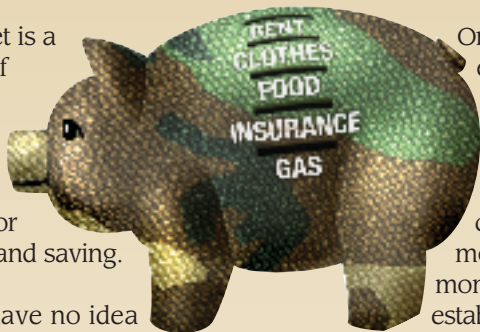


Creating a Budget That Works for You

By Sara Graves

Families across the country—military and non-military alike—are cutting back on spending in 2009 as a result of our uncertain economic times. One of the most effective ways to curb your spending is to create a budget and stick to it.

Creating a budget is a simple process of breaking down what you spend versus what you earn and then creating a plan for future spending and saving.



Many families have no idea how much they spend or how they spend it each month. Figuring out these two things is the first step in creating a workable budget. To do so, you'll want to keep track of everything you spend for at least two months. Track everything from your monthly bills to your ATM withdrawals to the couple of dollars you spend daily at Starbucks. Every little bit adds up, and you need to find out where your money is going.

The best way to keep track of these expenditures is to keep handheld notebook with you at all times where you can record these expenditures. Don't think you'll remember every little bit you spend each day—you'll either forget what you spend or forget to record it. It's best to write down each item and how much it cost you as you spend your money.

Once you know where your money is going, then you need to compare it with the money you bring home. Your income includes your military pay, side jobs, bonus pay, child support, interest on financial accounts, and anything else that brings in money on a regular basis. If you are paid weekly or semi-monthly, multiply your amount by four or two respectively to get a monthly total.

Once you have your expenses and your income, it's time to begin to break up your money into categories so that you can pay your bills each month, have personal money to spend and establish financial goals for your future.

Example categories for expenses include:

- Home-related expenses, such as mortgages or rent, property taxes, home repairs/maintenance;
- Utilities, including electricity, water/sewer, natural gas/oil, telephone/cell phone cable/satellite television;
- Food, including the occasional lunch or dinner out;
- Health and medical;
- Childcare;
- Transportation, such as car payments, gasoline/oil, maintenance, auto insurance, bus or subway costs;
- Credit cards;
- Personal loans;
- Entertainment;
- Miscellaneous, anything else not covered in the above categories.

If any expenses happen only once in a year, such as a property tax bill, you'll want to take the total and divide by 12. Although this expense is not paid monthly, you'll need to put this monthly amount aside so you will have the payment amount available when the bill does come in the mail.

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Worth the Trip

By Jennifer G. Williams



With today's news centering on the economy and rising prices, everyone is looking to save money where they can. And even though the cost of groceries has risen noticeably over the past year, your local commissary can help you squeeze more out of your dollar—if you know how best to use it.

According to an update of the Labor Department's Consumer Price Index, released in December 2008, the average cost of groceries increased a whopping 7 percent from November 2007 to November 2008. The largest increase was seen in cereal and bakery products, which were up 12 percent over the previous year.

In commissaries, prices have risen, but not nearly as much — about 2.1 percent overall, according to Randy Chandler, director of sales for the Defense

Commissary Agency (DeCA). And while commissaries do not charge sales tax on purchases, they do tack on a surcharge—currently 5 percent—to cover the costs of building new facilities and modernizing existing ones. Take this into consideration—especially if your local sales tax is above five percent, as mine is.

Commissaries boast their prices save an average of 31.1 percent over the local grocery stores. That means \$100 worth of groceries outside the gate would cost about \$68 at the commissary. While I've

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If your income doesn't comfortably cover your monthly expenses, it's time

to examine your categories and determine which expenses you must keep and what expenses you can trim, such as your Starbucks coffee each morning, to make the budget balance. You may decide that trimming your coffee trips down to three times a week will be all that is needed. Or you may have to trim down to only one rental movie or dinner out each month.

If you know where you are spending your money, it's much easier to pinpoint which expense can be trimmed or eliminated entirely. People are sometimes surprised to find out how much a cup of coffee each day costs them per month and per year. However, the goal is not to eliminate every luxury. That will only frustrate you and leave you feeling like you are only working to pay bills without having any fun. Instead, there needs to be a balance between earning and spending.

If you are finding that you don't have enough money even for the essentials, that's a red flag that you either need to trim your expenses or find alternative sources of income.

If you make some adjustments but still find that you are overspending, then perhaps you'll have to think about making a budget change on a larger scale, such as picking up a

part-time job, refinancing your mortgage (if possible), or selling a car to eliminate one car payment and extra insurance costs.

A good ratio for earning versus spending to shoot for is spending no more than 80 percent of your income so you can save the remaining 20 percent. A good way to do this is to have a comfortable amount of money direct-deposited into your bank account before you receive your paycheck. Make saving a first priority in spending rather than planning to put whatever is left after spending into a savings account. Most people don't have anything left to put towards savings.

If 20 percent is not possible, then try to put aside any amount of money each paycheck. Even if you put aside \$25 each paycheck and you are paid twice a month, you can save \$50 a month and \$600 in a year. If that \$600 is deposited in an interest-bearing account, that \$600 will grow over time.

Or, perhaps you can put that additional money towards paying off your credit cards, which will ultimately

improve your budget's bottom line. Some experts suggest starting with the card that has the highest balance or highest interest rate, and paying that one first, then working your way down the line until all cards have zero balances. Keep paying your minimum charges on your other cards to avoid extra fees and penalties, but use your extra money each month to whittle down each card's balance—one at a time.

A good budget also has an emergency fund built into it. An emergency fund is money that you've set aside for the unexpected expenses, such as an unexpected PCS or deployment, if your spouse loses their job or your car unexpectedly breaks down. An emergency fund also will help keep you from putting large amounts on your credit card, which only hurts your overall budget.

For additional help with your budget, visit your finance office on base, or check out personal finance classes that may be offered at your local library or church. ●

Need More Help?

To get more help and to create a budget online, visit any of these sites:

Free Excel Budget Sheet

www.free-financial-advice.net/create-budget.html

Free printable budget forms and worksheets

www.homemoneyhelp.com

Check out all kinds of personal finance topics, including how to create and maintain a budget, in the Financial Literacy section at www.bankrate.com

Worth the Trip

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never written down the prices at the commissary compared with my local grocery store, I tend to notice prices and have seen big differences in some areas.

One thing I never buy at the local grocery store is coffee. About a year ago, I had run out and thought I'd just pick some up on a trip to a local supercenter. I was shocked to find the same brand of whole bean coffee was \$9.49 a pound, as opposed to the \$5.99 a pound I was used to paying at the commissary. Wow. Just last week, I noticed the same coffee had

dropped to \$4.89 a pound, and I stocked up!

One thing I do to compare prices is check out the weekly grocery ads that come in the mail or newspaper. Sometimes, meat specials at the grocery store beat commissary prices. In those cases, I stock up on the shrimp, ribeye steaks or whatever is a great price. In most cases, however, ground beef and chicken breasts are much less at the commissary, and I get some of each on almost every trip. And don't forget the commissary's little refrigerated section that

offers discounted meats—I'm taking it home and freezing it anyway, so who cares if the expiration date is tomorrow? Stock up on those steaks and pot roasts while they last! I've found that Thursday is my local commissary's usual markdown day, so I try and plan my trip accordingly.

Other items I've noticed a big discount on in the commissary are bread and cereal. I've bought the same bread I've seen at the local grocery store for more than \$4 a loaf for \$2.50 at the commissary. Prices fluctuate, even at the commissary, so

stock up when you see a good deal. My husband's favorite cereal goes for more than \$4 a box at our local store, while I just bought several boxes at the commissary for \$1.99 each!

I've also become very good at figuring the cost of an item per ounce. Most of the shelf tags at the commissary give you this information, and I've found that many times, the smaller box of Cheerios is actually a lot less per ounce than the huge, econo-sized box. The same goes for pickles, orange juice or cheeses.

Which brings me to the mother of all econo-shopping: the Case Lot Sale. Usually held twice a year, this is where I normally stock up on things like paper towels and canned veggies. But beware—sometimes, the smaller items you find inside the store are a better buy than the huge quantities you get at the case lot sale. At one case lot sale, I almost bought the huge double-box of laundry detergent, only to catch myself, remembering that the smaller box of the same brand (about half the amount

I was going to get) inside sold for less than half of what I'd be paying for the double box. Plus, there's the issue of storage for all that extra stuff...

But sometimes, it pays to buy in bulk. A case of green beans or granola bars won't go bad, and if the sale offers coupons for items, you can get a lot for just pennies! On one case lot trip, I figured I was getting my name-brand, canned green beans for only 22 cents a can—much less than the cost inside the commissary, or even the generic brand at the local store.

Another cost-saving tip, no matter where you buy your groceries: reduce your number of visits. I plan my commissary visits for once or twice a month, depending on what is happening that month (Am I having company? A party?) There are only a few items that I need to replenish throughout the month—milk, bread—but I have found I can actually buy extra milk and bread and freeze it for when I need it. And items including orange juice and eggs actually have longer shelf lives than you

may think. Check the back of the shelf for items with the longest shelf lives.

While I am fortunate enough to live near my local commissary, it was not always the case, and I suppose I adopted this once or twice a month strategy then—but it still works for me!

Lists help, too. If I go to the commissary without a list or when I'm hungry, forget it. I buy way more than I really need. The DeCA website, www.commissaries.com, even offers lists of their specials at different commissaries, so you can logon before you make out your list to make sure you take advantage of the sales.

No matter how close you live or how often you go to your nearest commissary, a little observation and homework can help you save lots of money in your grocery budget. ●

Jennifer G. Williams is a military spouse living in Colorado who takes full advantage of her commissary benefits.

Facing Foreclosure

If you are in this situation, here are some tips and terms you should know.

By Stuart Phillips

If you have received a Notice of Default from your mortgage company, you are not alone.

Last year, 3.1 million homeowners faced foreclosure filings, an increase of 225 percent over 2006. Out of these, more than 860,000 actually lost their homes. If you don't want to join this number, here are seven things you can do to maximize your chances of working out a resolution with your lender:

1. Gather your financial documents. Before you can make a reasoned decision on whether you can afford to stay in your house, you have to know your current financial situation. The first step in that is information-gathering. So gather the most recent statements for each bill you pay, including utilities, cable, insurance, and credit cards. Gather your last six months' LES and other income documents, including tax returns. Most importantly, find your most recent mortgage statement.

2. Make a budget. You need to know where your money goes each month, mainly because if you want to work out a way to keep your house, you will have to be able to pay your mortgage and still eat. Using the documents you gathered, draw up a realistic list of how much you spend each month (look over your bank statement online to help pin down debit card purchases, including groceries, entertainment, etc). Project the income you will have coming over the next few months. [editor's note: see our article on making a budget that works for you on page 12]

3. Talk, talk, talk. You need to be talking to at least two people: a finan-



cial counselor and your lender. A good first step for financial help (including budgeting) is your Command Financial Advisor. You should also find a housing counseling agency approved by the Housing and Urban Development Department by calling 800-569-4287. If you have a VA loan, you can call 800-827-1000 to get a referral to a financial counselor. These sources will help you get a handle on what you can afford, and also help identify some extra ways to save money. You also need to be talking to your lender—the sooner, the better. Call the “loss mitigation” department as soon as you can, without waiting for your financial counseling. DO NOT make any agreements with them until you have been to counseling, though, as you may be digging a new hole if you make an agreement without a firm grasp on your finances.

4. Do not abandon your home. Many programs that exist to help you will NOT apply if you do not actually inhabit your home. Also, a notice of default is merely one step in a months-long process that may end up with you keeping your home.

5. Be realistic. If you want to keep your home, you must be able to keep to the new payment schedule. If your financial situation hasn't changed, you have to be realistic about how much you can actually pay each month. If the lender agrees to new terms, be prepared to hold up your end.

6. Look at options. Most lenders are willing to work with you—more

than two million loans were modified or “worked out” in 2008. Some options include:

- a. Special Forbearance.** A short-term solution to a short-term problem. Here, your lender may temporarily reduce or suspend your payments. After a set period, you have to either make a lump sum payment or enter into a long-term repayment plan to pay back the forbore amount. Forbearance is only a good option when the cause of your default is specific and temporary (such as a short-term layoff), and you know that you will be able to resume making payments at the end of the forbearance period.
- b. Repayment Plan.** Your lender may arrange a plan that spreads out your default (the amount you haven't paid), adding extra to your normal monthly payment until you are caught up. Your lender may require a good faith payment upfront to begin the plan. A repayment plan might work if you were unemployed for several months, fell behind, but are now working again. However, if the situation that caused the default has not been resolved, you will likely end up defaulting again.
- c. Mortgage Modification.** You may be able to refinance the debt and extend the term of your loan. This will help you catch up by reducing the monthly payments to a more affordable level, especially if the interest rate is better. You may qualify if you've recovered from a financial problem but your net income is less than it was before the default, such as a new, steady job at a lower wage.
- d. Partial Claim.** If you have one of the 25 percent of mortgages that are insured by the Federal Housing Administration, you may qualify for an interest-free loan to get your mortgage current. The money doesn't need to be paid back until you pay off the mortgage or sell the house.

e. Pre-Foreclosure Sale. You can sell your home and pay off the mortgage. This is the best for your credit rating, as it will show the mortgage as “paid.” Also, this is the best option if you have equity in the house, since you get to keep that. Be aware, though, that it takes time to sell a house – the national average is eight weeks. If you want to try this route, let your lender know, as they may work with your real estate agent to allow time to market the property. If there’s no equity, the lender may accept a “short sale” for less than the debt—be aware, this may have tax consequences for you.

f. Deed-in-lieu of foreclosure. The lender may agree to take the house back from you and stop the foreclosure. This saves the lender some costs, but may also incur tax liability for you on the forgiven debt. Check with a counselor or attorney before doing this. Lenders view this as a last resort.

g. Bankruptcy. If you will be able to make your mortgage payment in the future, but your lender won’t work with you on restructuring your default, a Chapter 13 bankruptcy filing will force their hand, as the court can spread out payments on the default over several years. Legislation is pending to

restore a court’s ability to “cram down” a mortgage, reducing both the interest rate and the principal to reflect the downturn in home prices. If this passes, Chapter 13 would be an attractive choice for a homeowner whose house has lost value. And, don’t worry—despite regulations requiring “financial responsibility,” federal law prohibits adverse action against a service member who seeks bankruptcy protection.

7. Don’t get scammed.

Reports of mortgage-related scams almost tripled last year. Don’t fall for it. A reputable counseling agency will not charge up-front fees, and won’t tout special “connections” that will help you. There is no valid reason for you to sign over ownership of your home to a third party to avoid foreclosure. Finally, while there are still predatory lenders who will offer to refinance your home to avoid foreclosure, be aware of the interest rate, points, and fees—is your hole just getting deeper?

Additionally, you may qualify for two special protections of the Servicemembers Civil Relief Act (SCRA), which applies to mortgages you entered into prior to coming on active duty or being called to active duty for more than 30 consecutive days.

If you submit a written request and a copy of your orders, your lender is required to reduce the interest rate on your mortgage to six percent during the period of your active service, and to recalculate your payments to reflect the lower rate. This is a tremendous benefit if you have a subprime loan, which have rates that can reach 12 percent interest. Cutting the rate to six percent cuts the monthly payment by 75 percent!

The Act also has foreclosure protections. Lenders may not foreclose while you are on active duty or within 90 days after the period of military service unless they have court approval. The lender has to show the court that your ability to repay the debt was not affected by your military service. This is key for Reservists and Guardsmen, as a Rand Corporation study shows that about 28 percent suffer a reduction in income when called to active duty.

Foreclosure is difficult to face. Remember, though, that lenders want you to succeed – they would much rather have your money than your house. If you follow the steps above, you have a fighting chance of working through the difficulty and keeping your home. ●

Stuart Phillips is a freelance writer living in Oregon

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