



PLAN A BUDGET TO ENSURE FUTURE WEALTH

Minor adjustments in spending can advance your goals and eliminate your debt.

BY SARA GRAVES

Starting a household budget can seem to be a constraining and restrictive chore. But a budget gives you an accurate picture of where household income is going, and where to adjust income toward your goals for the future.

“You’re not being penalized,” said Karen Von Der Bruegge, Chief Marketing Officer for Pioneer Services. “It’s prioritizing so your money is going to what is most important.”

June Walbert, certified financial planner with USAA and a lieutenant colonel in the Army Reserves added, “I believe budgets are the cornerstone of financial freedom. Whether you make \$50,000 or \$250,000 a year, you need a budget. It’s important to know what you’re spending, and on what.”

According to Walbert, a budget should be “realistic, well

thought out, and suitable for your lifestyle.”

A budget should take into account your short-term goals such as paying off credit card debt or loans, medium-term goals such as buying a car in five years and long-term goals such as paying for children’s college costs, retirement home, said Von Der Bruegge.

“You’ve got to decide what your life goals are and where you are going,” she said.

When sitting down to create a budget, track a minimum of two months’ worth of all monthly expenses. This includes your daily trip to Starbucks, the weekly car wash, or the monthly haircut.

A good way to track your expenses is to write them down, whether paid for with cash, check, credit card or ATM, in a

Supplemental Life Insurance

One budget item that requires close scrutiny is how much life insurance you should have.

It seems there is some confusion over the choices military members have if they want life insurance in addition to the Servicemembers Group Life Insurance (SGLI). First of all, don't let anyone tell you how much life insurance you need. No one knows your unique set of circumstances better than you do. Use a life insurance calculator like the one located at <http://www.militarybenefit.org/> to determine your insurance needs.

If you decide to buy life insurance, go with a reputable association sponsoring group term life insurance. The premium you are quoted will be the premium you will pay, providing your application is approved.

Beware of a "bait and switch" offer where you are quoted very attractive premiums, but required to complete an extensive medical questionnaire. Consider this from Financial Web <http://www.finweb.com/>:

"When you first hear the terms and rates for the best term life insurance, the prices advertised are extremely low, generally speaking. The rates quoted in these ads are generally the preferred plus rates - for the customers in the best health.

"To get these rates, you must be in excellent health, not smoke or use tobacco, have no history of substance or alcohol abuse, be within the average weight category (not obese), have average (not high) blood pressure and cholesterol levels.

"The majority of people who get life insurance do not qualify for preferred plus rates, so when you compare rates, make sure you're comparing the actual rate for which you qualify."

Also, make sure you're not penalized with a higher premium or no payout because you are in the military or have deployment orders. Good supplemental insurance for the military should not have clauses that limit payout for members on flight duty or when death occurs in an area of conflict.

Remember, whether or not you think you need additional life insurance now, you should have it prior to leaving the military. When you separate, your SGLI will terminate and you will be offered Veterans Group Life Insurance (VGLI).

Compare the cost of VGLI coverage with your association-sponsored insurance. Chances are you can save money and have more benefit options available to you through the association. For more information on association-sponsored life insurance, contact 877-MBA-1020.



"I believe budgets are the cornerstone of financial freedom. Whether you make \$50,000 or \$250,000 a year, you need a budget. It's important to know what you're spending and on what."

— June Walbert, certified financial planner with USAA and a Lt. Col. in the Army Reserves

small notebook that you keep with you at all times.

Don't expect to remember every expenditure without writing it down because the odds are you won't.

"People lose track of little expenses," said Von Der Bruegge. "They lose track of where the money is going when they use plastic. The little expenses add up."

"One study concluded that two fast food meals a week add up to \$500 a year," she said.

In addition to the essential household and little expenses, don't forget to write down the payments that are made annually or semi-annually, such as fire or car insurance, as well as debt and interest owed.

And "to develop a budget you can live with," said Walbert, add a line item for recreational activities, such as a dinner and a movie, or shopping on the weekends. If a budget is too rigid, you won't be able to live with it.

"At first you may be able to follow it, but not for the long term," she said. It's important to build in "fun money."

She added that hobbies are another frequently overlooked line item.

"The veterinarian is a line item on my budget: food, milk bones, medications," she said. "My dogs are my hobby."

"Do we really fully understand what we pay for our hobbies?" Walbert said. "The devil is in the details concerning those sorts of expenses."

Another common mistake people make when putting together a budget is gathering a bunch of expenses and listing them under miscellaneous. Tracking those expenses can be very difficult, especially if you forget what is grouped under that category.

Instead, Walbert recommends breaking those expenses out into individual line items.

"It's important to make sure you have a line item for everything in your life," she said.



www.iStock.com/Reintech2010

NEW! Digital Magazine Editions Online at www.AmeriForce.net

Now you can catch up on these important topics online...from anywhere...at your leisure!

- ▶ Reserve & National Guard
- ▶ Deployment
- ▶ Families
- ▶ Relocation
- ▶ Finance



Savings needs to be built into your budget as a line item. Accountants refer to it as “paying yourself first.”

Essentially, what this means is putting money away for the future, whether it be for long-term retirement or short-term financial emergencies. Families or individuals are encouraged to save anywhere from \$500 up to six months worth of income for unforeseen expenses, such as a job loss or car repairs.

Your budget will determine how much you can save each month into your separate savings account.

Families may have to reduce recreational or non-essential personal expenses to make room for savings.

Other quick methods of building a savings account is to put away tax-free bonus pay, such as combat or jump pay, annual tax refunds, or using an allotment to put money directly into your savings account each paycheck.

Then it’s time to decide what method you prefer to use to create the actual budget. There’s the old-fashioned way of writing down your income versus your expenses using paper and pen.

Others prefer computerized programs such as Quicken or Excel, or free online

budgeting tools, such as those found at www.mint.com or www.PioneerServices.com (under the Education tab).

“You need to find a method that works for you,” Walbert said. “I like the sharp pencil and paper method. I can make adjustments and changes. At the end of the month, I ink and circle over items.”

To start a budget sheet, enter your income minus all the expenses including savings you’ve collected for each month. Depending on the outcome, you can decide whether you need to trim non-essential expenses, or whether you have room in the budget to spend or save more each month.

“If I save \$5 in coupons, I’ll take five \$1 bills and put them in a fun money jar. It’s my reward money,” said Von Der Bruegge.

And, to make a budget relevant, it must be updated continually. In order to do so, you will need to continue to track expenses each month and adjust the budget to make sure it’s realistic.

“A budget is not a static document,” Walbert said. “It’s a living document that needs to be adjusted.” It’s not “fire-and-forget.” **AF**