OBTAINING FINANCIAL GOALS: 
A FINANCIAL LITERACY GUIDE FOR VETERANS

The City Bar Justice Center’s Veteran’s Financial Literacy Initiative, with support from the American College of Bankruptcy Foundation and Sterling National Charitable Bank Foundation, has put together a financial literacy packet that will help veterans on their way to making wiser financial choices and build a stable financial future.
Introduction

Financial literacy is the ability to understand money management tools in order to make sound financial decisions, so that you can manage and grow your money. When you're financially literate, you're able to work towards setting financial goals, learn to allocate money towards savings, and create ways to manage debt.

There are five essential components to financial literacy:

- Setting Financial Goals
- Creating and Maintaining a Budget
- Committing to a Savings Plan
- Understanding Credit
- Dealing with Debt

This short financial literacy guide will provide you with a brief description on each of these components and includes checklists that will serve as useful tools to guide you on your way to being financially literate.
Setting Financial Goals

One of the first steps to financial stability is to set SMART goals. A SMART goal is one that is specific, measurable, achievable or attainable, relevant and time bound. All goals take time and commitment to achieve. One of the most effective ways to accomplish your goals is to create an action plan outlining the steps you’ll take. Break up your goals into actionable and achievable steps. Below is a guide on establishing SMART goals.

**Specific goals.**
- Specific goals have a much greater chance of being met than a general one because it provides something defined to reach for.
- Specific goals should answer the following:
  - What will I achieve?
  - Who will benefit from the goal?
  - What specific thing will I accomplish?

**Measureable goals.**
- Goals should be measureable, so that you can track your progress toward meeting the goal. Otherwise, it will be difficult to determine if you are going to achieve it.

- Questions to consider when measuring your goals:
  - How much will it cost me?
  - How many times will I have to contribute to this goal?
  - How will I know when it’s done?
Achievable goals.

- Your goal may be a stretch for you, but it should not be extreme or impossible. A goal should be something that is achievable. If the goal feels like too much of a stretch, try breaking it down into smaller, doable goals.
  - Is this goal something that I can actually reach?
  - Do I have the tools and support I need to accomplish this?

Relevant goals.

- Set a goal that is relevant, that matters to you, and is a priority in your life. This makes it more likely you will make the time and put in the effort to achieve it.
  - Is this something that I really want?
  - Is now the right time to do this?
  - Why is this goal important?

Time-bound goals.

- Finally, your goal should be time-based, with a clearly defined target or deadline date so that you can take the steps to reach the goal by the target date.
  - When will I reach this goal?
  - Is the time frame reasonable?

Goals aren’t something you can “set and forget.” You need to revise them as your situation changes.
PUTTING GOALS TO ACTION

☐ Create an action plan outlining the steps you’ll take.
  o Many goals require external resources to achieve. These resources include needing information, tools, transportation, or even a professional financial coach to help you. These kinds of resources should be added to your action plan.
  o To increase your chances of reaching your goals, share your goals with a friend or financial counselor and check in with them regularly about your progress.

☐ Break up your goals into small, actionable steps.

☐ Consider what resources you will need to take each step and write them next to that step.

☐ Set a deadline for each step’s completion.
One important step to meeting your financial goals is to have a manageable budget. It is impossible to know if you are going to be able to afford all your bills unless you are familiar with how much you are expected to pay each month. The more you can prepare for the bills you know are coming, the better you can save for them. Having a system in place for paying bills can make them easier to pay and help reduce stress. Create a budget sheet that helps you track your income and expenses. The budget sheet will help you plan for bills and track your spending, so that you can stay within your budget. Some helpful tips are provided below.

**PLANNING FOR BILLS**

- **Calculate Income.**
  - When do you receive income? Is it bi-weekly or monthly?
  - How much income is coming in?
- **Track your bills.**
  - What bills are due when?
  - How much they usually are for?
- **Create a plan and system in place for paying bills.**
  - Apps or text alerts are good way to keep track of paying your bills.

**TRACK YOUR SPENDING**

- **Create an expense sheet.**
- **Needs vs. Wants.**
  - See where you can try to cut expenses.
  - Before making a purchase, ask yourself if it is something you really need or want.
  - You can also think about if making that purchase is going to make it harder for you to pay all your bills this month.
MAINTAIN A MANAGEABLE BUDGET

- Create a budget sheet.
  - Look at your monthly bills and bank statements
- Calculate your ending balance.
  - If it’s positive, you have enough income to make it through the week/month. If it’s negative, you’re falling short.
  - Adjust your budget to fit your needs.
  - Cut wants, especially extra wants.
  - Find discounts.
  - Look at your bank statements to see if you’re automatically paying for services you don’t use (i.e. gym).
COMMITTING TO A SAVINGS PLAN

Committing to a savings plan can help you achieve your financial goals. A savings plan you save for emergencies or unexpected life events and allows you to build a safety net so that you can feel financially free and do not have to depend on others. Saving on a tight budget can be difficult but not impossible. Figuring out ways to cut unnecessary costs and maximize savings will get you a long way. Below are helpful tips to get you on your way to building a savings plan.

THE FIRST STEPS TO SAVINGS

☐ Set up a savings account that is separate and apart from other accounts which are used to pay household expenses and make regular purchases.

☐ Automatically set a specified amount to be deducted from your pay and deposited into your savings account.

☐ Decrease spending and put the money “not spent” into the savings account.

MAXIMIZE SAVINGS

☐ Start small and build up over time.

☐ Find ways to lower the cost of everyday spending by cutting back on purchases, using coupons and shopping around for sales and discounts.

☐ Look at your budget sheet to see if you are overspending or purchasing items, goods and services that you want but are not necessary.

☐ Avoid checking, savings, and ATM fees.

☐ Shop around for banks that offer high interest rates on opening a savings account.

☐ Take advantage of cash back rewards from your bank.

☐ Use coins or loose change you have in your pockets or purse, put in a jar and deposit into your bank account.
**UNDERSTANDING CREDIT**

**OBTAINING A CREDIT REPORT**
- You have a right to obtain and review a copy of your credit report.
- You have the right to request a free credit report every 12 months from all of the three nationwide consumer credit reporting agencies.
- Go to [www.annualcreditreport.com](http://www.annualcreditreport.com). This will allow you to download your credit reports right away.
- If you have been turned down for credit, employment, or insurance within the past 60 days, you are entitled to a free copy of the credit report that was used to evaluate your application.
- If there is an error on your credit report, you have the right to notify the credit reporting agencies and request that the error be fixed.

**HOW IS MY CREDIT REPORT USED?**
- Lenders use credit reports to help them decide whether to loan you money and what interest rates they’ll offer you.
- Other businesses might use your credit reports to determine whether to offer you insurance; approve you to rent an apartment.
- If you agree to let an employer look at your credit report, it could also be used to make employment decisions about you.

**CREDIT SCORES**
- Scoring companies have different mathematical formulas to calculate credit scores, all typically starting with the information from your credit report.
- Two of the most commonly used credit scores are FICO and VantageScore.
- Things that affect your credit score:
  - Payment history.
  - Total balance you owe.
  - Credit utilization rate, which is how much of your available credit you’re using.
MAINTAINING GOOD CREDIT

☐ Make sure your payments are on time by setting up automatic payments or electronic reminders.

☐ If you’ve missed payments, get current and stay current.

☐ Create a “bill calendar” or text alerts to help track when your bills are due and decide when you will pay them.

☐ Spend under your credit limit. Do not max these out.

☐ Pay off credit card balances on time each month.

☐ If you apply for new credit, stay within a debt limit that you will be able to pay off easily if financial circumstances took a turn for the worse.

☐ Review your credit report and dispute any inaccurate information.
Debt can be hard to deal with, especially when it feels like a barrier to your goals. If you’re burden with debt, implementing a strategy to tackle the debt will put less stress on you in the long run. You can take control of your debt by creating a “tackling debt” plan, which will help you look at ways you can reduce the amount of debt owed. These methods include negotiating with creditors, tackling student loan debt by entering into an affordable repayment plan, or considering bankruptcy as an option to get from under your debt. Below is a checklist that will guide you in establishing a “tackling debt” plan.

**AVOIDING PROBLEMS WITH DEBT**

- Stay current on your bills and outstanding debts.
- Avoid taking out new debt to pay old debt.
- If you are considering borrowing money, think about why you’re borrowing it, whether it is necessary and consider other alternatives.
- Do not co-sign on any loans for others or add authorized users on your accounts.
- Create a budget, list all expenses. If you have a deficit or are just getting by, then you cannot afford to carry on credit card debt.
TACKLING DEBT

☐ Create a “tackling debt” plan.

☐ Pay down debt with lowest balances first and work your way up.

☐ Add “tackling debt” as a financial goal and work towards putting money in a savings plan.

☐ If you are unable to make payments, contact your creditors right away for options:
  o Repayment options,
  o Reduction in interest rate, or
  o Settlement of the debt.

☐ Consider debt consolidation.
  o Shop around for best rates.
  o Consolidation only makes sense if it saves you money. If the monthly payments are beyond what you can afford, then do not consolidate your debt.

☐ Debt settlement services
  o If you consider debt settlement services, make sure to go with a reputable company.

DEALING WITH STUDENT LOANS

☐ Determine what types of student loans you have.
  o Private Student Loans.
  o Federal Student Loans with the Department of Education.

☐ Explore repayment options. Some Federal repayment options:
  o Income-driven Repayment
    ▪ Provides an affordable repayment plan based on a borrower’s income and household size.
  o Extended Repayment
    ▪ Extends the loan term for up to 25 years.
  o Graduated Repayment
    ▪ Payments start out low and increase during the course of the repayment period.
  o Forbearance/Deferment
    ▪ This is a temporary pause on repayment of the federal student loans. Interest will continue to accrue and may be added to the unpaid principal balance.
Find out if you’re eligible for student loan forgiveness.

- Total and Permanent Disability (TPD)
  - Veterans who have received a VA disability determination because they (1) have a service-connected disability that is 100 percent disabling; or (2) are totally disabled based on an individual employability rating are eligible for TPD.
  - Borrowers who receive Social Security Disability or SSI or borrowers who have been certified as “totally and permanently disabled” by their doctors can also apply for TPD.

- Public Service Loan Forgiveness
  - Borrowers who work in public service jobs for ten years and repay their loans through an eligible income-driven repayment plan can apply for this option.

- There are other loan forgiveness programs. Be sure to visit https://studentaid.gov/manage-loans/forgiveness-cancellation for more information

**BANKRUPTCY AS AN OPTION**

- Chapter 7
  - Discharge most of your consumer debts.
  - Must pass a “means test” income eligibility to qualify for this bankruptcy relief.
  - Debts such as child support and spousal support arrears, debts owed to the government, and student loans(unless you can prove an undue hardship) are not dischargeable.
  - Some assets are liquidated to pay off creditors and other assets are protected from creditors.

- Chapter 13
  - This bankruptcy allows you to reorganize your debt.
  - Allows you to propose a repayment plan to pay back creditors, especially non-dischargeable domestic support obligations, between 3-5 years.
  - You can keep assets you might otherwise lose in a Chapter 7 bankruptcy.