

Celebrate Financial Literacy Month

Ray Kirk, Federal Benefits Specialist

April is National Financial Literacy Month. What is financial literacy and what can you do to improve your financial literacy? Financial literacy is the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. The Financial Literacy and Education Commission (FLEC) has identified five building blocks for managing and growing your money and to help you make day-to-day decisions and plan your financial goals. The five building blocks in the MyMoney Five are: Earn, Save and Invest, Protect, Spend, and Borrow.

Earn

The earn principle is more than "How much do I make per hour?", "How much is my paycheck?" It's important to understand all the details on your leave and earnings statement and the other benefits you receive as an employee. Take a close look at your leave and earnings statement. Do you understand all the deductions? Taxes and your share of the cost of some benefits can add up to a take a large bit out of your paycheck. Your agency shares the cost each pay period for your benefits. It's important to understand how valuable these benefits are to you now, e.g. Federal Employee Health Benefits (FEHB), and in the future, e.g. retirement and Thrift Savings Plan (TSP). Understanding what you're paying and what you get in return for those helps you make the most of what you earn.

Save and Invest

Saving and investing is key to long term financial security. Are you taking full advantage of your Thrift Savings Plan? TSP provides a simple way to make regular, tax-deferred contributions to your retirement. FERS employees get matching contributions from their agency on the first 5% of their contributions. If you're a FERS employee and you don't contribute to TSP you are leaving "free" money on the table and reducing the amount of money you'll have in retirement. The TSP web site (www.tsp.gov) is full of information and tools to help you understand how to set up and manage your TSP account. You'll also find descriptions of the TSP fund options and their performance on the TSP website.

Protect

What would you do if your car needed a major repair or you had some other emergency expense? A poll by the National Foundation for Credit Counseling found 64 percent of Americans would utilize a source other than their savings account to pay a \$1,000 unplanned expense. Building an emergency fund to cover unplanned expenses allows you to stay in control of your financial welfare.

The protect principle means taking precautions about your financial situation to keep what you already have. Financial security requires vigilance to keep what you work so hard to acquire. Having the appropriate insurance helps us keep and protect what we have. The FEHB program helps us maintain our health and provides protection from catastrophic medical expenses. Federal Employees Group Life Insurance (FEGLI) helps protect your family if you die. Protecting our other assets is equally important. Homeowners, renters and automobile insurance will help replace our possessions in case of an accident.

We also need to protect ourselves from identity theft, and keep aware of our credit record and the credit score. Identity theft can destroy much of our hard work to plan and build financial security for the future. The Fair Credit Reporting Act requires each of the nationwide credit reporting companies to provide you with a free copy of your credit report, at your request, once every 12 months. If you haven't requested your free credit report in the past 12 months, Financial Literacy Month is a perfect time to do so. AnnualCreditReport.com is the official site to request your free annual credit reports. www.annualcreditreport.com

Spend

Making informed spending decisions is a critical part of financial literacy and an important part of spending is having a spending plan or a budget. As Yogi Berra said, "If you don't know where you are going, you will wind up somewhere else." Understanding how you spend your money by tracking your expenses for a few weeks

will help you create a spending plan and be able to plan for those special purchases. It will also help you guard against letting a sale or discount coupon persuade you to purchase something you don't really need and that isn't in your spending plan.

Borrow

Sometimes it is necessary to borrow money to pay for major expenses such as buying a house, paying for college, or buying a car. It pays to shop around when looking for a loan. Compare the total costs of a loan and not just the monthly payment. The Annual Percentage Rate (APR) is an important aid. The APR is the total cost, including interest charges and fees, described as a yearly rate.

Carrying a credit card balance is costly and if you make only the minimum payment, it can take you years to pay off the balance and you could pay more in interest than the amount of the original purchase. The Federal Reserve Board has an online Credit Card Repayment Calculator that will give you an estimate of how long it will take you to pay off your credit card balance. The calculator can be accessed at <http://www.federalreserve.gov/creditcardcalculator>.

The MyMoney Five are the building blocks to being financially literate. You can learn more about the MyMoney Five and much more to improve your financial literacy at www.MyMoney.gov. MyMoney.gov contains information from the 20 Federal agencies who are members of the Financial Literacy and Education Commission and provides a save, reliable source of information.

Ray Kirk is a Federal Benefits Specialist with NITP, after retiring from Federal service. His last position in the Federal government was with the Office of Personnel Management where he was the manager of Benefit Officer's Training and Development in Retirement Services.

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1. Our Senior Benefits Director, Tammy Flanagan's weekly column entitled "Retirement Planning", published on GovExec's website. For links to the current article and an archived list of past articles, visit www.nitpinc.com, and click on the link to "Tammy's Weekly GovExec Articles" in the Quick Links Box on the left.
 2. Our weekly radio program, ForYourBenefit, which is a great source of timely retirement information; it airs every Monday morning at 10:05 AM on WFED 1500 AM and on the web at www.federalnewsradio.com. This is your opportunity to email questions regarding the show's topic at ForYourBenefit@nitpinc.com or call into the show at 202-465-3080. [MP3 downloads](#) of past shows are also available.

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