

Financial Hostage

Take steps to slay the money demons

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Air Force News Service

photo by Master Sgt. Scott Wagers

Financial Tips

- Pay yourself first. Put away 10 percent of your take-home pay. To accumulate wealth, you must understand the "time value of money" and the impact of compounding interest.
- Establish financial goals. Set immediate, intermediate and retirement savings goals.
- Establish a budget and stick to it. Track your expenses — small purchases add up quickly. A daily cup of coffee can cost \$200 a year.
- Use credit sparingly. Plan for large purchases or gifts. Credit should be for emergencies only.
- Learn the principles and types of life insurance available. Buy only what you need. Remember, the primary goal of life insurance is to replace family income in the event of a breadwinner's death.
- Beware of scams and rip-offs. If it sounds too good to be true, it probably is.
- Stay financially current by reading and taking courses.
- Set aside money for unexpected events, such as deployments, car repairs, or extra medical and dental expenses.
- Know your rights under the Fair Collection Practices Act and Soldiers' and Sailors' Relief Act of 1940. Information on these laws is available through your base legal office.

source: DOD Office of Family Policy

It wasn't just living paycheck to paycheck anymore. Staff Sgt. Juan Huerta was staring financial ruin right between the eyes.

"I dreaded doing the bills," admitted Huerta, a five-year Air Force veteran. "We were trying to figure out who would get paid this time."

Huerta had just graduated from technical training instructor school, or TI school, at Lackland Air Force Base, Texas. It's the job he always wanted, and it brought him back to his hometown of San Antonio.

The move home is also what triggered his money problems. Before getting orders to Lackland, Huerta was stationed at Kadena Air Base, Japan. His wife and 4-year-old son enjoyed the stint at Kadena, but two emergency leaves home wiped out their savings.

The move temporarily put his wife out of work, and at the same time, the \$600-a-month cost of living allowance they enjoyed in Japan vanished. The couple rented an overpriced apartment, and they had to buy two vehicles to be able to work. The quadruple wallop put them in a financial vice grip.

"To keep our heads above water I was borrowing money from my family, but that was stressing out those relations," Huerta said.

Finally, after months of anguish and with no other place to turn, Huerta asked for help. That help came in the form of Steven Mayfield, a personal financial manager at Lackland's family support center. In a couple of hours, Mayfield showed the Huertas a way out of debt with a long-term plan toward financial independence.

Common problem

Unfortunately, right now there are thousands of airmen in the same financial situation that Huerta found himself.

A recent Department of Defense report showed service members through E-6 have trouble making ends meet. It attributes this not to income levels but to poor spending habits and financial education.

Additionally, an Air Force survey showed that people in the ranks of airman first class through staff sergeant, comprising half the force, applied for 78 percent of Air Force Aid Society assistance in 2001. They also received 76 percent of the nonjudicial punishment for indebtedness.

Another DOD survey of 5,000 E-3s through E-5s showed 52 percent had difficulty paying bills in the last year, 18 percent reported bouncing checks, 29 percent could barely afford what they needed and 12 percent had obtained payday loans.

The statistics are sobering, but the good news is there's free help available for airmen willing to ask.

"Asking for help was the hardest thing I've ever done," Huerta admitted. "I'm a non-commissioned officer — a [training instructor] — I was worried how this would reflect on me. Now I just wish I had done it sooner."

When it comes to money, sooner is always better. There are steps you can take to

slay the money demons. The first is to know where your money is going. That means having a budget. Not the one in your head, but a no-kidding, written-on-paper budget that tracks every dollar spent and every debt owed.

"Identify your spending habits," advised Debbie Vosburg, manager of family income management for the Air Force Aid Society. Vosburg has been helping families with money troubles for 17 years. "Write down everything for a month, and you would be surprised where the money goes."

Another step in the right direction is to pay yourself.

"Create a savings plan, and put

yourself in it," said Dottie Blesse, a personal financial manager at Hill Air Force Base, Utah. "Treat savings like a bill you pay every month, like you would a car payment."

According to Mayfield, 10 percent of your base pay is a good goal. Establish an emergency fund as quickly as possible. Then apply a three-pronged savings approach. Keep two months' worth of base pay in the emergency fund. Have a savings account for vacations and then have long-term investments like an individual retirement account.

Watch for pitfalls

Building a savings and operating

from a budget will get you moving in the right direction, but there are also some common pitfalls to avoid. The most obvious of which are those evil credit cards.

"If you have a \$5,000 credit card debt, it will take you 22 years to pay it off if you made the minimum payments and never used that card again," Blesse said. "Interest costs money."

It's simply instant gratification, according to Vosburg.

"Credit cards are just too tempting most times," Vosburg said. "You've got to have self control. Keep a low credit limit, and pay it off."

Another pitfall is payday lending operations. These guys make Jessie James look like a choir boy. The premise is simple — these legalized loan sharks lend \$100 today, and you pay them \$130 on payday.

"Depending on the state you live in, the interest rate for payday lending can be as high as 200 percent," Vosburg said.

If you're hitting up a payday lending operation or have credit cards that are maxed out, your best bet might be to seek the free help from your local family support center.

"As soon as you realize things are a little out of control, sit down and track your money," Vosburg said. "Realize there are people out there solely to help you. Don't wait until the creditors are banging on your door."

Mayfield sums it up best: "Take charge of your finances!"

It took a lot of pain and misery for Huerta to learn that lesson, but it was worth it.

"It's a very uplifting experience," Huerta said. "We've got a peace of mind now that we didn't have before. All we had to do was ask." ❖

In California, there are more payday lenders than there are McDonald's and Burger King restaurants combined.
source: Air Force Aid Society

