

CHAPTER 17

FINANCIAL MANAGEMENT AND STRESS MANAGEMENT

The policy of the Navy is “to promote habits of thrift and encourage... conduct of financial affairs in such a manner as to reflect credit upon the naval services.” As a Navy sailor it is your responsibility to seek out financial information to avoid any financial problems.

You may wonder why this chapter is titled “Financial Management and Stress Management,” or why financial management and stress management are covered in the same chapter. Although there are many causes of stress, one primary cause of stress in families is not having enough money to meet needs. This cause of stress can result in spouse and child abuse, which is **not acceptable behavior**. All commands have a Family Advocacy Program (FAP) to help families undergoing stress.

Many commands provide financial counselors to advise Sailors in financial difficulties. Family service centers or your leading petty officer (LPO) are some examples of who you can seek for financial counseling. The Naval Military Personnel Manual section 62 offers some good advice to all paygrades.

MILITARY PAY SYSTEM

Learning Objectives: When you finish this chapter, you will be able to—

- Identify the various types of military pay, the Leave and Earnings Statement, and the method used to deposit military pay.
- Recognize the responsibilities of making sure that pay and earnings statements are correct.
- Identify liberty and leave and recognize their differences.

The military pay system affects you directly. The amount you receive every payday is determined by the military pay system. Therefore, you should have a basic understanding of the difference between pay and allowances and the different types of pay and allowances. You should also understand a little about allotments and government insurance.

In this section, you will learn about the basics of the military pay system. The pay system is very complex and pay and allowances are subject to change. If you need specific information about your pay, you should consult your disbursing office.

PAY

Pay is money paid to you for services rendered. All pay is taxable as income. The Navy has three types of pay:

1. Basic pay
2. Incentive pay
3. Special pay

You may receive all three types of pay if you are qualified, or you may receive only basic pay.

Navy personnel paychecks are deposited automatically into their checking or savings account via the Direct Deposit System (DDS). To get paid, you must open up a savings or checking account.

Basic Pay

Basic pay is the pay you receive based upon your paygrade and your length of service. All people on active duty in the Navy receive basic pay.

Navy personnel receive longevity (length of service) raises after 2, 3, and 4 years of service. After that, they generally receive a longevity raise for every 2 years of service. Personnel in paygrades E-1 and E-2 don't receive longevity raises. An E-3 doesn't receive longevity raises after 4 years of service. Length of service for pay purposes includes active-duty and inactive Reserve time, former service (if you have a broken-service enlistment), and service in other branches of the U.S. armed forces.

Incentive Pay

Incentive pay is pay you receive for certain types of duty. These types of duty are usually considered hazardous. Therefore, incentive pay is sometimes referred to as *hazardous duty pay*. Duty for which you may receive incentive pay includes aviation duty, submarine duty, parachute duty, flight deck duty, demolition duty, and experimental stress duty.

You receive incentive pay based on the following guidelines:

- You may receive a maximum of two incentive pays if you meet the requirements for more than one.
- You may not receive incentive pay if you receive special pay for diving duty. (Special pay is covered next.)
- You receive the same basic rate of pay for all types of incentive pay with the exception of aviation duty and submarine duty pay, which vary according to your paygrade and longevity.

Special Pay

Special pay is pay for special circumstances, such as reenlistment or a particular type of duty. Duty for which you may receive special pay includes foreign duty, sea duty, medical duty, special assignment duty, hostile fire duty, and diving duty. You may also receive special pay in the form of a selective reenlistment bonus (SRB).

ALLOWANCES

An allowance is money used to reimburse you (pay you back) for expenses necessary for you to perform your job. Because they are reimbursements for expenses, allowances are not taxable as income. You receive allowances for expenses, such as clothing, quarters, and food. You may also receive allowances for various other expenses.

Clothing Allowance

Enlisted members of the Navy, including Naval Reservists on extended active duty, normally receive an

initial allowance for uniforms. You may receive a clothing allowance by two methods.

1. You may receive a reimbursement of cash for your purchases of the uniforms and uniform accessories required for your paygrade.
2. You may receive issues of clothing equal to the cash value of your allowance.

Following an initial 6-month active-duty period, you are entitled to receive an annual clothing maintenance allowance. The purpose of the maintenance allowance is to provide you with cash for the purchase of replacement clothing or for the repair of clothing.

Basic Allowance for Subsistence

Entitlement to a basic allowance for subsistence (BAS) depends on your status and the availability of a government mess. Enlisted members are entitled to a daily ration in kind. Each enlisted member receives a daily ration in kind in the form of three meals a day in a government mess. An enlisted member may receive a daily subsistence allowance for each day a government mess is not available or not used.

Normally, entitlement to BAS depends on the conditions at your permanent duty station. If the station doesn't have a government mess, you are entitled to BAS. If the station has a government mess but you are authorized to mess separately, you are entitled to separate rations (RATS SEP). When authorized BAS, you receive the applicable rate for each calendar day of the month for which you don't receive a ration in kind.

If you are authorized to mess separately, are receiving RATS SEP, and your duties prevent you from purchasing certain meals in a government mess, you are entitled to a supplemental BAS.

Basic Allowance for Quarters

The purpose of basic allowance for quarters (BAQ) is to help you pay the cost of suitable living quarters when government quarters are unavailable or not assigned. Entitlement to BAQ depends on your paygrade, whether you have dependents, and whether you and your dependents have been assigned quarters. The receipt of BAQ involves many restrictions and conditions of entitlement.

Student Notes:

BAQ is divided into two basic categories—BAQ for members without dependents and BAQ for members with dependents. The rates payable vary within each category and with each paygrade. To find out whether you are entitled to BAQ and the amounts payable, check with your personnel or disbursing office.

Other Allowances

In addition to the allowances mentioned above, you may receive a family separation allowance (FSA), cost of living allowance (COLA), overseas housing allowance (OHO), variable housing allowance (VHA), or other allowances. Your disbursing or personnel office can provide you with information about the type of allowances, if any, you are entitled to.

Basic Allowance for Housing

Basic allowance for quarters and variable housing allowance are a single allowance called basic allowance for housing (BAH). Your LES will show only the BAH amount.

ALLOTMENTS

Allotments are amounts of money you designate to be withheld from your pay and paid directly to someone else. You may authorize many types of allotments, including the following:

- C (charity drive donation)—allotments to a charity such as the Combined Federal Campaign
- D (dependent)—allotments directly to your dependents
- H (housing)—allotments to a lending institution to pay home-loan payments
- I (insurance)—allotments to a commercial insurance company for life insurance premiums
- S (savings)—allotments directly to an account in your name at a savings institution such as a bank or credit union

For information on making allotments and rules governing their use, see your disbursing office.

OVERPAID

You aren't responsible for calculating your pay, but you are responsible for questioning anything that isn't normal. If you don't question something that isn't normal with your pay, you could be at risk for being charged with larceny. Computerized systems, equal pay periods, and Leave and Earnings Statements (LES) have made budgeting your pay easy. You should be getting the same amount every payday. But computers are only as smart as their operators and the electricity they run on. When you notice a large difference in your pay from last payday and you aren't due for a longevity raise, promotion, or annual pay raise, there may be an error in your pay.

Sailors who haven't reported the difference to their disbursing offices have found themselves held liable for stealing. Even if you do notice and report a questionable payday and nothing changes, you are still liable for the overpayment. Regular disbursing audits balance payments made with those due. Eventually, you'll have to reimburse (give back) that amount, so bank the overage. Look at it this way: You would rush in to your disbursing office and insist on knowing why you were paid too little—right? So—rush in if you're being paid too much, too.

LEAVE AND EARNINGS STATEMENT

Based on the Navy's Joint Uniform Military Pay System (JUMPS), the Navy must provide you a monthly Leave and Earnings Statement (LES). JUMPS is a computerized pay and leave accounting system located at the Defense Finance and Accounting Service, Cleveland, Ohio. The monthly leave and earnings statement provides you with a complete and accurate record of the following:

- Pay
- Allowances
- The type and amount of each allotment requested
- The amount deducted for withholding tax, Social Security, and Servicemen's Group Life Insurance

Student Notes:

Earned and Used Leave

The LES (fig. 17-1) contains all the details you need to keep a personal record of these items. Most of the blocks are self-explanatory. Some of the abbreviations and the use of some of the blocks are explained on the back of the form.

After receiving your LES, check it carefully to verify (make sure) that the information is correct. If it isn't correct or if you have any questions, go to your personnel office or disbursing office.

Leave and Liberty

Leave and liberty consist of the times you are authorized to spend away from work and off duty. Each is a separate category, and the two cannot be combined.

LEAVE.—Leave is an authorized absence similar to vacations in civilian jobs. Basically, you will earn 30 days of leave in each year of active duty. The various terms applied to leave are covered after you learn about the way leave is computed and earned. **Leave is shown on your LES (fig. 17-1) in the row "LEAVE."**

Vacations and short periods of rest from duty provide benefits to morale and motivation that are essential to maintaining maximum effectiveness. The lack of a break from the work environment adversely affects your health, your availability, and your performance.

Normally, you're encouraged to use your entire 30 days of leave each year. Congress has provided compensation for you if military requirements prevented you from using your leave. You should not be required to expend leave immediately before separation simply for the purpose of reducing your leave balance.

LIBERTY.—Liberty is an authorized absence from work or duty for a short period. The Navy grants two types of liberty—regular and special. **Liberty is not shown on your LES.**

Regular liberty is usually granted from the end of one work period to the beginning of the next. That period may be from one day to the next or over a weekend or holiday.

Special liberty is liberty granted outside of regular liberty periods for unusual reasons, such as compensatory time, emergencies, or voting. You may also receive special liberty for special recognition or to allow you to observe major religious events. Special liberty is granted as 3-day or 4-day periods.

Three-day special liberty is a liberty period designed to give a servicemember three full days absence from work or duty. Three-day special liberty usually begins at the end of normal working hours on a given day and ends with the start of normal working hours on the fourth day—for example from Monday evening until Friday morning. When a 3-day special liberty is during regular liberty time, such as a Saturday and Sunday with Monday or Friday a national holiday (special work hours aren't included), the time off is treated as regular liberty.

Four-day liberty is a special liberty period granted by the CO that gives the servicemember four full days absence from work or duty. Usually, special liberty begins at the end of normal working hours on a given day and ends with the start of normal working hours on the fifth day. Four-day special liberty includes at least two consecutive nonwork days—for example, from Wednesday evening until Monday morning.

CONVALESCENT LEAVE.—Convalescent leave is a period of authorized absence given as part of care and treatment prescribed for your recuperation and convalescence. If you have a medical problem that requires a period of recovery but does not require hospitalization, your doctor may prescribe convalescent leave. Convalescent leave is not charged to your earned, advance, or excess leave account; it is computed separately.

REQUESTING LEAVE.—To request either regular or emergency leave, you should use the Leave Request/Authorization, NAVCOMPT Form 3065. When you submit a leave request, forward the completed form through the normal chain of command. Emergency leave requests are hand-carried for approval. When emergency requests need approval after normal working hours, the command duty officer usually approves the request.

Student Notes:

Division : FNV6

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT

Name (Last, First, MI) | SSN | Grade | PyDate | Yrs | ETS | Branch | ADSN PPO | Period Covered
 ID | | | E | | | NAVY | |

ENTITLEMENTS | DEDUCTIONS | ALLOTMENTS | SUMMARY

TYPE	AMOUNT	TYPE	AMOUNT	TYPE	AMOUNT	+AmtFwd
A	BASE PAY	FEDERAL TAXES		COMB FED CAMPAIGN	15.00	
B	BAS	FICA-SOC SECURITY				+Tot Ent
C	BAH	FICA-MEDICARE				
D		SGLI FOR 200,000				-Tot Ded
E		AFRH				
F		DENTAL				-Tot Allt
G		MID-MONTH-PAY				
H						=Net Amt
I						
J						-Cr Fwd
K						
L						
M						EOM Pay
N						
O						
	Total					

Bf Bal | Ernd | Used | CrBal | ETSBal | Lost | Paid | UseLose | FED | WagePeriod | Wage YTD | Ms | Ex | AddlTax | Tax YTD
 LEAVE | | | | | | | | TAXES | | | | | |

FICA | WagePeriod | SocWageYTD | SocTaxYTD | Med Wg YTD | Med Tx YTD | STATE | St | Wg Period | Wage YTD | Ms | Ex | Tax YTD
 TAXES | | | | | | TAXES | FL | | | | |

PAY | BAQ Type | BAQ Depn | VHA Zip | Rent Amt | Share | Sta | JFTR | Depns | 2d JFTR | BAS Type | Charity | Tpc | Pacidn
 DATA | | | | | | | | | | | | | |

REMARKS:

YTD ENTITLE	-----	YTD DEDUCT	-----
FOREIGN DUTY PAY WAS CHANGED TO HARDSHIP DUTY PAY EFFECTIVE FEBRUARY 4, 1999. BANK		SEA DUTY TIME BAH BASED ON	

OFFICER IN CHARGE
 PERSONNEL SUPPORT DETACHMENT
 CODE

Figure 17-1.—Leave and earning statement.

REVIEW 1 QUESTIONS

- Q1. What's the main difference between pay and allowance?
- Q2. List the three types of pay the Navy uses.
- a.
 - b.
 - c.
- Q3. What system is used to deposit Navy personnel paychecks?
- Q4. As an E-4, you have served more than 4 years of active-duty service. How often will you receive a longevity raise?
- Q5. How often do you receive your clothing maintenance allowance?
- Q6. DELETE
- Q7. What person is responsible for making sure your paycheck and LES are accurate?

Q8. How many days of leave do you earn per year?

Q9. The CO may grant how many days of special liberty?

PERSONAL FINANCIAL MANAGEMENT

Learning Objective: When you finish this chapter, you will be able to—

- Recognize the procedures for managing personal finances to include money management, use of credit, and indebtedness.

The consumer debt of the United States is the amount Americans borrow for large purchases, such as cars, stereos, appliances, and furniture. The consumer debt also includes revolving credit (which is a type of loan), such as credit cards. This debt keeps spiraling up (getting larger). Repayment of consumer loans slices more than a quarter of every dollar a wage earner takes home. You are probably no exception.

As a young service member, your take-home pay may be less than the national average. You should learn to plan your finances so you can balance your income, savings, and spending.

The following section on personal financial management gives you information you can use. Paying attention to this information will help you manage your money.

MONEY MANAGEMENT

Managing money can be hard to do. You will probably have checking and savings accounts, have allotments, and keep some cash to spend. There are advantages and disadvantages to each of these.

Student Notes:

Checking Account


A checking account usually serves as the safest and the easiest way for you to keep track of your money. A checking account is a financial arrangement with a bank, savings and loan association, or credit union for safeguarding money. It provides a system that allows you to account for your money—both what you’ve received and what you’ve spent. Money you *receive* might be your paycheck, while money you *expend* might be a bill you pay.

Some terms that deal with checking accounts are shown below.

Check. A check (fig. 17-2) is a written order telling your bank to withdraw a sum of money from your account to pay another person or business.

Check register. A check register is a booklet used to record transactions involving your checking account.

Deposit ticket or deposit slip. A deposit ticket (fig. 17-3) is a slip of paper used to place money into your account. Deposits can be done either electronically or by you actually going to the bank, filling out a deposit ticket, and handing it to a teller.




4888

2 Oct 20 00

PAY TO THE ORDER OF My Mortgage \$ 40.00

Forty DOLLARS



GREAT LAKES CREDIT UNION

PURPOSE Mortgage James P. Boat

⑆ 123456789⑆

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/ DEBT		✓ T	FEE (IF ANY) (-)	DEPOSIT/ CREDIT (+)	BALANCE	
								\$	
								100	00
4888	10 /2	To: <u>My Mortgage</u> For:	\$ 40	00		\$		-40	00
		To:						60	00
		For:							
		To:							
		For:							
		To:							
		For:							
		To:							
		For:							

BMRF1702

Figure 17-2.—A check and check register.

Student Notes:

DEPOSIT TICKET


James P. Beat
1763 SHERIDAN DRIVE
YOUR CITY, STATE 12345

DATE 19 Sep 2000
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

_____ →
SIGN HERE FOR CASH RECEIVED (IF REQUIRED)

DATE	CURRENCY		
	COIN		
LIST CHECKS SINGLY			
		100	00
TOTAL FROM OTHER SIDE			
TOTAL		100	00
LESS CASH RECEIVED		0	
NET DEPOSIT		100	00

00-6789/ 0000
USE OTHER SIDE FOR ADDITIONAL LISTING
BE SURE EACH ITEM IS PROPERLY ENDORSED



⑆000067894⑆ ⑆23456789⑆

CHECKS AND OTHER ITEMS RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE OR ANY APPLICABLE COLLECTION AGREEMENT.

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT							
NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/ DEBT	✓ T	FEE (IF ANY) (-)	DEPOSIT/ CREDIT (+)	BALANCE
							\$
							15 00
	9/19	To: For: <i>Deposit</i>	\$		\$	100 00	+100 00 115 00
		To: For:					
		To: For:					
		To: For:					
		To: For:					
		To: For:					
		To: For:					

BMRF1703

Figure 17-3.—A sample deposit ticket and corresponding check register entry.

BENEFITS OF HAVING A CHECKING ACCOUNT.—One benefit of having a checking account is safety. It is safer to carry checks than money. Another benefit of having a checking account is proof of payment. A canceled check is proof that you paid a bill. Also, having a checking account is convenient. A checking account allows you to receive and spend your money without carrying cash. Also, a checking account lets you pay your bills through the mail, rather than in person. Another benefit of a checking account is that it lets you establish credit. A well-maintained checking account is an asset to establishing and obtaining credit. Finally, a checking account helps you budget your

money. Keeping a record of checking activities helps you budget your expenses and income.

As you need money, you *draw* or *transfer* funds by writing a check. You can issue a check payable to another person or to a company to pay bills or to get cash. A checking account provides a canceled check as a receipt of payment. Also, checks are available with carbonless copies of the original check. This easy-to-maintain method can conveniently help you manage your financial affairs.

Before you open a checking account, ask the bank or credit union the questions shown in the following chart.

Student Notes:

1. Is there a minimum balance required?
2. Does the account pay interest?
3. Is there a monthly service fee? Are there other service charges?
4. Is there a limit on how many checks per month I can write?
5. What is the cost to order checks?
6. Are canceled checks returned or photocopied?
7. Is overdraft protection available?

RESPONSIBILITIES OF HAVING A CHECKING ACCOUNT.—You have responsibilities when you have a checking account. You must maintain your check register with exactness to avoid checks being returned for insufficient funds. This is known as *bouncing* a check. For example, if you write out a check and there isn't enough money in your account to cover the check, the check will bounce. The check will usually be sent back to the payee with "Non-sufficient Funds" stamped on it. The bank and the payee will charge you more money because you wrote a bad check. To avoid bouncing a check, always balance your checkbook.

Here are some tips you can use to avoid bouncing a check.

1. Each month, your bank will send a statement of your transactions. Check it for accuracy and balance your checkbook each month (fig. 17-4).
2. Always record transactions in your check register as they occur.
3. Be aware of any service fees and deduct them promptly.

It's unlawful to knowingly write a check when you don't have the necessary funds in your account. In fact, UCMJ, article 123a, prohibits this action. Also, it's a federal offense in civilian courts. Further, writing checks without having sufficient funds can do the following:

- Ruin your credit history
- Destroy your reputation
- Land you in jail (civilian and/or military)

Convenience Cards

Convenience cards are available from your financial institution. These cards make it easier to get money and to make purchases from your bank account. Two types of convenience cards are covered in this section. If you have a convenience card, you will have a personal identification number (PIN). A PIN is a secret access code that you must provide to use your convenience card. Do not tell your PIN to anyone.

WARNING

Do not make purchases that will exceed the balance in your checking account.

One thing to remember, make sure that you update your check register each time you make a transaction using a convenience card. Updating your check register will prevent you from overdrawing your checking account.

Finally, a record of all your convenience card transactions will appear on your monthly bank statement.

AUTOMATIC TELLER MACHINE (ATM) CARDS.—ATM cards are available from your financial institution. ATM cards can be used to make deposits or withdrawals; to make inquiries about account balances; or to move money among your accounts. ATM cards can also be used 24 hours a day, 7 days a week.

CHECK (DEBIT) CARDS.—You can use a debit card instead of writing a check. When used to pay for merchandise or services, the amount is automatically deducted from your checking account. You can use your

Student Notes:

Monthly Bank Statement

24 HOUR TELEPHONE TRANSFER LINE - 123-5678
 CUSTOMER SERVICE NUMBER - 567-1234 EXT 296



DEPOSIT ACCOUNTS

DETAIL CHECKING
 REGULAR CHECKING
 ACCOUNT:
 SOC. SEC.

THIS STATEMENT SHOWS ALL ACCOUNT TRANSACTIONS FROM SEP 14, 19?? - THRU OCT 12, 19??

DEPOSITS		CHECKS AND DEDUCTIONS					DAILY BALANCES		
DATE	AMOUNT	NO	DATE	AMOUNT	NO	DATE	AMOUNT	DATE	AMOUNT
9/19	100.00	4882	9/15	32.00				9/15	2533.40
		****						9/16	2503.45
		****						9/19	2603.45
9/28	269.00	4885	9/18	29.95				9/26	2593.45
		4886	9/26	10.00				9/28	2862.45
		****						10/02	2822.45
		4888	10/02	40.00					

2000

**** INDICATES ONE OR MORE MISSING CHECKS

BEGINNING BALANCE 9/14/??	DEPOSITS & CREDITS		CHECKS & DEBITS		ENDING BALANCE 10/12/??
	NO	AMOUNT	NO	AMOUNT	
2565.40	2	369.00	4	111.95	2822.45

2000

ENCLOSURES:	8
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17-10

Figure 17-4.—Monthly bank statement.

debit card to withdraw funds from your checking or savings account, transfer funds, and check your account balance day or night at ATMs.

SAFETY PRECAUTIONS FOR USING ATMs.—Some precautions you should use when using ATMs are—

- Be alert, Don't use an ATM if the lights aren't operating or you see suspicious activity. At drive-up ATMs, keep car doors locked, other windows closed, and the engine running. If you feel that something is wrong, leave.
- Take someone with you if you must make a transaction at night.
- Keep a low profile. Have your card ready when you approach the ATM. Remember to take your card, cash, and receipt and put them away. Count your money only when you are safely away from the ATM.

Savings Account

One way for you to manage your money is to have a savings account. Savings accounts draw interest (earn money), while checking accounts sometimes do not. A savings account is an excellent way to earn interest and keep from spending money.

Balancing Your Account

Depending on the bank and type of account, your monthly bank statement might include the following:

- Actual or miniphoto copies of your canceled checks.
- A list of your checks. The bank keeps photocopies of your checks on file.
- A listing of your savings account transactions.

The part of your statement dealing with your checking account includes—

- All processed checks,

- Deposits and withdrawals, including those made via convenience cards, and the
- Balance as of the end of your statement.

You use the bank statement to balance your checking account. Compare your statement and register and identify any discrepancies to your accounts.

If you have any questions, the family service center, your command financial specialist, or your LPO can teach you how to balance a checkbook.

Allotments

Allotments provide a good method for you to handle your financial affairs. The following paragraphs describe voluntary and involuntary allotments.

VOLUNTARY ALLOTMENTS.—Voluntary allotments are requested by you. Some of the reasons for making a voluntary allotment are as follows:

- Savings
- Purchase of U.S. saving bonds
- Loan payments
- Life insurance payments
- Mortgage payments
- Pledges to the Combined Federal Campaign payments
- Payment to family members and relatives

INVOLUNTARY ALLOTMENTS.— Involuntary allotments from a Navy member's pay usually mean one thing—financial irresponsibility. Involuntary allotments are usually garnishment of your pay.

Budgeting

Preparing and using a budget is the key to successful money management. A budget is a plan to spend money or a plan of money management. Many Navy members have false images of the meaning of a budget. They often associate budgets with detailed bookkeeping, stacks of paper, ledgers, and so forth. A

Student Notes:

budget gives you records of your income vice your expenses and helps you manage your financial affairs.

If you're married, budgeting involves both you and your spouse. For married couples, handling money matters is a joint effort. With two-income families, money management is a different ball game. The yours-mine-ours approach usually comes up, requiring definite understandings. Certain inherent expenses become greater when both the husband and wife earn wages. Couples also need to have an understanding as to what expenses they will pay from what funds. A written budget, properly prepared and followed, helps couples work out these problems.

In budget preparation you determine income and expenses; examine spending habits; and see what, if anything, you need to correct or improve. To help you improve your spending habits, you need to be familiar with the following terms used in financial management:

Gross income. The total amount of pay before any deductions.

Deductions. The amount of money taken from pay for income taxes, Social Security, Service Group Life Insurance(SGLI), and so forth.

Allotments. The money taken from gross income for savings, checking accounts, family support or to pay debts, such as car payments and debts due the United States.

Net income. The money paid to a member after all deductions and allotments are paid. Also known as *take-home pay*.

Fixed expenses. Expenses that are the same each month.

Flexible or variable expenses. Expenses that are different each month.

Fixed expenses include rent and mortgage payments and time payments for expenses, such as autos, furniture, and insurance. The difference between fixed expenses and net income is optional income. This is the income available for planning purposes, which you can apply to variable or flexible expenses. These expenses include items such as savings, food, utilities, entertainment, clothes, and gifts.

When preparing a budget, plan for savings first. Planning for savings first is important. If you save first, then you can plan your budget and still save money.

Everyone needs a savings program for unforeseen expenses in the future. In addition, using a systematic, planned savings program will help you to achieve set goals. In determining how much to save, have a realistic percentage of your optional income. This percentage could be as little as 5% to 10% or as high as 20% of your optional income.

After savings comes a fixed expense, followed by variable expenses. The U.S. Department of Labor suggest these percentage of take-home-pay for budget preparation:

Fixed Expenses		Variable Expenses	
Housing	25%	Food	23%
Transportation	9%	Clothing	11%
		Gifts and contributions	5%
		Savings and unforeseen expenses	22%

These percentages are approximate and will vary from area to area and person to person.

To prepare a personal budget, you should keep close track of your income, expenses, and savings for several months. This information will help you understand your spending habits. It will also help you determine average non-fixed expenses. Understanding your spending habits puts you in a position not only to budget your income but also to correct undesirable spending habits.

Plans for spending extend to many areas and vary according to the person's status and requirements. The basics of spending are to spend money wisely and in as small amounts as possible.

INVESTMENT RULE OF 72

What is the rule of 72? The Rule of 72 gives you an easy method of estimating the number of years it takes for an investment's value to double at a specific interest rate or rate of return. The general formula for the Rule of 72 is as follows:

Student Notes:

$$72 = I \times Y,$$

where,

I is the interest rate, and

Y is the number of years needed to double your investment.

Divide 72 years by your interest rate to estimate the number of years it will take to double your investment. For example, at a rate of 8%, an investment's value will double in 9 years.

CREDIT

Credit is based largely on trust. The average person in the Navy is trustworthy and expects to receive a fair deal in business and financial dealings. On the other hand, the way people handle their finances is a reliable sign of their general character and trustworthiness.

Usually, when you think of credit, you think of time payment purchases or charge accounts. Actually credit has a much broader scope.

The entire country runs on credit, including industries; banks; and local, state, and federal governments. In fact, if credit were to stop suddenly, the result would be catastrophic. For example, almost no one would be able to buy a home, an automobile, furniture, or a television or stereo set. Without these sales, unemployment would skyrocket. These salaries, not available for the retail market, would in turn adversely affect the sale of other goods. The effect would continue from the highest to the lowest level, and economic chaos would result.

Principles of Credit

Credit literally means buy now, pay later. The system permits you to purchase goods as you need them, but pay for them over a certain period. Credit means you receive a loan of money, and you always pay extra when you borrow money. Credit, if used wisely, ensures a reasonable standard of living. However, you cannot substitute credit for sound financial planning and a systematic savings plan. Additionally, improper use of credit can create a financial nightmare that can adversely affect your job, family life, and mental and physical health.

Cost of Credit

Have you ever rented a motorcycle or sailboat? You always know in advance that it will cost you so much an hour or day. The rent or cost of using the bike or boat has its base on length of use.

The rent paid for using borrowed money or credit is known as *interest*. Sometimes, you may have difficulty figuring interest. Some lenders and businesses quote interest rates plus other charges in a way that hides the actual figures. Then, people don't know the total cost of loans or installment purchases.

When you borrow or buy something *on time*, keep your eyes open for extra charges in addition to the interest charge for the use of the money. Some of these additional charges include credit life insurance, fees for credit investigations, loan-handling fees, and health and accident insurance. Often, the down payment and the monthly payments are the only figures stated.

Ask for the total charges in writing, including early repayment penalties and monthly rates. If you don't receive the amount in writing, you can figure it your self. First, find the total amount you will pay for the loan or the purchase. Then subtract the actual price of the goods from the total cost of the loan. The difference shows the total cost of credit. Taking the time to get the facts pays off.

Credit Rating

Most people find it to their advantage to build a good credit rating. Some people object to buying anything on credit and insist on paying for everything in cash. They save until they have the cash to make a major purchase, and they often do get better buys for cash. However, a good credit rating is like money in the bank. When you have a good credit rating, it means that you pay your bills on time. Navy personnel usually have a good credit reputation and should have no problem getting a loan or credit when needed. A good credit rating can be priceless in an emergency, such as a medical crisis, fire, or death in the family.

You can establish a good credit rating by paying for time purchases according to the purchase agreement. Time purchases include items, such as furniture or cars and items bought on credit card accounts. You can also

Student Notes:

establish credit by repaying a loan from a bank or a credit union according to the loan agreement. Making these payments according to their agreements means that you pay the amount agreed upon by a certain date. You can then use these companies, banks, or credit unions as credit references if you apply for credit at any future time.

Use of Credit by Navy Personnel

The Navy expects all its members to discharge their financial responsibilities in a timely manner. The Navy expects its members to be a credit to themselves and the naval service. Knowing about credit lets you handle your financial affairs better and often saves you money.

If Navy personnel are to use credit wisely, they need to know the cost of credit. They especially need to know how to avoid some of the problems young Navy men and women often have.

Credit plays an important part in the financial world. Use it wisely and carefully, and pay attention to the following principles:

- Use credit for those necessary goods that you can't afford with one or two paychecks.
- Use credit mainly for goods that have a useful life longer than the time needed to pay for them.
- Make as large a down payment as possible. This reduces the total amount spent because of interest charges.
- Know what your income will be. Set a spending limit equal to the smallest paycheck received to be sure of having enough money to meet the payment when due.
- Don't buy another item on credit just because you have finished paying for one.
- Avoid the temptation to use credit for splurging. For example, buying too much on credit at Christmas becomes a shock in January when you receive the bills.
- Check with consumer affairs offices about local credit regulations. For example, some states

allow up to 3 days to change your mind on a credit purchase or a loan received.

When using credit, remember the following facts about credit:

- Credit costs money, but many credit plans exist. Some plans are much less expensive than others. When you buy a car or furniture, you shop for the best bargain. Do the same when you shop for the best bargain in credit.
- Consider carefully before borrowing from finance companies. These companies often charge high interest rates on loans.
- The faster you pay off a debt, the less interest charges you'll pay.
- Use credit only for unforeseen emergencies and for higher-cost purchases, such as furniture, cars, or houses.

While buying on credit has advantages, you also need to recognize some of the disadvantages of using credit. The following are some of the problems you may encounter:

- Credit customers may overbuy.
- Credit customers may buy at the wrong time or place.
- Credit prices may be higher than cash prices.
- Credit ties up future income.
- Payments must be made on time.
- Because of the addition of interest charges to the price, the purchase costs more.

REVIEW 2 QUESTIONS

- Q1. What is the safest and most convenient way to keep track of the money you spend?

Student Notes:

- Q2. You have paid for an item with a check; however, you don't have enough money in your checking account to cover the check. What is the result of this action?
- Q3. You are having money taken out of your pay to make loan payments. What type of allotment are you making?
- Q4. What's the first thing you should plan for when making out a budget?
- Q5. The money charged for using borrowed money or using credit is known as—
- Q6. If total charges of a loan or purchases agreement are not listed, what is a simplest way to find the total cost of credit?
- Q7. How do you establish a good credit rating?

GOVERNMENT-SUPERVISED LIFE INSURANCE

Learning Objective: When you finish this chapter, you will be able to—

- Recognize the purpose of life insurance.

The government has provided premium-free or low-cost life insurance for service members and veterans since World War I. Since 1919, various insurance programs have been offered as insurance needs have changed over the years.

SERVICEMEN'S GROUP LIFE INSURANCE

Servicemen's Group Life Insurance (SGLI) is a low-cost group insurance program open to active-duty personnel without regard to special qualifications, such as disability. You may secure SGLI only in increments of \$10,000, up to a maximum of \$200,000. You are automatically issued the \$200,000 coverage, unless you choose a lower amount. The cost of SGLI is deducted automatically from your pay.

Unlike some commercial insurance policies, SGLI has no loan, paid-up, or cash-surrender value. In other words, you can't borrow money against this insurance; if you stop payment on the policy or cancel it, you will receive neither paid-up insurance nor cash.

SGLI coverage continues for 120 days after your separation. If you are separated for a disability, coverage may be extended up to 1 year after your separation date.

VETERANS GROUP LIFE INSURANCE

The Veterans Insurance Act of 1974 established a program of post-separation insurance called Veterans Group Life Insurance (VGLI). That act provides for the automatic conversion of SGLI to a 5-year nonrenewable term policy at reasonable rates and with a "no physical exam" advantage. That is, you can have insurance coverage at reasonable rates for 5 years after you separate from the Navy. You can convert the policy at any time during that 5 years to a commercial insurance policy with the same amount of coverage without a physical examination. Like SGLI, the Office of Servicemen's Group Life Insurance (OSGLI) administers the VGLI program, and the Veterans' Administration supervises it.

You can get VGLI coverage in amounts equal to, but not exceeding, the amount of SGLI in force at the time of your separation. This insurance, like SGLI, has no cash, loan, paid-up, or extended insurance value.

REVIEW 3 QUESTIONS

- Q1. You can secure SGLI in what increments?

Student Notes:

Q2. What is the maximum amount of coverage for SGLI?

Q3. You have separated from the service. You will be covered by SGLI for up what maximum number of days after your separation?

- A negative affect on the efficient functioning and morale of military units.
- A bad reputation and loss of prestige of the military service in the civilian community.

The following information will help you understand what is meant by the term abuse.

Victim. An individual who is abused or whose welfare is harmed or threatened by acts of omission or commission by another individual or individuals.

Emotional abuse. Actions including, but not limited to active, intentional berating, disparaging, or other behavior towards the victim that adversely affects the psychological well-being of the victim.

Spouse abuse. Spouse abuse includes, but is not limited to, assault, battery, threat to injure or kill, or any other act of force, violence, or emotional abuse, or undue physical or psychological trauma, or fear of physical injury. This includes physical injury, sexual assault, intentional destruction of property, psychological abuse, and stalking.

Stalking. Actions of a person performed in a repeatedly harassing manner, including, but not limited to, following another person in a manner to induce, in a reasonable person, fear of sexual battery, bodily injury, or death of that person or that person's immediate family.

Child abuse/neglect. The physical injury, sexual abuse, emotional abuse, deprivation of necessities, or other abuse of a child by a parent, guardian, employee of a residential facility, or any person providing out-of-home care, who is responsible for the child's welfare, under circumstances that indicate the child's welfare is harmed or threatened. The term encompasses both acts and omissions on the part of such a responsible person. This term includes offenders whose relationship is outside the family and includes, but is not limited to, individuals known to the child and living or visiting in the same residence who are unrelated to the victim by blood or marriage, and individuals unknown to the victim. Child abuse/neglect includes the following:

- Physical abuse. In the case of child abuse, physical abuse includes, but is not limited to, acts that result in death or other physical injury that seriously impairs the health or physical well-being of the victim.

YOU AND YOUR FAMILY

Learning Objectives: When you complete this chapter, you will be able to—

- Identify types of abuse to include spouse and child abuse.
- Recognize the effect of abuse on self, family, and the Navy.
- Identify procedures to follow to obtain help.

As part of the naval tradition of taking care of our own—it's the responsibility of each Sailor to ensure the safety, health, and well being of his/her family. The military family deals with the challenges posed by the demands of military life and family life. Sometimes, military life creates stress and friction within the family.

WHAT IS ABUSE?

Stress and friction within the family can lead to abuse, either physical or emotional. Navy personnel are expected to show the Navy leadership core values of honor, courage, and commitment. Child and spouse abuse is unacceptable and incompatible with these high standards of professional and personal discipline. The result of abusive behavior by Navy personnel is—

- Destroyed lives.
- A detraction from military performance.

Student Notes:

- Sexual abuse. In the case of child abuse, sexual abuse is actions that include, but are not limited to, the employment, use inducement, enticement, or coercion of any child to engage in, or have a child assist any other person to engage in, any sexually explicit conduct or any simulation of such conduct. Actions include, but are not limited to, rape, molestation, prostitution, or other sexual activity between the offender or a third party and a child, when the offender is in a position or a power over the child.

WHAT CAN THE COMMAND AND THE FAMILY DO ABOUT ABUSE?

Child and spouse abuse are serious behavioral, social, and community problems. These problems need a comprehensive, community-based response. The most effective response to family violence occurs when individuals, families, commands, and communities act as a community to keep the victim safe.

The Department of the Navy (DoN) has a Family Advocacy Program (FAP) that addresses child and spouse abuse. It involves the prevention, evaluation, identification, intervention, rehabilitation/behavioral education and counseling, follow-up, and reporting of child and spouse abuse. The Navy uses this program as a tool to assist victims and to reduce the occurrence of child and spouse abuse.

The five primary goals of the DoN FAP are as follows:

1. Victim safety and protection
2. Offender accountability
3. Rehabilitative education and counseling
4. Community accountability
5. Responsibility for a consistent appropriate response

A continuous effort to reduce and eliminate child and spouse abuse is actively pursued at every level of command. Each command has a Family Advocacy Program. The CO at each installation appoints a family advocacy officer (FAO). The CO also ensures that a family advocacy committee (FAC) and a case review committee (CRC) are established. The primary goal of the FAP is prevention of abuse. The FAP establishes

education, support, and awareness programs so that families and their command understand the risk factors of child and spouse abuse. Programs emphasize prevention, recognition, prompt notification and reporting, and availability of responsive services.

Early intervention involving cases of spouse or child abuse of any kind is very important. Victims can report incidents of abuse directly to the FAO, family service center, medical treatment facility, Chaplain, or the Ombudsman. The important thing is to report it.

STRESS MANAGEMENT

Learning Objectives: When you finish this chapter, you will be able to—

- Recognize factors that cause stress.
- Identify ways to combat stress.

Everybody experiences stress. It's the body's natural reaction to tension, pressure, and change. Most people think of stressors (or things that cause stress) as negative, such as traffic, a difficult job, or a divorce. However, stressors can be positive experiences. For example, having a baby, bowling a perfect 300 game, or completing a satisfying project. These are all changes that can cause stress.

Your body can't tell the difference between a good and a bad stressor. Both too much stress and too little stress are bad for you, while the right balance keeps you going. Positive, or good stress, can keep you going. It makes life more challenging and less boring.

Too much stress can be bad for you, both physically and mentally. Prolonged, unrelieved stress can lead to accidental injury, serious illness, or inappropriate behavior. For the sake of your health, safety, and happiness, you need to recognize and manage stress before it gets the best of you.

Stress occurs when there is an imbalance between the demands of our lives and the resources we have to deal with those demands. An imbalance may happen when there are changes in our lives. It's not the changes themselves that cause stress but our reaction to those changes or events.

Student Notes:

Reactions to stress vary and can take their toll, both mentally and physically. Common stress symptoms include upset stomach, fatigue, tight neck muscles, irritability, and headaches. Some people react to stress by eating or drinking too much, losing sleep, or smoking cigarettes.

On-the-job pressures, changes in lifestyle, financial difficulties, and family tensions are stressful. All too often, people use alcohol or drugs to control the stress they feel. However, alcohol and drugs can increase both mental and physical stress. Regular use of alcohol and drugs can lead to dependency.

The first step to managing stress is to identify your stressors—what things make you react. Stressors aren't only events that cause you to feel sad, frightened, anxious, or happy. You can cause stress through your thoughts, feelings, and expectations. A key to dealing with the big and little everyday stressors is to cope with stress in a positive way. The following are some ways you can use to cope with stress:

Acceptance. Many of us worry about things that we have no control over. Learn to accept when things are beyond your control.

Attitude. Try to focus on the positive side of situations. By focusing on the positive, you'll find solutions come more easily and your stress level will be reduced.

Perspective. Too often, we worry or become upset about things that never happen. Keep things in perspective.

There are many healthy ways to combat stress. Regular exercise, proper diet, meditation, laughter, relaxation techniques, and involvement with outside activities can positively affect your attitude and enhance your life as well as reduce stress.

REVIEW 4 QUESTIONS

Q1. When service members or their families are a victim of spousal or child abuse, what Navy program was established to help them?

Q2. List some of the ways that the FAP can help a family.

Q3. How does stress occur?

Q4. What's the first step when dealing with stress?

Q5. List some of the ways you can combat stress.

SUMMARY

Being a member of the Navy gives you various responsibilities, including that of your own financial management. Learn to use credit wisely and don't bite off more than you can chew. You can use your leave and earnings statement to help you develop a budget to keep from overextending yourself financially. The Navy takes matters of indebtedness very seriously. Therefore, take advantage of the programs available through the Navy to help you with money problems.

Trying to balance a military life with a family at best can be very challenging. Budgeting and preplanning for periods of long deployment can help lessen the strain. Through the Family Advocacy Program, families can get help in times of family distress.

Stress is like body temperature. If it's too low or too high, you can't survive; but, the right balance can keep you going strong. It makes sense to use stress energy positively, to meet life's challenges, experiences and goals. Stress is not all bad. In fact, positive stress can make life both rich and satisfying.

REVIEW 1 ANSWERS

A1. The main difference between pay and allowance is that **pay is taxable income and allowance is nontaxable income.**

Student Notes:

- A2. The three types of pay are—
- a. **Basic**
 - b. **Incentive**
 - c. **Special**
- A3. The Navy uses the **Direct Deposit System (DDS)** to deposit personnel paychecks.
- A4. When you have served more than 4 years of active-duty service, you will receive a longevity raise every **2 years**.
- A5. You receive your clothing maintenance allowance **once a year**.
- A6. DELETE
- A7. **You** are responsible for making sure your paycheck and LES are correct.
- A8. You earn **30 days a year or 2.5 days** of leave per month.
- A9. The CO may grant **3- or 4-day** special liberty periods.

REVIEW 2 ANSWERS

- A1. A checking account is the **safest and most convenient way to keep track of the money you spend**.
- A2. If you don't have enough money in your checking account to cover a check, you have **bounced a check**. You are usually charged a fee by the bank to process this check and charged a fee by the company you wrote the check to.
- A3. When you have money taken out to make loan payments, you have a **voluntary allotment**.
- A4. The first thing to do when making out a budget is to **start a savings plan—pay yourself first!**
- A5. The money you're charged to use borrowed money is known as **interest**.
- A6. The simplest way to find the total cost of credit is to **subtract the actual price of goods from the total amount of the loan**.

- A7. You establish good credit by **paying loans or purchase agreements according to your contract and on time**.

REVIEW 3 ANSWERS

- A1. SGLI is available in **increments of \$10,000 only**.
- A2. The maximum amount of coverage under SGLI is **\$200,000**.
- A3. Normally, you are covered for a **maximum of 120 days after separation from the service**.

REVIEW 4 ANSWERS

- A1. The Family Advocacy Program was established to **help service members or their families when they are a victim of spousal or child abuse**.
- A2. The FAP can help a family through—
- a. **Education programs**
 - b. **Counseling**
 - c. **Intervention in cases of abuse**
- A3. Stress occurs when there's **an imbalance between the demands of our lives and resources we have to deal with those demands**.
- A4. The first step to take when dealing with stress is to **identify your stressors; that is, find out what causes the stress**.
- A5. Some of the ways you can combat stress are—
- a. **Exercise**
 - b. **Diet**
 - c. **Meditation**
 - d. **Laughter**
 - e. **Relaxation techniques**
 - f. **Involvement with outside activities**

