESSON PURPOSE: The purpose of this period of instruction is to provide you with the knowledge and skills necessary to familiarize you with balancing a checkbook and preparing a budget.

OUTLINE

1. MAKE PAYMENTS TO DETORS: As adults we are required to understand a variety of business items. One of which is our financial obligations when buying or agreeing to purchase items on credit. More importantly as Marine Noncommissioned Officers society expect us to keep and made good on all commitments. Many Marines talk about leadership and setting the example however, when it comes to practicing what they preach, its a different story.

a. Leadership traits: These traits which Marines live by remind us of the different between being a Marine, and working as: a civilian, in corporate America, or other military services. These traits cause a behavioral change in when words like Judgment, Courage, and integrity are mention. This means that adults, especially Marines do not commit unless they can pay their bills!

b. Leadership Principles: These principles which Marines apply as a way of life, makes each of understand that the Corps is a profession. Meaning that we take the highest pride in Making sound and timely decisions, Developing a sense of responsibility among our subordinates, and Insuring the task is understood, Supervised, and Accomplished. This means that adults, especially Marines pay their bills, and keep a receipt!

c. Semper Fidelis: The official motto of the Marine Corps, tells each Marine to be faithful to our country and Corps. THIS MEANS, MARINES PAY THEIR BILLS ON TIME!

2. MAINTAINING AND BALANCING A CHECKING ACCOUNT:

a. Checks: As you may well know, direct deposit is great however, bad checks due to insufficient funds are still a recurring problem. One main reason for this problem is that many Marines may not know how to properly write out a check or reconcile (balance) a checkbook. So, let us familiarize ourselves with the proper use of a checking account.

b. How to write a check: A check is simply an order to your bank to pay someone you name with the amount of money you have indicated on your check. The bank pays that person from the money you have deposited in that bank. Writing checks is a very convenient way to pay. There is a vast savings in time and effort. You can pay by mail, sit at your desk and write out your checks and not have to run from store to store or office to office and possibly stand in line to pay bills. A check allows you to pay the exact amount due. It provides security because you do not have to carry large sums of cash around. Furthermore, it provides an automatic receipt after it has been cashed, and returned to you.

(1) In writing out a check it should be written clearly, completely and in ink.

(2) The date should be written first, and it should be that day's date. Checks should not be post-dated (dated ahead).

(3) The payee's name should be written after the printed words "Pay to the order of." (The payee is the person, company, or organization to whom the money is to be paid.) Spell the name correctly. Avoid making a check out to "cash." A check made out to "cash" can be cashed by anyone if lost, and that is the same as losing currency. Furthermore, a check with a specific name or item on it serves as a better receipt for records than one made out for "cash."

(4) The amount in figures (after the payee's name) should be written close to the dollar sign to prevent other figures from being inserted. The correct way to express dollars and cents is: \$25 50/100, or \$25.50.

(5) The amount in words should be written on the following line. It should be started as far to the left as possible so that no one may insert a word before it and thereby raise the amount. Of course, the two expressions of the amount should be the same. It is considered good practice to insert a wavy line between the written amount and the word dollars to prevent anything from being inserted.

(6) On the memo line, always write what the check was for; account number, or item description.

(7) Your signature should be written in exactly the same way as you signed it on the signature card, which you filled out at the bank. Never sign a blank check. Write your signature only after all other blanks have been filled in. Do not cross out, erase, or change any part of a check. The bank will probably not accept it because such alterations give too much opportunity to forgers. Mark the stub void and tear up the check.

(8) Every deposit you make and every check you write should be entered on your check register. This is your only means of keeping an accurate record of your bank account and of reconciling your figures with the bank statement you receive at the end of the month. Enter the check number, the date, the amount of the check, the name of the person or company to whose order the check is payable and what you are paying for, all in the space allotted on the check

register. Always remember to subtract the check from the balance each time you write a check to prevent overdrawing on the account.

c. How to Reconcile Your Checking Account:

(1) Arrange the canceled checks returned with your statement into numeric order. If you voided any checks during the period covered by the statement, include or make note of those to ensure that no checks are missing.

(2) Go through your check register and make a mark next to the record of each check which was included with the statement.

(3) Next, list and total all checks you have written which were not included with the statement. These checks are known as outstanding checks.

(4) If a monthly service charge or a penalty was deducted on your statement, record the item on your check register and compute the new balance.

(5) On the appropriate line of the reconciliation form, enter the ending balance shown on your bank statement. Add any deposits you have made which were not reflected on the statement, and total the two figures.

(6) Deduct the total amount of your outstanding checks (obtained from step 3 above).

This balance should agree with the current balance on your check register. If it is not the same, verify all computations in your check register. If no error is found there, carefully repeat all of the above steps. If your balance is still in disagreement, make an appointment with your bank to have your account reconciled with the bank records.

3. BUDGETING: One of the keys to sound financial management is budgeting. A budget is a plan for spending, not simply a record of expenditures (cost or charge). Budgeting actually brings us face to face with reality and makes us think about alternatives in spending. Keep in mind that any financial plan (budget) must be determined by the needs of the individual or family.

a. How to Budget: There are three basic elements of a budget... net income (take home pay), fixed expenses (expenditures), and variable expenses (expenditures). Now we can formulate a budget using these three basic elements.

(1) Step 1. Program Your Income: To do this you merely set up a chart which lists all your monthly sources of income. Make sure you use your net pay (that money minus social security, taxes, etc.). Do not use gross pay. Our monthly Leave and Earning Statement provided by the Marine Corps Finance Center tells us the amount of take home pay we have per month. If you have a second job, also include those earnings into your income. This will give you a clear view of the total amount of money you have to deal with.

(2) Step 2. Program Your Expenditures: This is similar to step one except that now you list all your monthly expenses. Expenditures are grouped into two categories:

(a) Fixed expenses: Expenses which are the same, or almost the same, every month are called fixed expenses. These expenses are rent, utilities, car payments, insurance, etc. Not paying those bills would cause legal problems.

(b) Variable expenses: Expenses which vary from month to month are called variable expenses. Variable expenses allow you to make the changes that will balance your budget. You can decide how much you can spend on those areas or how much you can cut back. Such expenses could be food, clothing, travel, entertainment, etc.

b. Method of Budgeting: Too often the methods of budgeting are misunderstood. Budgeting is not a dreary bookkeeping procedure of recording the details of every penny expended. There is no financial planning involved in mere record keeping. Remember, budgeting is a plan for spending. It is designed to keep you out of financial trouble. It helps you to put first things first and enables you to set priorities in spending and to plan to get the most out of your money.

(1) Envelope method: Once you have drawn up your monthly financial plan (budget), break it down to a per payday basis, and then set up a plan for spending for each pay period. When your pay check is cashed, put the cash in different envelopes; one for rent, one for food, one for savings and so on. Each envelope will have an amount determined by your financial plan for each expenditure. Then, as you spend over the pay period, there is no need to keep a record of expenditures. If one envelope is consistently exhausted before the end of the period (say the food envelope, for example), you can draw from the savings envelope to cover the deficit, thus you are saving less than you had planned. On the other hand, if you think your food expenditures have been larger than they might have been, you might try to reduce them by buying cheaper cuts of meat, or by eating hamburger rather than steak.

(2) Checking account method: Use the checks to pay for all important expenditures. When the checks are returned by the bank with a transaction statement, you can sort them out, total each category, thus seeing whether you kept to or exceeded your plan. It is important to remember that no matter how good and sound your financial plan (budget) is, if you do not have the will power or discipline to implement it, it is to no avail. Implementation is the hardest part to personal financial management.

4. Problems Resulting From a Lack of Financial Awareness: Financial counseling is one of the most often overlooked or avoided areas of counseling. Unfortunately, the only time a Marine is counseled in financial matters is when a letter of indebtedness crosses the CO's desk or a creditor calls the unit. Irresponsible Marines cause the local financial community to be very cautious and hesitant in offering all Marines financial service and privileges. One Marine's financial problems alone can disrupt the cohesiveness and the effectiveness of his unit. For example, during an Commanding General's Inspection, one of your Marines could not purchase new uniforms, boots, etc. because of financial problems. Therefore, financial counseling, along with your normal counseling, should be provided on a continuous basis, to help remove unnecessary financial

pressures put on your Marines due to lack of timely assistance. The following are a few basic reactions when a Marines find themselves under financial pressures:

a. Loss of morale - or esprit: Many Marines place the blame for their indebtedness on the Marine Corps. They begin to complain of not being paid enough and talk of getting out. Those Marines are under the misconception that if they gets out and gets a job making more money, then they could afford what has put them in debt. That could be true, nevertheless, that Marine fails to realize that the Marine Corps has very little to do with causing debts.

b. Job performance declines: For some Marines, their job performance begins to decline. They start to lose motivation due to the relentless pressures of wondering how they are going to make ends meet.

c. Unable to repay peer loans (IOU's): Marines like to look out for one another and help a fellow Marine in need. They ask for small loans with the promise of being repaid on the next payday. Normally, the Marine is unable to repay the loan and gets a bad reputation in the company for being a moocher. He finally ends up in the First Sergeant's office, or has his pay garnished. Now he has less money to work with.

d. Late to work.

e. Bums cigarettes from everyone.

f. Always out of money a few days past pay-day.

g. Writes bad checks.

i. When an emergency comes up, has no reserve funds.

j. Victim of E-Z credit, pawn shop, loan sharks or loan consolidations.

k. Either uses drugs or alcohol regularly.

5. Root Causes of Financial Problems and Debts: There are numerous reasons why our Marines have money problems and are in debt. Nevertheless, there are three main causes that contribute to their financial problems.

a. Mismanagement of Money: One reason why our Marines have financial difficulties is due to mismanagement of their money. The only way many people can bring their earnings under control is by developing a budget according to their personal or family needs and income. Now do not get me wrong, a budget is not absolutely essential. Some Marines live within their income easily, satisfy all their needs and wants, and manage to save in the bargain. In these cases, budgeting would be a waste of time for them. However, for those Marines who do not fit that last sentence, there is a dire need for a sound budget. When a Marine comes to you with a financial problem

and wants to discuss it with you, keep in mind what was discussed under Gaining the Marine's Confidence.

(1) How do I know this Marine's problem is mismanagement of his money?

(a) After you have broken the ice and gained his confidence, ask him if he knows what a budget is, and what is he spending his money on. You will be surprised to learn that almost all the Marines you counsel do not know what a budget is, or know what they are spending their money on.

(b) Explain to him that a budget is a plan for spending, not a matter of bookkeeping or a record of expenditures (expenses). That it brings you face to face with reality and makes you think about alternatives to spending.

(c) Show him how to make a simple budget.

1 Ask him to list all his monthly income.

2 Ask him to list all his monthly expenses. Keep in mind that there are two types of expenditures.

a Fixed expenditures - expenses that are due every month i.e. rent, utility bills, insurance.

b Variable expenditures - expenses that vary from month to month i.e. entertainment, clothing, etc.

c Show him a sample budget form such as the one in this book.

(d) Ask how he pays his bills, i.e. with cash or checks. If he does not have a checking account, discuss with him the benefits of a checking account such as:

1. Most convenient way to pay.

2. Vast savings in time and effort (pay by mail, no standing in lines to pay bills, or purchase money orders).

3. It acts as an automatic receipt, i.e. to whom the money was paid, when, how much, and what for.

4. Make sure he knows how to properly fill out a check and reconcile (balance) his check book.

5. Encourage him to take out the Marine Corps Institute (MCI) course on Personal Finance.

b. The difference between a need and a want: When counseling those Marines who have financial problems, explain to them the difference between a want (a personal desire), and a need (a necessity). Needs are those things necessary for everyday survival such as food, clothing, shelter, and companionship. A want is something nice to have but which you can do without, such as stereos, TV's, or motorcycles. The items listed on a Marine's want list are usually the ones which put him into debt.

c. Contentment: Contentment is being satisfied that our needs are being met. Being thankful that your rent is paid, there is food on the table, clothing on your back, and that you are employed. Once our Marines understand and accept the simple basic fact of contentment, they will be less prone to financial problems. The areas that we discussed were just the beginning of what you need to know to become familiar with financial affairs. To those of you who are not familiar with financial affairs, I strongly suggest you go to the library and read up on personal finances. Consider taking out the MCI course on personal finances. One more very important fact. Don't be afraid to recommend some professional outside help for your Marines. Financial counselors at Family Services the only cost is the time and desire to rid yourselves of the financial problems. Don't forget, personal financial management counseling for our Marine begins with you, the NCO.

REFERENCES: MCO 1700.20, Personal Affairs Program.