



RHUMB LINES

Straight Lines to Navigate By



February 20, 2008

Personal Financial Management

“Our men and women in the United States military have what it takes to not only save lives, but to save money.”
 – **Suze Orman, PBS, CNBC and QVC television host, author, speaker and recognized expert on personal finance**

On top of all the work demands Navy leaders place on Sailors and civilians, personal finances can be a source of great stress. When financial stress becomes too great, it can lead to damaging personal behavior and threaten national security. Navy leaders, through their commands, should educate, train and counsel Sailors on becoming good financial stewards and developing sound financial habits.

Responsibilities of Navy leaders

Guidance for Navy leaders is found in the recent [SECNAVINST 1740.4](#) policy on Personal Financial Management (PFM) Education, Training and Counseling. Highlights include:

- Commanding Officers are required to designate a lead Command Financial Specialist (CFS).
- The PFM training continuum is from beginning to end of a Sailor’s career and during transition to civilian life.
- PFM programs will include spouses and Navy Child and Youth Program participants.
- Certified financial educators and counselors are required at each Fleet and Family Support Center (FFSC).
- While PFM programs typically focus on counseling, leadership participation is important in preventing financial hardship:
 - Leadership’s knowledge and communication of PFM helps protect Navy families from risky borrowing and bad financial decisions.
 - Encourage Sailors to seek early help with financial issues through the chain of command or CFS.
 - Encourage Sailors and their families to attend financial classes at their local FFSC.
 - Ensure Navy families are aware of the Navy-Marine Corps Relief Society (NMCRS), which may provide interest-free loans or grants to help in emergencies.
 - Encourage saving and investing. The Thrift Savings Plan (TSP) offers options for Sailors to contribute pre-tax earnings to investments with solid returns.
 - Support the Military Saves Campaign (February 24 to March 2), sponsored by Commander, Navy Installations Command, which encourages saving and focuses on building wealth instead of debt.

More protection from predatory lending practices

In FY07, the NMCRS provided 594 loans (\$734K) to Navy personnel with outstanding pay day loans. The Military Lending Act, part of the 2007 National Defense Authorization Act:

- Provides Sailors and their families new legal protections from predatory lenders.
- Limits payday loans, title loans and tax refund anticipation loans to a maximum 36 % annual interest rate.
- Requires lenders to include a disclosure statement in loan applications.

Key Messages

- Poor financial management can impact granting of security clearances, careers and national security.
- A mathematical rule of thumb on the power of compound interest says an investment will double in value within nine years with an 8% return and in five years at 14%.
- A secure financial future starts with a commitment to save and set achievable goals.

Facts & Figures

- 78% of DoN security clearance denials/revocations are because of poor financial management.
- NMCRS can offer a \$300 loan in 15 minutes at 0%.
- Active duty Navy tops services in TSP participation at 53%, including 56% of E-4 and below.
- TSP offers ten investments including lifecycle funds.
- In 2007, FFSCs reached almost 40,000 personnel during Military Saves Week.