

LESSON PURPOSE PLAN

FINANCIAL RESPONSIBILITY (PERSONAL FINANCE)
GUIDED DISCUSSION

VALUES BASED LEADERSHIP

7/15/2015

1. TOPIC OVERVIEW

INSTRUCTOR NOTE

Young Marines and their families constitute a population at high risk for financial problems. Personal characteristics (e.g. youth and financial inexperience) and job-related factors (e.g. isolation and deployment) combine to place young Marines and their families at risk for overspending, being targeted by unscrupulous salespersons, and making poor financial and credit decisions. Furthermore, Marine Corps ideals that emphasize being tough contribute to the likelihood that Marines may conceal money problems until they are out of control. Financial difficulties can negatively affect job performance, military readiness, career advancement, marital relationships, family functioning, friendships, and future financial security.

Use this time to present the topic of the guided discussion to your group. Cover why this topic is important to the Marine Corps, as a whole, and vital to the individual Marine. You may use the above paragraph to help introduce the topic, or develop a completely unique introduction. Aspects of your attention-gainer should focus on your discussion topic.

Ensure you have followed the Instructor Preparation Guide (IPG), familiarized yourself with the subject, and reviewed the references.

2. METHOD

INSTRUCTOR NOTE

Inform your class that the instructional method you will be using for today's lesson is a guided discussion and that this method has been selected to actively involve students in the learning process.

The guided discussion can be effective at altering awareness and behaviors of participants. The goal of the guided discussion method is to drive group participation through leadership and encouragement. To learn more about guided discussions refer to Marine Corps Reference Publication (MCRP) 6-11B W/CH 1 - *Marine Corps Values: A User's Guide for Discussion Leaders*.

It is up to you, as the discussion leader, to use your best judgment and adapt this period of instruction to make it most suitable to your unit and the experience level of the participants. Be prepared for controversy, and form a plan to deal with conflicting viewpoints in order to keep the discussion progressing.

The guided discussion should last approximately 25 to 35 minutes. Spend a few minutes on the introduction; and, the majority of your time on the discussion questions within the body. Do not go too far over your time, as you may start to lose the attention of the participants. Too much information can start to overwhelm what is intended to be a simple and focused session. Remember to allow a few

minutes for reflection and the summary of your lesson.

Determine what aspect of the topic you want to concentrate your discussion towards. Design learning outcomes, or "takeaways," which participants should grasp at the end of this discussion that best exemplify your intended focus. You can create your own learning outcomes OR use one, or more, of the examples listed below.

Example learning outcomes are:

- (a) Understand how the Marine Corps' leadership traits apply to financial decisions.
- (b) Be able to relate the Marine Corps' leadership principles to financial responsibility when mentoring Marines.
- (c) Understand how financial irresponsibility conflicts with our core values of Honor, Courage, and Commitment.
- (d) Be able to identify resources where Marines and Sailors can seek education on personal budgeting and help with financial decisions.
- (e) Be able to identify indicators that someone is in need of financial assistance.
- (f) Understand how financial irresponsibility can damage a military career.

3. **INTRODUCTION**

INSTRUCTOR NOTE

Use this time to introduce yourself to the group if necessary, and to ensure the group is familiar with each other. This is also the time to introduce any ground rules, which will establish what behaviors are expected during the guided discussion. Some example ground rules are: everyone participates fully; permit participants to express themselves without becoming recipients of personal attacks from anyone regarding their views; keep language clean, as not to offend others; make head-calls, as needed, without disrupting the rest of the participants; etc.

4. **BODY**

INSTRUCTOR NOTE

Start the discussion by giving your participants the learning outcome you developed for the guided discussion.

a. **Gain Attention**

INSTRUCTOR NOTE

A few attention-gaining stories are provided, but you are encouraged to personalize the attention-gainer to fit your personality, audience, and your desired learning outcome. You may use one of the provided stories, or conduct research in order to find others more applicable to your learning outcome.

(1) Shortened Career

Sergeant (Sgt) Smith, married with two young children, completed a seven-month deployment to Okinawa, Japan, and very much enjoyed his time there. When eight months away from the end of his first enlistment, he decided that he wanted to re-enlist and receive accompanied orders to Okinawa.

During Sgt Smith's first enlistment, he and his wife lived payday-to-payday and between the wedding, honeymoon, two car loans and credit card bills accumulated debt totaling more than \$120,000. After paying for some unexpected emergency cross-country trips home, the couple did not have enough money to pay some monthly bills. Due to their lack of financial planning, the Smiths were forced to miss a few different monthly payments.

The Smith family was shocked and heartbroken when they learned that Sgt Smith's re-enlistment package was denied. Sgt Smith was confused because he had a stellar record, above average fitness reports, and was well liked by his peers and seniors.

After talking with the Career Planner, Sgt Smith discovered that his package was denied because he failed to obtain a security clearance. The Career Planner told Sgt Smith that his low credit rating and high debt-to-income ratio were the reasons his security clearance was not approved.

Since his time in the Marine Corps was coming to an end, Sgt Smith decided that he wanted to return to his hometown and become a State Police Officer. He started the application process and figured that his time in the Marine Corps should pretty much guarantee him a position.

After Sgt Smith completed the first two phases of the application process, he was told that State Police were impressed with his application and how well he did during his interviews. They told him that as long as he passed the final phase of the process, he could expect to start the academy after he completed his commitment to the Marine Corps.

Sgt Smith became nervous when he learned that one of the final steps in the application process involved the Human Resource Department requesting and reviewing his credit report. Unfortunately, Sgt Smith's application with the State Police Department was denied. He was told that he could re-apply at a later date, if he paid down his debt.

Sgt Smith has two pay periods left in the Marine Corps and is still searching for a job outside of the Marine Corps.

(2) Predatory Salesmen

You are young (or old) and you want your first (or your fifth) car. The government is paying you and paying for your housing, too. What else are you going to spend your money on – computer games, the kids? You want that Mustang, the Z, or maybe a Tahoe or a Suzuki sport bike. You want it and you can afford it.

Vehicle salespeople and finance managers know how to sell to the military from slogans that advertise "Military Discounts," "No credit, Bad Credit, Bankruptcy, Negative equity, no problem," and "We support our Military." All these slogans may sound good, but you must remember that the purpose for marketing is to increase sales, not help you or your credit.

The salesman sees you coming with the military haircut and the Marine Corps sticker on your car and then starts thinking about the quota he has to meet. "Come on in," the salesman says, greeting you with a big smile. "What kind of payment are you looking for?" or "How much payment can you afford?"

Stop right there. If you answer that question then you are just more meat for the auto dealership. I can hear you now, "I'm not a sucker, man," but listen and you might learn something and save a lot of money, too.

Unless you can pay full in cash, buying a car or motorcycle (or a boat or a house) is really two separate transactions. The first purchase is the product you are buying and the second is the financing you require. Mixing these two purchases into one deal is a costly mistake. Would you rather save some money or put some extra money in the dealership and lender's pockets?

The correct answer to the salesman's question is, "I am shopping for a 2015 Mustang GT convertible (or whatever year/make/model you want). I want it to be black and here is the list of options I want. Give me your best price and if I agree with the price, then we can move forward on a discussion about financing."

Leave emotion out of the purchase. Once you know what you want, shop for it. I do not know anyone who would pay \$180,000 for a house if they could get it for \$169,000. Why would you choose to pay too much for a car? However, that is exactly what you are doing if you shop for a payment. Remember, you are buying a car, not a payment, so get the best price you can. Even though the sticker on the window says \$28,000, the dealer will sell it for less, maybe thousands less.

The thing a salesman fears most is a buyer who walks out the door, so strike some fear into the hearts of the enemy. Go shopping for a car with the certainty that you will not buy that day. Why? Just consider it a battle-training drill. Take a couple of test drives on a Saturday. Maybe shop for a car you hate. (Gee, this three-cylinder

engine is powerful and the dents on the hood add character.) When it is time to sit down and start talking price, keep telling the salesman he has to do better. When he says that is his best price, shake his hand and say, thank you, wish him a good day and walk out.

Many salesmen will try to stop you from leaving and will offer you a better deal, especially when they need to move cars off their lot to make room for new cars coming in. Walking away is the most powerful negotiating tactic there is when you are shopping for something.

Realize that the dealerships also make part of their money by financing you at the dealership. When they get you to take a loan rate at a higher percentage rate then they make more money.

How badly can rates hurt you? When financing \$20,000 for five years at a rate of five percent, total payments are \$22,645; at 15 percent, total payments are \$28,548; and at 24 percent the total payments are \$34,522. You are talking about differences in thousands of dollars as that little rate number goes up.

It not only pays to shop around for the best vehicle price, but also for the best financing. Shop at your local banks or credit union for auto financing because shopping for financing first will force you to pay attention to the rate you get. In addition to the rate, recognize that stringing a loan out over a longer term (years) also increases the total amount that you will pay for financing.

Another reason to shop for financing first is because finance managers at dealerships can harm your credit score by making multiple credit inquiries. Credit inquiries hurt your credit scores and when you have lower credit scores, you will not be eligible for the best finance rates.

(3) Proper Planning

A newly-promoted Lance Corporal wanted to buy an engagement ring for his girlfriend. He did not want to use store credit and planned on saving the extra money from his recent pay increase to purchase the ring. After several months of putting a set amount of money away, the young Marine paid cash and proposed to his girlfriend.

The Lance Corporal and his fiancée started planning for their "Big Day" and decided they wanted to get married in Hawaii. The couple's goal was to have enough money to pay cash for the wedding, so they developed a budget and started to put money into a savings account that was set up specifically to cover their wedding expenses. It took the couple close to a year, but they were able to pay cash for their "Dream Wedding" and start their life together debt free.

Shortly after returning home from Hawaii, the newlywed couple established a monthly budget, which included putting money into a

savings account that was established for future expenses associated with having children.

With a little over two years left on his contract and at least one more deployment left, the Marine and his wife decided that they were not going to reenlist at the end of his first enlistment. One month prior to the Marine's EAS, the couple had saved over \$6,000 and welcomed their baby girl into the world.

(4) Shady Car Dealers Targeting Military Buyers

Cody Cameron, a Marine stationed in Jacksonville, N.C., got burned when he bought a used car. He paid \$17,000 last year for a seven-year-old 2004 Nissan 350-Z with 60,000 miles on it. He figured the car would last him a long time. It did not.

"I drove the vehicle for about two weeks. And one day all of the wheel studs on the left rear tire just popped off and the tire took off down the road," he recalls.

He was able to get the dealership to pay for the repairs. But about a week later, the studs broke again. This time they refused to pay.

Cameron could not afford the repair work, so he took the car to another dealer, hoping to get some money for a trade-in. That is when he discovered his car had been in a wreck. The AutoCheck report showed extensive damage to the left side of the vehicle.

"When I bought it, I specifically asked the salesman - multiple times - if it had been in a wreck," Cameron tells me. "And he said no. There were no accidents."

Right now, Cameron's 350-Z cannot be driven, but he is still on the hook for the payments. He is suing the dealer.

Shady car dealers often target military customers. Unethical salespeople see them as easy marks.

Holly Petraeus, director of the Office of Servicemember Affairs at the Consumer Financial Protection Bureau, warns military personnel to be on guard when they walk onto a car lot. "You have these car places that spring up around military installations selling used cars for a very marked-up price and then putting high financing on top of that," she says.

Military personnel can be especially vulnerable customers as they are young, and this may be their first car purchase. They often have a limited or negative credit history.

"They are very conscious of that," Holly says. "So somebody can threaten them and say, 'If you do not pay up then you are going to get in trouble,' which of course, is the last thing they want."

"Military personnel have a steady income. The government is paying them every single month for their service. Unscrupulous car dealers know that and are really anxious to get into that income stream," says Edmunds.com's Carroll Lachnit.

"We are trying to get them to be aware that appealing to their pride or flattering them may not be sincere appreciation for their military service, but just another way to get their hooks into that paycheck," Lachnit says.

Reference:

Consumerman. "Shady Car Dealers Targeting Military Buyers." *Today Money*, 31 May 2012. [<http://www.today.com/money/shady-car-dealers-targeting-military-buyers-804551>]

(5) Military Credit Woes Cause for Concern

According to the First Command Financial Behaviors Index, military members' credit problems have increased 12 percent from last year, and this increase deals mainly in their use of credit cards.

"A shift in financial concerns is taking place between middle-class military families and their civilian counterparts," said Scott Spiker, CEO of First Command Financial Services Inc., in a recent release.

The index shows a long list of problems associated with short- and long-term credit problems. Fourteen percent of survey respondents reported problems with increases in their credit card interest, 11 percent reported reductions in credit card spending, and 11 percent also reported having difficulties paying their mortgage.

According to the Financial Behaviors Index, some of the fastest growing problem areas involve large debts, a prominent one being mortgage. Military families experiencing difficulty paying their mortgage have almost doubled over the past year, from six percent to 11 percent.

And these credit problems are just to name a few. Others include rejections of credit cards, loan defaults and missed payments, credit card defaults and missed payments, and rejections for major loans.

Reference:

Davis, Marketta. "Military Credit Woes Cause for Concern." *Pensacola News Journal*, 29 Nov. 2014. [<http://www.pnj.com/story/news/military/2014/11/29/military-credit-woes-cause-concern/19669923/>]

(6) Letter of Thanks

"Good morning gentlemen,

My wife and I met with each of you separately during our tour on Okinawa. After speaking with my wife last night, we felt compelled to share with you how much we took your advice and classes to heart. Perhaps you could share our story with others who may benefit from your financial management instruction as much as we did.

We arrived on island three years ago with approximately \$55,000 in debt, \$5,000 in retirement, and NO EMERGENCY FUND. We took a long look at our budget and our spending habits and determined that we needed some help, which is why we met with both of you.

Each meeting and class resonated with us and inspired us to make a conscious effort to reverse our financial situation.

We made major changes. We did monthly budgets, used the envelope system instead of debit/credit cards, used cheap flip phones instead of buying smart phones, decided to make do with the free AFN channels instead of purchasing additional at-home entertainment, and looked for anywhere else we could cut back. We started clipping coupons and actually using them. While my wife worked full-time, we lived as if she did not have a job and spent money as if we had only my income.

Now, as we prepare to move back to the United States, our financial picture looks completely different. We do not have any debt, we surpassed \$100,000 in retirement savings this month, and we have a six-month emergency fund. My wife is 28 and I am 36, and we feel so free now! We know our work is not done, but we feel we are finally on the right financial path.

The classes you provided and the time you spent with us in our private meetings deserve so much of the credit. Thank you so much for your time and effort.

Semper Fidelis, and thanks again!"

(7) Military Lending Act 'Loopholes'

Military families are especially vulnerable to predatory lending.

That is why Congress passed the Military Lending Act (MLA) in 2006 - to protect servicemembers and their dependents from high-cost credit products. The rules that resulted from the law are narrowly written and the Consumer Financial Protection Bureau (CFPB) says that creates "loopholes" that allows abusive practices to continue.

In a new report, the CFPB supports a Department of Defense (DOD) proposal to expand those rules to cover more consumer credit transactions marketed to military families.

Current rules cap the Military Annual Percentage Rate (MAPR) at 36 percent. The MAPR includes certain costs of credit, such as: interest, application and participation fees, as well as the cost of credit insurance or other add-on products. But that limit only applies to three specific financial products: some payday loans, certain auto title loans and some tax refund anticipation loans.

Holly Petraeus, assistant director for servicemember affairs at the CFPB, told NBC News there are "a whole array of ways to evade the current restrictions" and lend to military members for far more than 36 percent.

For example, the interest cap on auto title loans only applies to those that run for six months or less. All the lender has to do to get around the limit is to make the term of the loan longer than that. Current rules only cover payday loans of up to \$2,000. Any loan bigger than that and there is no rate cap.

The DOD's proposed rule changes would also put limits on other types of credit which are not currently covered at all, including deposit advance products offered by some financial institutions. They would also cover payday loans of any length and any amount, plus more auto title and installment loans.

Deanna O'Neal, director of the Navy-Marine Corps Relief Society office in Iwakuni, Japan, says online payday loans have become a real problem and the economic fallout from these high-rate cash advances can be devastating to the troops.

O'Neal's office has been working with Lance Corporal Jacob Eakle, a 19-year-old Marine from Tennessee who ran up a staggering \$18,000 in debt on emergency travel when his mother needed heart surgery.

After maxing out on personal loans, he turned to Internet payday lenders because they were easy to get. He had no idea the APR on some of these loans was as high as 500 percent, until he went to the Navy-Marine Corps Relief Society for help.

"These interest rates are way too high and it puts a big financial strain on everybody that they take advantage of," he told NBC News from Japan. Eakle said that mountain of debt he is trying to pay off is making everything in his life much harder right now.

"A bad financial situation can be bad for their military readiness as well," Petraeus points out. "If they are weighed down by debt and all the challenges that come with that, they are really not focusing on their military job 100 percent. And in the worst cases, it can lead to their security clearances being revoked."

Reference:

Weisbaum, Herb. "Military Lending Act 'Loopholes' Are Costing Troops Money." 09 Jan. 2015. [<http://www.nbcnews.com/business/personal-finance/military-lending-act-loopholes-are-costing-troops-money-n282961>]

(8) 10 Money Missteps

Glenda Oakley, a USAA employee and former Army platoon leader, and USAA Certified Financial Planner™ J.J. Montanaro identify 10 money missteps that all new recruits and junior enlisted personnel should try to avoid.

1. Failing to Budget

"It is critical to live within your means," says Montanaro. "That requires sitting down and separating the things you want from the things you really need."

Oakley suggests setting aside a reasonable amount of "play money" at the start of every month, and using it to pay for non-essentials like entertainment or eating out. There is only one rule: "When it is gone, it is gone," she says.

2. Buying Too Much Car

It falls into the budgeting discussion, but springing for a slick new ride is so common among new recruits, it deserves a separate mention. While it may not impress your friends, a new economy car or a sensible used car can help you stay on solid financial footing.

3. Putting Off Retirement Savings

For anyone just starting their career, retirement seems like a lifetime away. But taking advantage of the military's Thrift Savings Plan from the very beginning could make it easier to build a nest egg for later in life.

4. Blowing Your Bonus

Enlistment bonuses and other special pay just scream to be spent on a bigger TV or a new tattoo. But you will thank yourself for paying off debts or setting aside a rainy-day fund.

5. Spending Money You Do Not Have

The "I want it now" mindset is even more dangerous when you do not have the cash to pay upfront. Putting big purchases on credit cards, or worse, taking out a payday loan, can come back to bite you in the form of high fees, interest charges and mounting debt.

6. Thinking Short Term

Learn to separate a good deal from a dud by looking at the total costs involved. As with any major purchase, if a deal seems too good to be true, it probably is.

7. Not Protecting Your Property

Even if you do not own a home, you likely have possessions (furniture, electronics and more) worth thousands of dollars, especially if you live off-post in an apartment. "An inexpensive renters insurance policy can help protect you from financial disaster if you have to replace everything you own."

8. Ignoring Your Credit Report

Once per year, take advantage of your right to get a free credit report at annualcreditreport.com. Your report details your history of borrowing money and making payments on time. Correcting any errors on your report could save you money by helping you qualify for lower interest rates on loans or get approved for affordable housing.

9. Opting Out of Life Insurance

As a military member, you are automatically enrolled in Servicemembers Group Life Insurance (SGLI), unless you opt out. "Even if you do not need life insurance right now, keeping it can have benefits later on. If you interrupt your coverage, you could have trouble qualifying in the future, especially if you have a medical condition."

10. Flying Without a Parachute

Life is full of surprises, and they are not always good. Plan for setbacks in advance, and set aside a financial cushion. Contributing a small amount to your emergency fund every month can add up quickly and help to ease the blow when trouble comes.

Living on a modest income, it is understandably hard to put aside funds for savings, insurance and debt reduction. But making sacrifices now is almost always better than paying the price later.

Reference:

USAA. "10 Money Mistakes that Hurt New Recruits." *Military.com*, 07 June 2011. [<http://www.military.com/join-armed-forces/pay-benefits/10-money-mistakes-that-hurt-new-recruits.html>]

(9) Rags to Riches

We all know it is not easy to get out of debt once you are over your head. But it can be done with the sound advice and support that

the Military Saves program offers. I am a testament to that. I was a recently divorced, single mother. Like many people I had credit card debt, a car loan, bad credit, and a low income job that never seemed to be enough to put food on the table.

Then I decided I had had enough of living paycheck to paycheck and worrying about money all the time. I borrowed some self-help financial books and DVDs from the library and I took control of my financial destiny. I decided to get smart with my money and where it was going.

I went on a "financial diet." I made a list of every penny I made and where I was spending it. Then I cut out all the extra expenditures that I could live without, I cut up all my credit cards, and I avoided all temptation to shop impulsively. I even stopped reading fashion magazines and catalogs. The rule was, if I had to buy something, it would be with cash. After I set aside money to pay my bills and food, I put EVERYTHING else into paying off my credit cards.

When I paid off my credit cards, I did not relax and fall back into my old spending habit, I was on a mission to save money. I opened a savings account and started putting all the money I would have spent on my debt into my savings. When I paid off my car, I did not run out and buy a new one, I kept that 95 Toyota Camry running and the money I used to spend on paying a car note went into savings as well. When I joined the Navy, I immediately put my sign in bonus into TSP and I went to every financial class offered by the military. Saving money became a habit and a goal. Every time I made rank or got a pay increase I put it into TSP. Every time I received any incentive pay or bonus, I put it in savings. I was rarely paid child support, but when I did receive it, I put it into savings as well

It has been eight years since I made that decision to change my financial situation. And the efforts have paid off. It is amazing how much money I was wasting on high interest rates, bounced check fees, and overdraft fees when I was in debt. Now I have 20% of my base pay going to TSP, I have five digits in my money market savings account, I have money put away for college for my children, I own my own home, and I still drive that paid off 95 Toyota Camry. I still attend every financial class/seminar offered by the military and Military Saves in my area for the support and education.

Reference:

Lesetmore, Karen Amador. "One Sailor's Course to Financial Freedom." *Militarysaves.org*, Web. 20 Feb. 2015.

[<http://www.militarysaves.org/for-savers/saver-stories/718-az2-karen-amador>]

b. **Potential Discussion Questions**

INSTRUCTOR NOTE

The provided questions can be altered, but all questions should be

carefully formulated to focus the discussion toward your desired learning outcome. It is the facilitator's responsibility to provoke thought, foster discussion and involvement on the part of the participants, manage the group, and keep discussion flowing. Choose several questions from the following list, which will help accomplish your learning outcome in the specified time.

The discussion format is intended to have the majority of the input come from the participants. Ensure you conduct comprehensive research on this topic using the provided references. Having a comprehensive understanding of the subject material is essential in order to clarify portions of the discussion that may be confusing, and to ensure only accurate information is disseminated during this exchange. This is not intended to be a lecture, so keep your comments direct and focused to keep the group discussion moving.

Do not insert too many of your own convictions, as it may cause the group to skew their input just to mirror your positions, and may not be a true representation of the participants' thoughts. Ensure you have writing material throughout the discussion so you can capture key elements of the discussion, which arise in each segment, in order to create follow-on questions and to summarize each key point.

As the facilitator, you may use a question to initiate a topic for discussion. After the discussion develops, follow-up questions can be used to guide the discussion. Follow-up questions may help a participant to explain something more thoroughly, or enable you to bring the discussion back to a point from which it has strayed.

Questions are so much a part of teaching, they are often taken for granted. Effective use of questions may result in more student learning than through use of any other instructional technique. In general, you should ask open-ended questions, which are thought-provoking and require more mental activity than simply remembering facts. Questions should require students to grasp concepts, explain similarities and differences, and infer cause-and-effect relationships.

Plan at least one lead-off question for each of your desired learning outcomes. While preparing questions, remember the purpose is to stimulate discussion, not merely to get answers. Avoid questions, which require only short categorical answers, such as "yes" or "no." Lead-off questions should usually begin with "how" or "why."

(1) Do you have a personal budget? If so, how often do you review your budget? What reasons did you have for making a budget?

INSTRUCTOR NOTE

Budget: A plan for a person or company's expenditures. Making a budget involves looking at one's revenue or income and matching that to expenses such that the person or company pays for all necessary expenses. A budget is in balance if revenues equal expenditures, in

deficit if the person or company must resort to borrowing to meet expenses, and in surplus if money is left over to be used for savings or expansion.

MCCS Monthly Budget Worksheet available at: <http://www.mccs-sc.com/support/docs/pfmp/pfmpwebbudget.pdf>

(2) How can reckless spending cause problems in your life and for your Marine Corps career?

(3) Did you find an aspect of the attention gaining story relatable to your current financial situation?

(4) What is a FICO credit score? What factors go into calculating your score? What is a low, average, good, or high score? How can your credit score affect any large purchases (e.g. new entertainment center, a car, or an apartment)? What can you do to improve your credit score?

INSTRUCTOR NOTE

FICO Score: A way of measuring an individual's creditworthiness. A FICO score is a quantification of a variety of factors in an individual's background, including a history of default, the current amount of debt, and the length of time that the individual has made purchases on credit. A FICO score ranges between 350 and 850. In general, a score of 650 is considered a "fair" credit score, while 750 or higher is considered "excellent." A FICO score is a convenient way to summarize an individual's credit history and is included in a credit report. The term comes from the Fair Isaac Corporation, which created the system.

(5) What is the purpose of the Thrift Savings Plan (TSP) and how does it work?

(6) How could a pay lien or filing for bankruptcy affect your life and career?

INSTRUCTOR NOTE

Bankruptcy: A legal declaration that one is unable to pay one's debts and thus needs to have debts forgiven or reorganized. That is, bankruptcy is a legal proceeding in which a person or corporation has become insolvent, and therefore cannot pay his/her/its obligations. Most of the time, the person or corporation files this declaration with a bankruptcy court, though in some cases the creditors may do so themselves. In bankruptcy proceedings, one's assets and debts are evaluated and debts are repaid according to the debtor's ability to pay, what the creditors will accept, and what the court and the law decide.

In the United States, bankruptcy falls under federal jurisdiction. There are three main types of American bankruptcy. In Chapter 7, the person or company's assets are liquidated and creditors

are repaid out of the proceeds from the liquidation. All remaining debts are then discharged. If a company files for Chapter 7 protection, it ceases operation. In Chapter 11 bankruptcy, a company files a reorganization plan with the court whereby it continues operation and creditors are repaid for part of what they are owed; all other debts are discharged. In Chapter 13, the person or company remains in debt, but payments are lowered, repayment periods are extended, and the company remains in business.

(7) If you had to save money, what items, events, and services that you buy now could you do without?

(8) Explain the principals of a debt management plan.

INSTRUCTOR NOTE

Debt Management: Any strategy that helps a debtor to repay or otherwise better manage their debt. Debt management may involve working with creditors to restructure debt or helping the debtor manage payments more effectively. A debtor may appeal to a debt management company if he/she does not know how to manage the debt himself/herself or if there is so much debt that outside management becomes necessary.

(9) How does debt consolidation improve your financial stability?

INSTRUCTOR NOTE

Debt Consolidation: The process of taking out a loan, known as a debt consolidation loan, that pays off two or more loans. Debt consolidation loans often incorporate a lower interest rate than the original loans and/or more affordable monthly payments, resulting from a longer repayment period.

(10) What is meant by the term predatory lending?

INSTRUCTOR NOTE

Predatory Lending: Predatory lending involves the deceptive or fraudulent practices some lenders employ during the loan origination process. An audit report on predatory lending from the FDIC Office of Inspector General broadly defines predatory lending as "imposing unfair and abusive loan terms on borrowers." The Investor Dictionary .com helps define predatory lending as: the practice of convincing borrowers to agree to unfair and abusive loan terms through outright deception or through aggressive sales tactics, taking advantage of borrowers' lack of understanding of extremely complicated transactions. Though there are laws against many of the specific practices commonly identified as predatory, various federal agencies use the phrase as a catch-all term for many specific illegal activities in the loan industry.

Types of loans often associated with predatory lending include

payday, overdraft, some credit cards, and any loan with unreasonably high interest rates.

Although predatory lenders often target individuals who are less educated, poor, racial minorities, or elderly, victims of predatory lending are represented across all demographics. Lenders often take advantage of borrowers by convincing them that an interest rate is lower than it truly is or that an individual's ability to repay a loan is greater than it actually is.

Predatory lending typically occurs on loans backed by some kind of collateral, such as a car or house, so that if the borrower defaults on the loan, the lender can repossess or foreclose and profit by selling the repossessed or foreclosed property.

(11) Have you ever tracked all of your monthly expenses? If so, was how much you spend on gas, insurance, car payments, food, clothes, TV, internet, phone, or entertainment significantly different than you thought it was before you actually added it all up?

(12) How do people become wealthy? What are some common traits among people who have made themselves wealthy?

(13) What would you do if you won a large sum of money? What is the first thing you would buy with it? Would you invest it? Would you give some money to charity? Would you help your family and friends? How long would it take you to spend one million dollars? Why do you think there is a trend of lottery winners being bankrupt within a few years of hitting major winnings?

(14) What are some popular types of savings and investment accounts? Do you know how each works? What type of account(s) is(are) best for you, as you consider your current financial situation and your financial goals?

(15) What kinds of things are you saving your money for? How much do you need to save for a new car, your first house, having children, college funds for you or your children, unexpected emergencies, and retirement?

5. REFLECTION

INSTRUCTOR NOTE

Incorporate reflection questions here, in order to prompt the participants to re-evaluate the issues discussed and topics covered. The more mentally involved each participant is in the active review of the topic, the greater their retention of the subject will be.

Reflection questions should be meaningful in relation to the experiences of the students and should bridge the gap between their discussion involvement and the abstract issues discussed in class. Questions posed during reflection are for personal consideration, as the participants may be uncomfortable openly sharing responses.

Reflection questions can be broken down into the following categories:

1. What? Ask the participants to re-examine in detail the content of the discussion.
2. So, what? What difference did the event make to their perceptions of the issue?
3. Now what? How will the participants think or act in the future as a result of this new perspective?

6. **SUMMARY**

INSTRUCTOR NOTE

Provide overview of main ideas covered. No questions should be asked here. Provide closure that is relevant to MOS, the Marine Corps, or applicable to the participants in some other manner.

INSTRUCTOR REFERENCE MATERIAL

Definitions by The Free Dictionary -

<http://encyclopedia.thefreedictionary.com/>:

Budget: A plan for a person or company's expenditures. Making a budget involves looking at one's revenue or income and matching that to expenses such that the person or company pays for all necessary expenses. A budget is in balance if revenues equal expenditures, in deficit if the person or company must resort to borrowing to meet expenses, and in surplus if money is left over to be used for savings or expansion.

FICO Score: A way of measuring an individual's creditworthiness. A FICO score is a quantification of a variety of factors in an individual's background, including a history of default, the current amount of debt, and the length of time that the individual has made purchases on credit. A FICO score ranges between 350 and 850. In general, a score of 650 is considered a "fair" credit score, while 750 or higher is considered "excellent." A FICO score is a convenient way to summarize an individual's credit history and is included in a credit report. The term comes from the Fair Isaac Corporation, which created the system.

Bankruptcy: A legal declaration that one is unable to pay one's debts and thus needs to have debts forgiven or reorganized. That is, bankruptcy is a legal proceeding in which a person or corporation has become insolvent, and therefore cannot pay his/her/its obligations. Most of the time, the person or corporation files this declaration with a bankruptcy court, though in some cases the creditors may do so themselves. In bankruptcy proceedings, one's assets and debts are evaluated and debts are repaid according to the debtor's ability to pay, what the creditors will accept, and what the court and the law decide. In the United States, bankruptcy falls under federal jurisdiction. There are three main types of American bankruptcy. In Chapter 7, the person or company's assets are liquidated and creditors are repaid out of the proceeds from the liquidation. All remaining debts are then discharged. If a company files for Chapter 7 protection, it ceases operation. In Chapter 11 bankruptcy, a company files a reorganization plan with the court whereby it continues operation and creditors are repaid for part of what they are owed; all other debts are discharged. In Chapter 13, the person or company remains in debt, but payments are lowered, repayment periods are extended, and the company remains in business.

Debt Management: Any strategy that helps a debtor to repay or otherwise handle their debt better. Debt management may involve working with creditors to restructure debt or helping the debtor manage payments more effectively. A debtor may appeal to a debt management company if he/she does not know how to manage the debt himself/herself or if there is so much debt that outside management becomes necessary.

Debt Consolidation: The process of taking out a loan that pays off two or more loans. Debt consolidation often comes with a lower monthly payment and/or interest rate than the previous loans, as well as a longer repayment period. The loan by which debt consolidation take place is called a consolidation loan; the process is often used for student loans.

Predatory Lending: Predatory lending is the unfair, deceptive, or fraudulent practices of some lenders during the loan origination process. While there are no legal definitions in the United States for predatory lending, an audit report on predatory lending from the office of inspector general of the FDIC broadly defines predatory lending as "imposing unfair and abusive loan terms on borrowers." Though there are laws against many of the specific practices commonly identified as predatory, various federal agencies use the phrase as a catch-all term for many specific illegal activities in the loan industry. Predatory lending should not be confused with predatory mortgage servicing which is the unfair, deceptive, or fraudulent practices of lenders and servicing agents during the loan or mortgage servicing process, post loan origination. One less contentious definition of the term is "the practice of a lender deceptively convincing borrowers to agree to unfair and abusive loan terms, or systematically violating those terms in ways that make it difficult for the borrower to defend against." Other types of lending sometimes also referred to as predatory include payday loans, certain types of credit cards, mainly subprime, or other forms of (again, often subprime) consumer debt, and overdraft loans, when the interest rates are considered unreasonably high. Although predatory lenders are most likely to target the less educated, the poor, racial minorities, and the elderly, victims of predatory lending are represented across all demographics. Predatory lending typically occurs on loans backed by some kind of collateral, such as a car or house, so that if the borrower defaults on the loan, the lender can repossess or foreclose and profit by selling the repossessed or foreclosed property. Lenders may be accused of tricking a borrower into believing that an interest rate is lower than it actually is, or that the borrower's ability to pay is greater than it actually is. The lender, or others as agents of the lender, may well profit from repossession or foreclosure upon the collateral.

References:

- Marine Corps Warfighting Publication 6-11, *Leading Marines*
- Uniform Code of Military Justice [<http://www.ucmj.us/>]
- Marine Corps Reference Publication (MCRP) 6-11B W/CH 1 - Marine Corps Values: A User's Guide for Discussion Leaders
- Marine Corps Community Services (MCCS) Personal Financial Management Program (PFMP) [<http://www.mccs-sc.com/support/pfmp.asp>]
- DoD Instruction 1344.09: Indebtedness of Military Personnel [<http://www.dtic.mil/whs/directives/corres/pdf/134409p.pdf>]