



NAVY FAMILY SERVICE CENTERS IN HAMPTON ROADS, VIRGINIA

Command Financial Specialist CHRONICLE

FALL 1998

PLEASE
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End-of-the-Year Tax Tips

It is not too early to be thinking about taxes. The filing season is just around the corner—be prepared! Here are a few tips to help things go smoothly:

Organize your paperwork. Set up a tax filing system to hold your W-2 forms, child care statements, and other records. When the time comes to fill out forms, everything will be at your fingertips.

Take a class. Several new tax breaks for higher education started in June of this year. Consider taking a course that qualifies and pay the tuition before the end of the year. Let Uncle Sam pay part of the cost.

Accelerate your expenses. If you itemize deductions, consider making a charitable contribution, paying an educational expense, or paying a child care bill early. Any tax benefits will fall into this year instead of next.

“Bunch” your deductions. If you have large medical expenses not covered by TRICARE, try to group as many as possible into one year. You must exceed 7½% of your adjusted gross income in medical expenses before they start to become deductible.

Count your losses. If you have recently invested money in a mutual fund that owns mostly foreign stocks, you may have a loss on paper. If so, it might be a good idea to sell your shares, buy shares in a similar fund, and get a deduction, while essentially keeping the same position.

Convert your IRA. If you have a traditional IRA, you may wish to convert to a Roth by the end of the year. Converting has some advantages that are available

this year only, such as spreading out the tax you will owe over the next four years. Be sure you do your homework, and consult a financial advisor if necessary, before deciding if this is for you.

Take credit for your child. The new child tax credit starts this year: \$400 per child in 1998, \$500 in 1999 and later. This is not for child care expenses; it is a direct credit off your tax bill for having children under age 18.

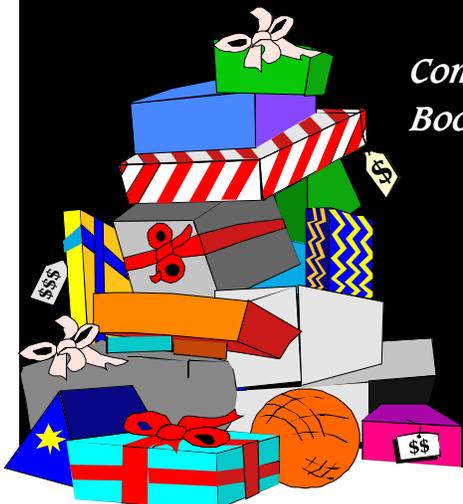
Call your tax advisor. If you have a regular tax preparer or advisor, call them now and ask for other suggestions. Getting an early start can help reduce your tax bill and make tax season a lot easier.

Remember, it is never too early to start planning for next year.

HOT TOPICS

- Debit Cards
- Car Leasing Worksheet
- Terms to Know When Leasing an Automobile
- Credit Report Mistakes
- Renter's Insurance
- Ten Tips for Using Credit Wisely
- Fun and Useful Financial Web Addresses

Holiday Survival Training



*Coming to an NFSC near you.
Book your seats/programs today!*

- * Mobile Training available for groups of 10 or more
- * Ideal for Spouse Support Groups/Ombudsmen/GMT requirements

TOOLBOX

Car Leasing Worksheet

- A. Monthly payment**
(don't include taxes or license fees) \$ _____
- B. Capitalized cost**
The negotiated price of the car minus any dealer and manufacturer incentives paid to you \$ _____
- C. Net capitalized cost**
The negotiated price minus any down payment (aka cap-cost reduction) and minus the value of any trade-in \$ _____
- D. Residual value**
The preset value of the car at the end of the lease \$ _____
- E. Lease term**
Number of months _____
- F. Subtract D from C**
How much the car will depreciate in value during the term of the lease \$ _____
- G. Divide F by E**
How much the car will depreciate per month \$ _____
- H. Subtract G from A**
The amount of interest you'll pay per month \$ _____
- I. Multiply H by the lease term**
The total interest you'll pay during the term of the lease, otherwise known as the rent charge \$ _____
- J. Add C and D** \$ _____
- K. Divide H by J**
The "money factor" %
- L. Multiply K by 2,400**
Here's your base interest rate (APR) %
- M. Multiply any upfront "acquisition fee" by:**
.0044 for a 24-month lease
.0032 for a 36-month lease
.0026 for a 48-month lease _____
- N. Multiply the lease-end "disposition fee" by:**
.0036 for a 24-month lease
.0022 for a 36-month lease
.0015 for a 48-month lease _____
- O. Add L, M and N**
This is your net interest rate %

(For an interactive version of this worksheet, check out www.smartmoney.com.)

Debit Cards: Did You Know. . . ?

As debit cards become more common, it is important to know how to use them responsibly. Debit cards offer many conveniences. They are often more readily accepted than checks and require no other identification or personal information for use. This makes transactions quicker and easier.

It is important, however, to remember that money spent using a debit card comes directly from your bank. You lose the grace period associated with credit cards, and you may not be protected from fraudulent use of your card or card number. Here are some tips for use of debit cards:

- If your card is lost or stolen or you suspect it is being used fraudulently, report it to your financial institution immediately.
- Hold on to your receipts from debit transactions.



- If you have a PIN number, memorize it.
- Never give your PIN number to anyone.
- Make sure you aren't accessing money with the debit card that is earmarked to cover a check.
- Keep your receipts in one place for easy retrieval and better oversight of your bank account.

Source: National Consumers League

Volunteer Income Tax Assistance 1998



As in past years, many military installations will be offering training for VITA (Volunteer Income Tax Assistance). This program offers service members the

opportunity to assist others in the military community and expand their personal knowledge as well. VITA volunteers attend an intensive, one-week training program conducted by the IRS to learn the basics of preparing and electronically filing U.S. federal income tax forms 1040, 1040A, 1040EZ, and associated forms and schedules. VITA training is free and is open to active duty service members, retirees, and adult family members.

Does this sound like an exciting opportunity to learn new skills and help others? If you are interested in becoming a VITA volunteer for the upcoming season, contact your local NFSC.

Study Finds Mistakes in Many Credit Reports

The U.S. Public Interest Research Group recently released a survey of 133 credit bureau reports, which found that nearly one-third of all consumer credit bureau reports contain serious errors that could cause unfair denial of a car loan, a mortgage, or even a job.

A look at some of the findings of this study:

- 33%** Incorrect addresses
- 26%** Credit accounts closed by consumers, but listed as open
- 19%** Accounts that could not be identified or did not belong to consumers
- 13%** Accounts incorrectly listed as delinquent
- 5%** Incorrect birth dates
- 5%** Misspelled or incorrect names
- 3%** Incorrect Social Security numbers or numbers belonging to total strangers

Source: Opelika-Auburn News, 3/13/98

Here Today, Gone Tomorrow: Why Renter's Insurance is Important

Renters may be unaware that the landlord's insurance does not cover the personal property of tenants. So what happens in case of fire, flood, or theft? Without renter's insurance, tenants may lose everything they own, leading to financial as well as emotional hardship. How do you buy renters insurance? Read on for tips:

1. Take an inventory: Before purchasing, make an itemized list of everything you own with price estimates. Your inventory will help to ensure that you purchase the right amount of insurance and will make filing a claim easier. Keep it in a safe place outside your home.

2. Ask about:

A. Theft limits. Asking about standard coverage limits will let you know whether you need to buy a floater to cover special items.

B. Cash or replacement value: Find out which way your possessions are insured. Replacement value policies tend to cost more.

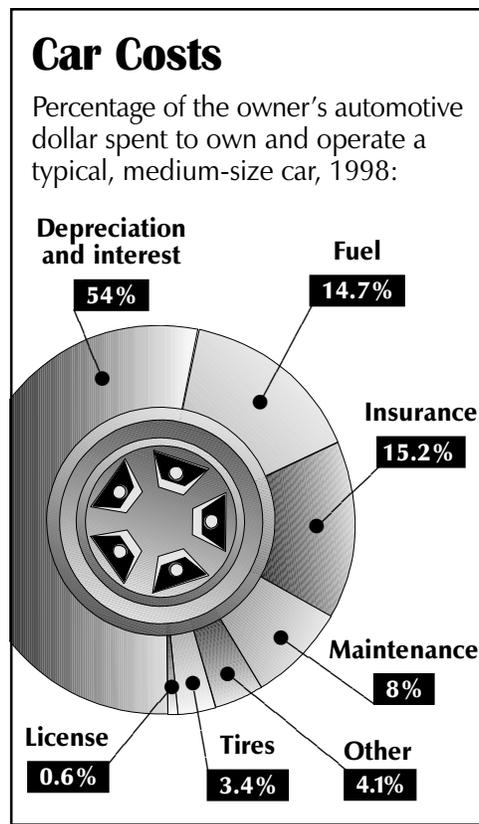
C. Deductible options: What will your out-of-pocket cost be? The lower the deductible, the more the policy will cost you.

3. Seek discounts: Insurance companies frequently offer discounts to customers with more than one type of policy, so buying auto and renter's insurance from the same source may save you money. Other discounts may also apply if you have a security system, smoke detectors, or deadbolt locks. Examine your options.

4. Shop around: Compare coverage and rates from several sources. Find a representative you are comfortable with and remember that you are *buying* insurance, not *being sold* insurance.

5. Read your policy: An insurance policy is a contract, and like other contracts, you need to clearly understand it before signing. Take it to Navy Legal Services or your legal officer to make sure you are getting what you want.

Source: National Consumers League



Interest Cost to Pay Off Various Credit Card Balances

BALANCE	INTEREST RATE		
	19%	15%	11%
\$1,000	\$ 1,706	\$ 510	\$ 468
\$1,500	\$ 3,610	\$1,683	\$ 894
\$2,000	\$ 7,415	\$3,351	\$1,741
\$2,500	\$16,917	\$7,514	\$3,840

Total interest charge, with a 2% minimum payment.

SOURCE: ZILCH SOFTWARE

FOR YOUR INFORMATION

TERMS TO KNOW When Leasing an Automobile

Balloon Payment: A large final payment due at the end of a loan or lease. (Allows a lower monthly payment.)

Capitalized Cost (Cap Cost): The base price on which a dealer will agree to lease a vehicle.

Capitalized Cost Reduction: A cash (or trade) down payment the leasing customer makes to reduce the base leasing price (Cap Cost).

Closed-end Lease: A lease that requires scheduled monthly payments, with no residual payment at the end.

Dealer Cost (Invoice Price): The cost of the vehicle to the dealer, as invoiced by the manufacturer.

Guaranteed Auto Protection (GAP): Coverage protecting the amount between what you owe on the lease and the amount covered by insurance in the event your leased vehicle is stolen or destroyed.

Lease Term: The length of a lease, usually specified in months.

Leasing Fees: (1) Title; (2) Lease Application; (3) License; (4) Security; (5) Documentation Fees.

Lessee: Person or company to which a vehicle is leased.

Lessor: Company from which a vehicle is leased.

Manufacturer's Suggested Retail Price (MSRP): A price sent by the car manufacturers which, by law, must be posted on a window sticker.

Mileage Allowance: The amount of maximum mileage you can put on the car during the lease term.

Monthly Lease Payment: An amount which amortizes the difference in a car's value when it's new and when it's turned back to the dealer. This is calculated as Cap Cost minus Residual Value. A finance charge (money factor) and possibly state sales taxes will be included in the monthly lease payment.

Open-end Lease: You make scheduled monthly payments, but a balloon payment is due at the end of the lease term.

Residual Value: The estimated average wholesale value of a vehicle at the end of the lease term, after depreciation.

Source: American Financial Services Association Educational Foundation

Top 10 Tips for Using Credit Wisely

1

Reduce the number of credit cards you have.

2

Make more than the minimum payments.

3

Avoid using credit for "feel good" spending.

4

Shop around for the best terms.

5

Calculate your debt-to-income ratio to help you decide whether or not you can afford more debt.

6

Ask your credit card company for lower fees or interest rates.

7

Fund an emergency savings account to avoid creating more debt.

8

Be honest with your creditors.

9

Read credit contracts carefully before signing.

10

Make a commitment to plan your spending.



Fun and Useful Financial Web Addresses

- Internal Revenue Service: Tax information and forms
www.irs.ustreas.gov
- Social Security Administration
www.ssa.gov
- Consumer Gateway
www.consumer.gov
- Consumer's Resource Handbook
www.pueblo.gsa.gov/1997.res.htm
- Consumer World
www.consumerworld.org
- Kiplinger Online
www.kiplinger.com
- Edmunds
www.edmunds.com
- Financial Calculators
www.smartcalc.com
- Smart Money
www.smartmoney.com
- Defense Finance and Accounting Service
www.dfas.mil
- Hargis PFM Software
www.uniq-orn.com

Navy Family Service Centers in Hampton Roads, Virginia

NFSC Little Creek
1450 D Street
Norfolk, VA 23521-2444
462-7563

NFSC Norfolk
7928 14th Street, Suite 102
Norfolk, VA 23505-1219
444-2102

NFSC Northwest
1320 Northwest Blvd., Suite 100
Chesapeake, VA 23322-4094
421-8770

NFSC Oceana
5th Street & E Avenue
Virginia Beach, VA 23460-5120
433-2912

NFSC Dam Neck
FCTCL Dam Neck
488 Sparrow Street, Suite 126-127
Virginia Beach, VA 23461
433-7150

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PO Drawer 160
Yorktown, VA 23691-0160
887-4606/688-NAVY

DEPARTMENT OF THE NAVY
Navy Family Service Centers
of Hampton Roads, Virginia

Official Business

RETURN SERVICE REQUESTED