

# Personal Financial Readiness

**SUCCESS**

Military & Family Readiness Center

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Military & Family Readiness Center



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**Hours of Operation:**

Mon, Wed-Fri—0730:1630  
Tue—0730:1400

[www.littlerock.af.mil](http://www.littlerock.af.mil)



[www.facebook.com/LRAFBMFC](http://www.facebook.com/LRAFBMFC)



Air Force Aid Society

AF Wounded Warrior

Air Force Families Forever

Career Focus

Deployment Support

Exceptional Family Member Program-Family Support (EFMP-FS)

Personal Financial Readiness

Relocation/PCS

Personal and Work Life

Transition

Volunteering



Updated Jan 2025

## Financial Training

### Monthly Lunch and Learns

- TSP, Savings & Investing
- How to Become a Millionaire
- Car Buying
- Home Buying
- Basic Budgeting
- Credit & Debt Mgt



### Individual Appointments

- Budget Review
- Credit and Debt Management
- Savings and Investing
- Thrift Savings Plan (TSP)
- Retirement Planning
- Pre & Post Deployment Financial Planning
- Life Changing events such as:
  - Marriage
  - Divorce
  - Birth of a Child

No one ever got rich by doing nothing!

# Personal Financial Readiness - In Five Simple Steps

## 1. Develop a spending plan

A spending plan tracks all income coming in and expenses going out. It not only ensures all bills are paid on time but also help us plan all our spending and saving during the time from one paycheck to the next.

You've heard this before but preparing and sticking to a written budget is an essential financial skill. If you don't know how much income you have and how much you spend you are headed for big trouble. *Start by taking an honest inventory of your income and monthly expenses.*

## 2. Save for emergencies

We all need at least \$1000 in an emergency savings account just in case we have a car accident, a plumbing repair or a similar unexpected crisis. In addition we should be adding to that emergency account on a regular basis until we have 6 months of living expenses.



*It's not how much you **make!**—  
It's how much you **save!***

## 3. Manage your debt wisely

While credit can be a great way to purchase things without the cash on hand, overuse of credit creates a burden on our spending plan, lowers our credit rating (score) and increases the actual (overall) cost of the items we purchase. While debt has its uses such as the in the context of a first car purchase, it can quickly become a serious problem if used for unnecessary items or if accumulated too quickly.

### Debt to income ratio formulas:

- Debt to Disposable Income Ratio (DDIR):  
*Debt/Gross Income, minus Taxes & Withholdings = DDIR*  
*note: excludes mortgage debt; the goal is to be at 20% or below*
- Debt to Income Ratio (DIR)  
*Debt/Gross Income = DIR*  
*note: includes mortgage debt; the goal is to be at 36% or below*

## 4. Save and invest for retirement

The sooner you start to save, the longer your money has to grow. There are a variety of options for short, medium, and long term savings depending on your requirements including how long you want to save and how quickly you want to access the money.

*To accumulate wealth you need to  
become an investor!*

*A 21 year old airman who **saves** \$1200 a year every year in a savings account earning 1%*

For long term savings and investing you should consider higher risk products such as stocks, that produce higher returns over the long run, but may exhibit losses in the short term.

*A 21 year old airman who **invests** \$1200 a year every year in an investment account earning 8%*

The Thrift Savings Plan (TSP) is an excellent vehicle for retirement savings that is available to all members of the military and federal civilian employees. It offers participants the advantage of a tax deferred retirement account with extremely low management costs and very good returns. *To find out more about TSP take our lunch and learn class .*

## 5. Learn more about investing

Many people fail to invest due to fear of losing their money. The greatest antidote for fear is knowledge. While many options exist with various degrees of risk for long term investing, many people are simply unaware of the numerous options they have and how to best put them to work.

*Expand your financial knowledge with one of our financial workshops!*