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ATTAINING FINANCIAL GOALS

A Financial Literacy Guide for Veterans



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Table of Contents

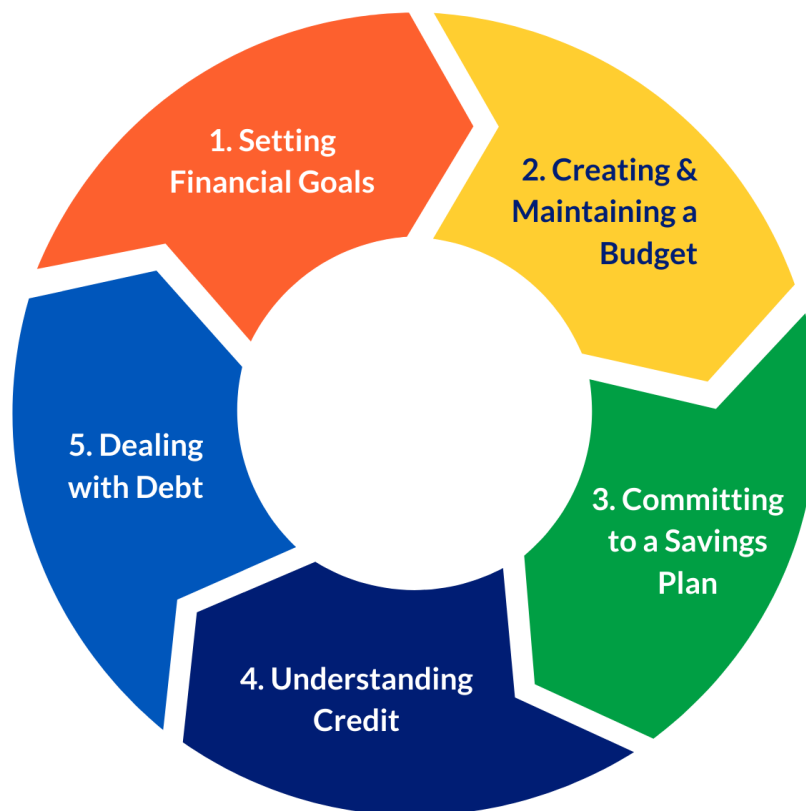
| | |
|--|----|
| A. Introduction | 2 |
| B. 5 Essential Components to Financial Literacy | 2 |
| 1. Setting Financial Goals | 3 |
| 2. Creating & Maintaining a Budget | 6 |
| 3. Committing to a Savings Plan | 8 |
| 4. Understanding Credit | 9 |
| 5. Dealing with Debt | 11 |
| C. Avoiding Scams and Fraud | 15 |

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Introduction

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

A. 5 Essential Components to Financial Literacy



This short financial literacy guide will briefly describe each of these components and include checklists that will serve as useful tools to guide you along your way to being financially literate.

1. Setting Financial Goals



One of the first steps toward financial stability is to set **SMART** goals. A SMART goal is a goal that is **specific**, **measurable**, **attainable**, **relevant**, and **time-based**. 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 using the guide below.

Specific Goals

- ❑ Specific goals are much more likely to be met than general ones because they provide 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?

Measurable Goals

- ❑ Goals should be measurable so you can track your progress toward meeting the goal. Otherwise, it will be difficult to determine if you will 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?

Attainable Goals

- ❑ Your goal may be a stretch for you, but it should not be extreme or

impossible. A goal should be something achievable. If the goal feels out of reach, try breaking it down into smaller, manageable 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 relevant goal that matters to you and is a priority in your life. This makes it more likely that you will make the time and 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-Based Goals

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

PUTTING GOALS INTO ACTIONS

- Create an action plan outlining the steps you'll take.
 - 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.
 - To increase your chances of reaching your goals, share them with a friend or financial counselor and check in with them regularly about your progress to keep yourself accountable.
 - Look at your monthly bills and bank statements.
- 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.

SETTING FINANCIAL GOALS

- Types of financial goals
 - Short-term (Ex: Putting together a \$500 emergency fund)
 - Mid-term (Ex: Paying off a credit card debt in one year)
 - Long-term (Ex: Buying a new home)

Sample Short-Term Goal

Goal: Save \$500 for Vacation

Target Date: December 2022

Total Cost: \$500

Monthly contribution to savings: \$100

| Timeline | July 2022 | August 2022 | September 2022 | October 2022 | November 2022 |
|--------------------------|--------------|----------------|-------------------|-----------------|------------------|
| Contribution Amount | \$100 | \$100 | \$100 | \$100 | \$100 |
| Met Contribution Amount? | Yes | Yes | Yes | Yes | Yes |
| Total Amount Saved | \$100 | \$200 | \$300 | \$400 | \$500 |

2. Creating & Maintaining a Budget

A critical step in meeting your financial goals is to have a manageable budget. It is impossible to know if you can afford all your bills unless you know 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 are they usually for?
- ❑ Create a plan and system in place for paying bills.
 - Apps or text alerts are an excellent 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 will 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.
 - Track both income and expenses.
- ❑ 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, subscriptions).

| Simple Budget Template | | | | | | |
|----------------------------------|---|---|-------------------------|-----------------|--------|----------------|
| Summary | | | Allocation from Savings | Percentage | Amount | |
| Total income during the period | | - | | Emergency funds | 20% | - |
| Total expenses during the period | | - | | Other Goals | 30% | - |
| Total Savings during the period | | - | | Savings | 40% | - |
| | | | | | | |
| S.No. | Particulars | | | | | Amount (in \$) |
| | Income received during the period | | | | | - |
| 1 | Net Salary or wages received in hand | | | | | - |
| 2 | Additional income received from other sources | | | | | - |
| (A) | Total Income (1+2) | | | | | - |
| | | | | | | |
| | Expenses incurred during the period | | | | | |
| 3 | Rent paid on the property | | | | | - |
| 4 | Grocery expenses | | | | | - |
| 5 | Utilities expenses | | | | | - |
| 6 | Transportation expenses | | | | | - |
| 7 | Medical expenses | | | | | - |
| 8 | Education or knowledge up-gradation expenses | | | | | - |
| 9 | Entertainment expenses | | | | | - |
| 10 | Travel expenses | | | | | - |
| 11 | Interest payments | | | | | - |
| 12 | Debt repayments | | | | | - |
| 13 | Credit card expenses | | | | | - |
| 14 | Shopping expenses | | | | | - |
| 15 | Miscellaneous expenses | | | | | - |
| (B) | Total Expenses | | | | | - |
| | | | | | | - |
| (C) | Total Savings During the Period | | | | | - |

3. Committing to a Savings Plan

Committing to a savings plan can help you achieve your financial goals. A savings plan for emergencies or unexpected life events allows you to build a safety net so that you can feel financially free and 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 go a long way. Below are helpful tips to get you on your way to building a savings plan.

THE FIRST STEPS TO SAVINGS



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. Some banks provide special rates for veterans.
- ☐ Take advantage of cashback rewards from your bank.
- ☐ Use coins or loose change in your pockets or purse, put them in a jar, and deposit them into your bank account.

4. Understanding Credit

TYPES OF CREDIT

- ❑ Unsecured loans
 - Loans that are not tied to any property or collateral
 - Ex: Unsecured personal bank loan
- ❑ Secured Loans
 - Loans tied to property or collateral
 - Ex: Car loan
- ❑ Credit and retail credit cards
 - Typically, unsecured. A credit limit and maximum amount you can borrow are set.
 - Ex: Target credit card

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 three nationwide consumer credit reporting agencies.
- ❑ Go to 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 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.

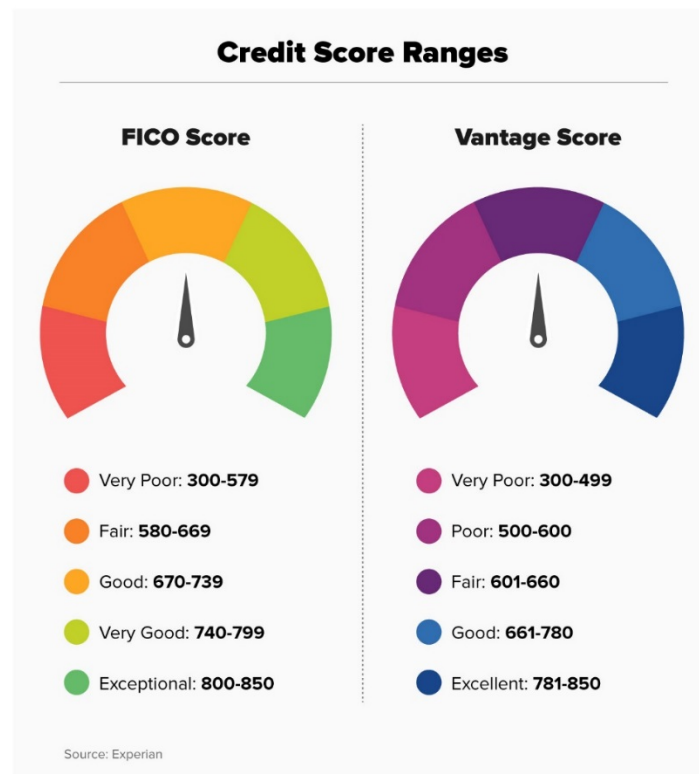
HOW IS MY CREDIT REPORT USED?

- ❑ 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 or 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, typically starting with your credit report information.
- ❑ Two of the most commonly used credit scores are FICO and Vantage Score.

- ❑ Things that affect your credit score:
 - Payment history
 - Total balance you owe
 - Credit utilization rate. This is how much of your available credit you're using
 - Length of credit history



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 can easily pay off if your financial circumstances take a turn.
- ❑ Review your credit report and dispute any inaccurate information.

5. Dealing with Debt

Debt can be hard to deal with, especially when it feels like a barrier to your goals. If you're burdened 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 an affordable repayment plan, or considering bankruptcy as an option to get out from under your debt. Below is a checklist that will guide you in establishing a "tackling debt" plan.

AVOIDING PROBLEMS WITH DEBT

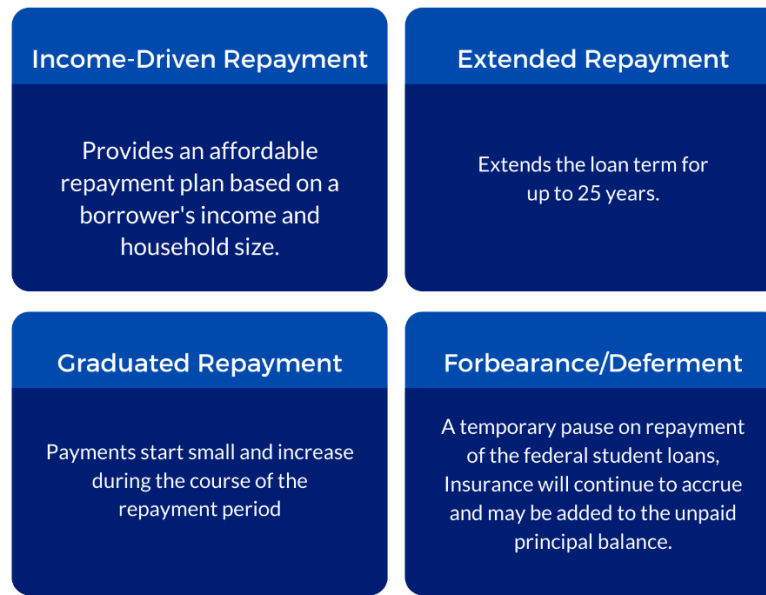
- ☐ Stay current on your bills and outstanding debts.
- ☐ Avoid taking out new debt to pay old debt.
- ☐ If you are considering borrowing money, consider why you're borrowing it, whether it is necessary, and consider other alternatives.
- ☐ Do not co-sign on any loans for others or add authorized users to your accounts.
- ☐ Create a budget and 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

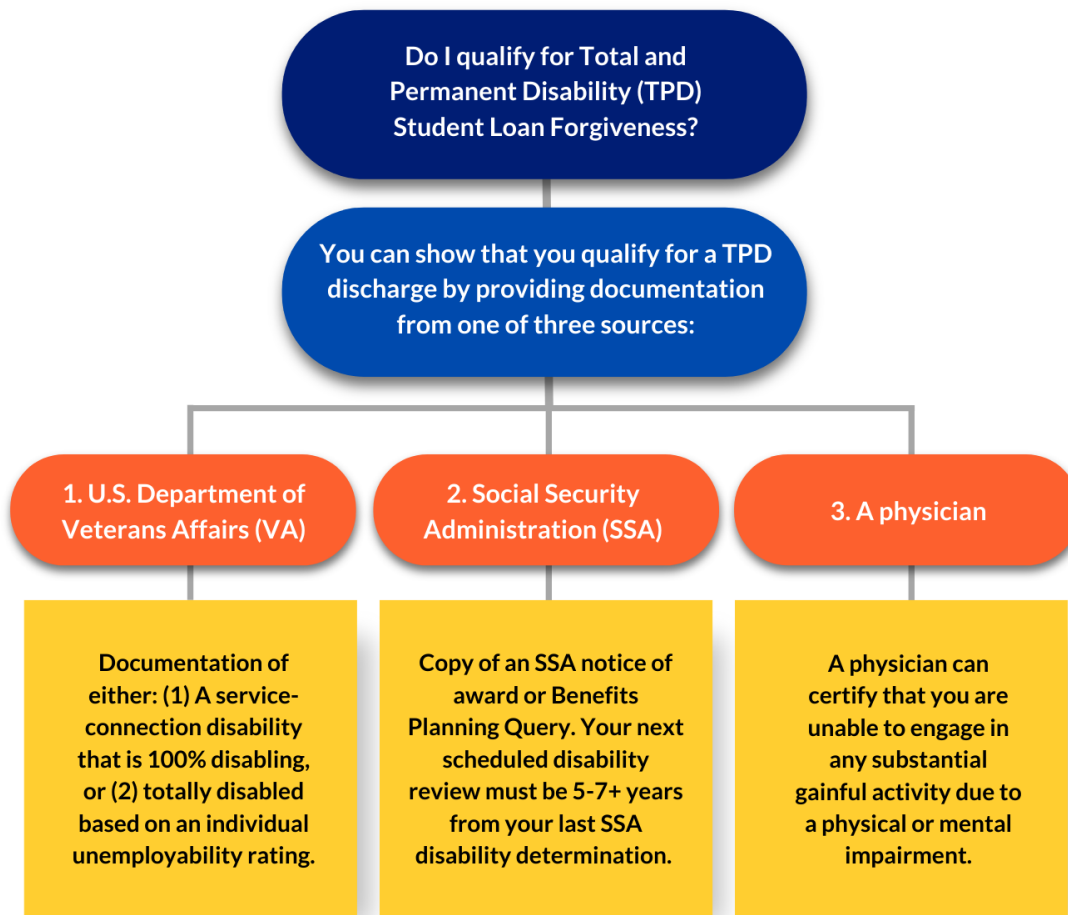
- ☐ Create a "tackling debt" plan.
- ☐ Pay down debt with the lowest balances first and work your way up.
- ☐ Add "tackling debt" as a financial goal and work towards putting money in a savings plan.
- ☐ If you are unable to make payments, contact your creditors right away for options:
 - Repayment options,
 - Reduction in interest rate, or
 - Settlement of the debt.
- ☐ Consider debt consolidation.
 - Shop around for the best rates.
 - Consolidation only makes sense if it saves you money. If the monthly payments exceed what you can afford, then do not consolidate your debt.
- ☐ Debt settlement services
 - If you consider debt settlement services, go with a reputable company.

DEALING WITH STUDENT LOANS

- ❑ Determine what types of student loans you have.
 - Private Student Loans
 - Federal Student Loans with the Department of Education
- ❑ Explore repayment options. Some Federal repayment options are:



- ❑ Find out if you're eligible for student loan forgiveness.
 - 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.
 - Total and Permanent Disability (TPD)
 - A total and permanent disability discharge will relieve you from having to repay a William D. Ford Federal Direct Loan (Direct Loan) Program loan, a Federal Family Education Loan (FFEL) Program loan, and/or a Federal Perkins Loan or to complete a TEACH Grant service obligation.



- For more information, visit <https://studentaid.gov/manage-loans/forgiveness-cancellation/disability-discharge>
- To apply for TPD, visit <https://disabilitydischarge.com>
- For other loan forgiveness programs, visit <https://studentaid.gov/manage-loans/forgiveness-cancellation>

BANKRUPTCY AS AN OPTION

Although it might sound scary, filing for bankruptcy may be the best option to realign your finances and move forward without piles of debt increasing. Depending on your current situation and income, you might consider filing for either Chapter 7 or Chapter 13 bankruptcy. Filing for bankruptcy relief triggers an automatic stop against debt collection of pre-filing debts, and can delay and/or stop foreclosures, repossessions, garnishments, and utility shut-offs. Either Chapter 7 or 13 cases discharge, fully or partially, most (but not all) unsecured debts i.e. credit card debt, personal loans, and medical bills.

CHAPTER 7



- Discharge most of your consumer debts
- Must pass a "means test" income eligibility to qualify
- Some assets are liquidated to pay off creditors, and others are protected
- Cannot discharge certain types of debt such as
 - Child and spousal support arrears
 - Government debt
 - Student loans
- Stays on your credit report for up to 10 years

CHAPTER 13



- Allows you to reorganize your debt
- Cannot have more than \$419,275 of unsecured debt, or \$1,257,850 of secured debt to be eligible (as of 2021)
- Allows you to propose a 3–5-year repayment plan, including non-dischargeable debt (i.e. domestic support obligations)
- Keep assets that otherwise might be lost under Chapter 7 bankruptcy
- Stays on your credit report for up to 7 years

❑ For more information on filing bankruptcy, go to <https://www.citybarjusticecenter.org/wp-content/uploads/2016/09/Personal-Bankruptcy-English-2019.pdf>

C. Avoiding Scams and Fraud

Many veterans are the target of scams, fraud, and unsavory business practices, and the rise of technology has created increasing challenges. The following tips will help protect your VA benefits and ensure you are not a target.

FRAUD AVOIDANCE FOR VETERANS

- ❑ If you receive correspondence from the VA concerning a claim you don't remember filing, contact the VA directly at **1-800-827-1000**.
- ❑ The VA will never charge you for processing a claim.
- ❑ The VA only addresses personal information via mailed letters and will never ask for your personal information via email.
- ❑ The VA does not threaten claimants with jail or lawsuits.
- ❑ Be cautious of telephone numbers. When in doubt, hang up.
- ❑ Review the following resources for more information.
 - <https://benefits.va.gov/BENEFITS/docs/bwn-fraud-avoidance.pdf#>
 - <https://www.aarp.org/content/dam/aarp/home-and-family/voices/veterans/2022/04/watchdog-alert-fraud-handbook-veterans-aarp.pdf>

THE SERVICEMEMBERS CIVIL RELIEF ACT (SCRA)

The Servicemembers Civil Relief Act (SCRA) provides legal and financial protections to **active service members** who have answered the Nation's call to serve. It gives extra protection to service members if legal or financial transactions adversely affect their rights during military or uniformed service.

- ❑ The SCRA servicemembers eligibility requirements:
 - Active-duty members of the Army, Marine Corps, Navy, Air Force, and Coast Guard; or
 - Members of the Reserve component when serving on active duty; or
 - Members of the National Guard component mobilized under federal orders for more than 30 consecutive days; or
 - Active duty commissioned officers of the Public Health Service or the National Oceanic and Atmospheric Administration.
- ❑ For more information on veteran protections under the SCRA, visit <https://www.consumerfinance.gov/consumer-tools/educator-tools/servicemembers/the-servicemembers-civil-relief-act-scra/>



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