

# Talking Smart Cents: Financial Planning Discussion

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JOAG Meet and Greet Alaska Region

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# Disclaimer

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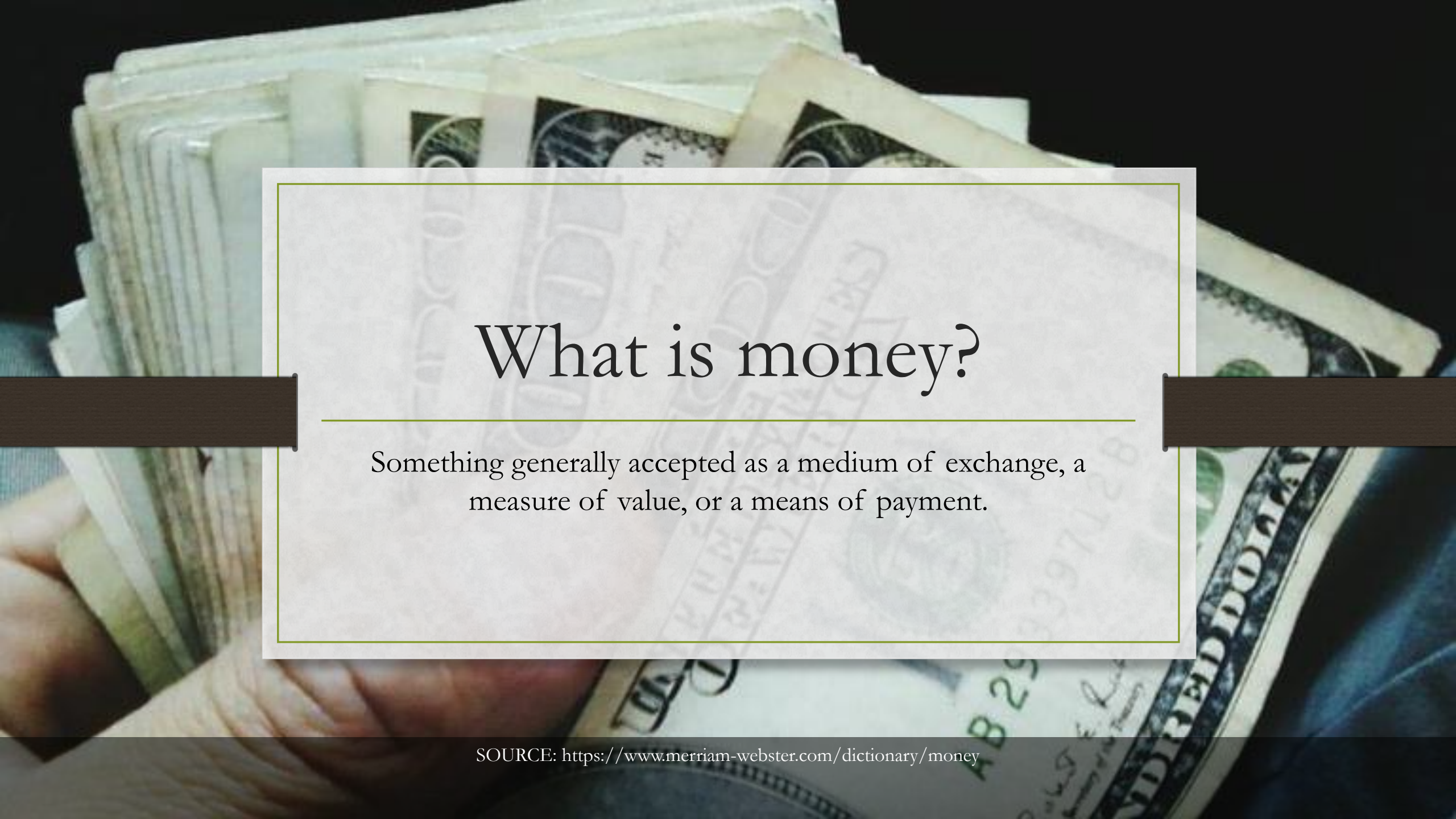
- No vested interest in or affiliation with any corporate organization offering financial support or grant monies for this lecture or any affiliation with an organization whose philosophy could potentially bias my presentation.
- Informational purposes only.



# Objectives

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- Explore and identify your relationship with money
- Review tools and resources to support your financial goals and retirement plans
- Provide an open, safe space to discuss insights and lessons learned about your journal with financial planning



# What is money?

Something generally accepted as a medium of exchange, a measure of value, or a means of payment.

# Four Concepts of Money

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- **Material**

- Cash, credit cards, daily transactions.

- **Psychological**

- Our personal fears and desires.

- **Cultural**

- Our beliefs about our self-worth (winners/losers, good/bad)

- **Life energy**

- Concept for which *you trade money for your time.*

**Time** is our most precious, limited resource.

1) Dominguez, J. R., & Robin, V. (2018). *Your money or your life: Transforming your relationship with money and achieving financial independence*. New York: Viking.

2) Plant, P. Your Money? Or Your Life? Accessed 8/22/21. <<https://affordanything.com/your-money-or-your-life/>>.

FIGURE 1-1  
Life Rating Scale

Select the list that most closely applies to your life right now.

1	2	3	4	5
Uncomfortable	Dissatisfied	Content	Happy	Joyous
Tired	Seeking	Doing OK	Growing	Enthusiastic
Incomplete	Not enough	Average	Satisfied	Fulfilled
Frustrated	Relationships could be better	Acceptable	Productive	Overflowing
Fearful	Coping	Sometimes happy, sometimes blue	Relaxed	Ecstatic
Frequently lonely	Getting better	Stable	Free of tension	Powerful
Angry	Not very productive	Normal	Efficient	Making a difference
Need love	Need reassurance	Few risks	Time available	
Insecure		Fitting in	Fun	
			Secure	

Select the list that most closely applies to your life right now.

Monthly income	\$0-1500	\$1501-3000	\$3001-4500	\$4501-6000	Over \$6000
Average of quality-of-life rating for all participants in that income range	2.81	2.77	2.84	2.86	2.63



# Questions to Ask

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- How do I view money?
- What past experiences have contributed to shaping my viewpoints on money?
- How do I interact with myself, family, partner/spouse with money?
- What did my parents teach me about money?
- **Understand your relationship with money by thinking about aligning your values and goals in life.**

# Where should we begin?

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- What are your financial goals?
  - Create a budget?
  - Stick to a monthly spending plan?
  - Retire early? (FIRE movement)
  - Pay off debt? Which one should I pay off first?
  - Saving up for 3 months emergency fund?



# Retirement

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- *“Begin with the end in mind.” – Stephen Covey*
  - How much money will I need when I retire?
- 4% withdrawal rate
  - Annual withdrawal amount  $\div$  safe withdrawal rate = total amount needed (saved)
  - $\$50,000 \div 4\% = \$1,250,000$

# Dave Ramsey's 7 Baby Steps

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- 1) Save \$1,000 for starter emergency fund.
- 2) Pay off all debt (except the house) using debt snowball.
  - Cars, credit cards, student loans.
  - Categorize debt from smallest to largest.
  - Pay minimum payments on everything except for the smallest debt.
- 3) Save 3 to 6 months of expenses in a fully funded emergency fund.

# Dave Ramsey's 7 Baby Steps

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- 4) Invest 15% of your gross household income in retirement.
  - Start with company (e.g., TSP) 401K and invest up to full employer match.
  - Invest the rest into Roth IRA (if eligible).
  - Income limit: \$140,000
- 5) Save for your children's college fund.
- 6) Pay off your home early.
- 7) Build wealth and give.

# The Money Guy's Financial Order of Operations

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- 1) Deductibles covered
  - Car insurance, home insurance, health insurance
- 2) Maximize 401K match from employer
  - Blended Retirement System: 5% of base pay for 5% match
    - Tip: make sure to not miss out on the match by contributing too much early in the year!
  - No match from High-3
    - One option is to put 10% of base pay.
    - What funds are your TSP contributions going into?

# The Money Guy's Financial Order of Operations

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- 3) Pay of high interest debt/credit cards
  - Debt avalanche: pay off debt highest interest rate first (minimum payments on all debt, pay off debt with highest interest rate)
  - Debt snowball: pay off smallest debt
- 4) Emergency fund
  - Save 3 to 6 months of expenses while working
- 5) Maximize Roth IRA and Health Savings accounts

# The Money Guy's Financial Order of Operations

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- 6) Max-Out Retirement
  - TSP limit for 2021: \$19,500 = \$1,625/month
    - If 50 years or older, can contribute additional \$6,500 = \$26,000
  - Reason you max out Roth IRA first = no penalty if you withdraw contributions at any time with no tax/penalty. Withdrawing earnings early may trigger 10% tax penalty.
- 7) Hyperaccumulation
  - Save 25% of gross income.



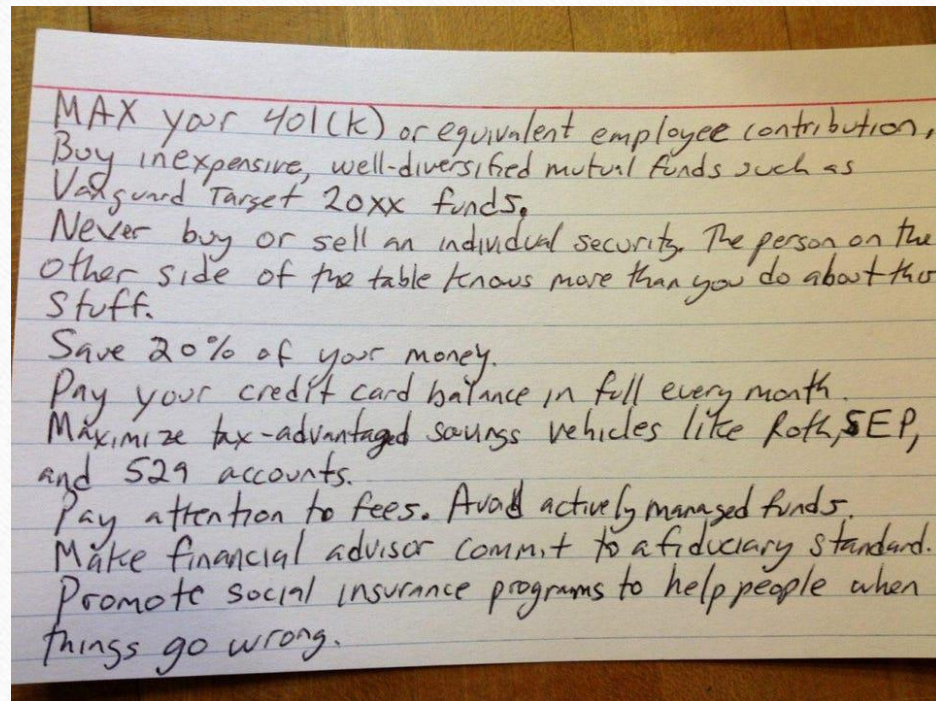
# The Money Guy's Financial Order of Operations

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- 8) Pre-Paid expenses
  - New car, wedding, college savings plan, down payment for new house, etc.
- 9) Low interest debt
  - Mortgage, student loans

# The Index Card Method

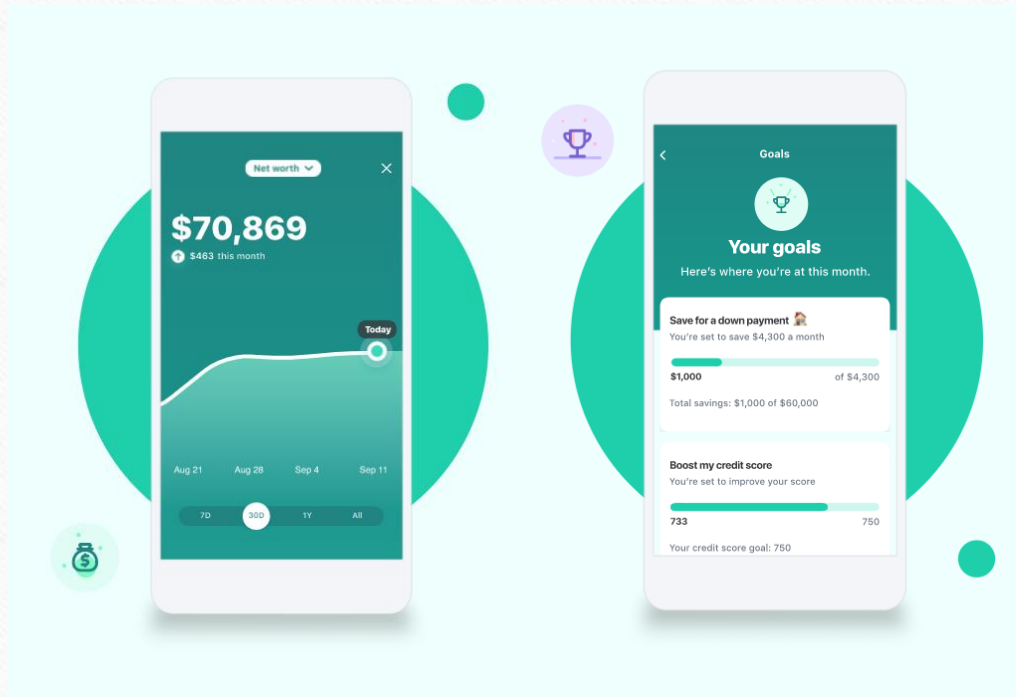
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SOURCE: <https://www.forbes.com/sites/zackfriedman/2017/03/09/9-money-rules-index-card/>

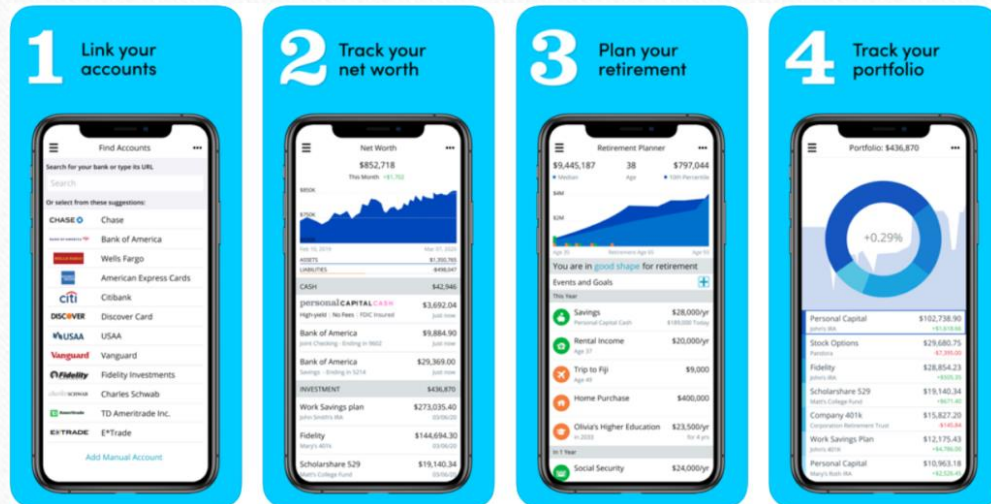
# Tools to Help Stay on Track

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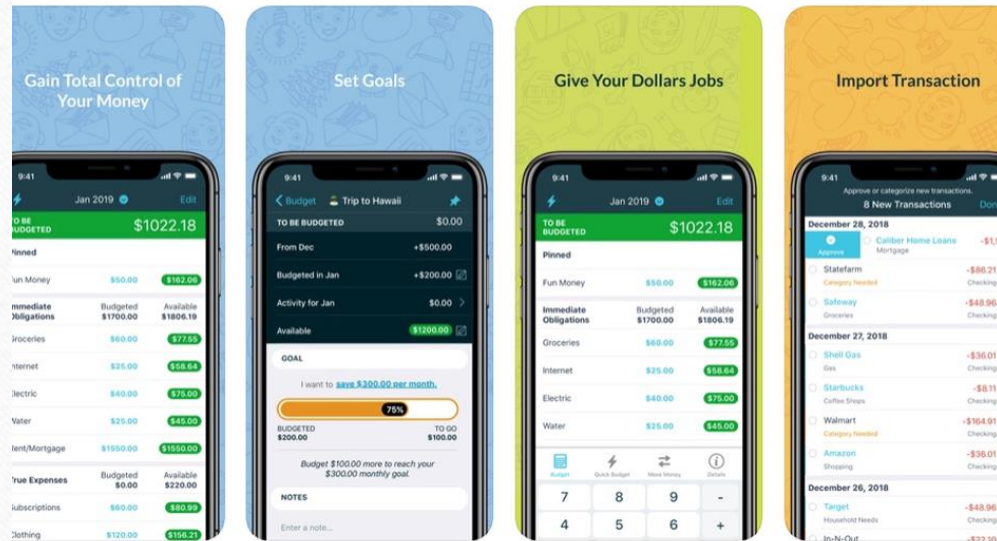
- Mint by Intuit
  - Available on App Store and Google Play
  - Website available
- Free

# Tools to Help Stay on Track



- Personal Capital
  - Available on App Store and Google Play
  - Website available
- Free

# Tools to Help Stay on Track



- You Need a Budget (YNAB)
  - Available on App Store and Google Play
  - Website available
  - Subscription only: \$84/year or \$11.99/month

# Resources

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- Alaska area: JBER Military and Family Readiness Center
  - Personal financial consultation to maintain financial readiness, develop budgets, spending plan, credit/debt management, IRA/TSP, investments.
  - 907-552-4943

# Resources

- Military One-Source: <https://installations.militaryonesource.mil/>
- Select “Personal Financial Management Services”
- Enter in zip code

The screenshot displays the top section of the Military INSTALLATIONS website. At the top left is the logo "MILITARY INSTALLATIONS" with "MILITARY" in red and "INSTALLATIONS" in blue. To the right are navigation links: "VIEW ALL INSTALLATIONS", "SUPPORT", "PLAN MY MOVE", and "MILITARY ONESOURCE". The main heading reads "Welcome to MilitaryINSTALLATIONS". Below this are three search filters:

- I'm looking for a**: A dropdown menu with the text "Program or service" and a downward arrow.
- I'm choosing from**: A dropdown menu with the text "Personal Financial Management Services" and a grid icon.
- I'd like to filter by**: A dropdown menu with the text "Select Installation, zip code or State" and a downward arrow.

A vertical "Feedback" button is located on the right side of the page.

# Resources

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- “Your Money or Your Life: 9 Steps to Transforming Your Relationship with Money and Achieving Financial Independence” – Vicki Robin, Joseph Dominguez
- “The Millionaire Next Door” – Thomas Stanley and William Danko
- “The Simple Path to Wealth” – J. L. Collins
- “I Will Teach You to be Rich” - Ramit Sethi



# Open Discussion

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- Has your view on money changed? If so, what has changed?
- What are your personal financial goals?
- What are other resources that you would highly recommend regarding financial health?

