

FINANCIAL PLANNING

How to Retire as an E-6

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FINANCIAL PLANNING

Picture This!

Retirement as an E-6 with your vehicle, home and vacation property paid for! Your Coast Guard Retirement check pays for your utilities, insurance and property taxes. Or perhaps you get a part time job at the local hardware store for the Employee's Discount and green fees, bait etc. You could realistically spend your retirement (at 35-40 years old) fishing, hunting, playing golf, and coaching little league or anything else your heart desires. You would not have to get another full-time job and work another 20 years until you're literally too old to enjoy your retirement.

"It's not what you make, Its what you keep"

Interested??

Read on and learn how you can, with what you make right now, by planning ahead, make your retirement something you can truly look forward to. That's right, this is not considering or factoring in any, cost of living allowances, increased spousal income, sea pay, flight pay, or base pay increases because I would hope you would advance to some degree between now and your retirement.

**THE SOONER YOU START,
THE MORE YOU'LL HAVE WHEN YOU RETIRE!**

What If

What follows is a scenario of an individual who has 10 years left until retirement, whose goal is to have his home, vacation property and vehicle paid off with an initial monthly POWER PAYMENT of \$75.00 per month. If you look closely you'll see that the amounts mentioned are very easily done if you remain focused and actually may be far less then you may currently be putting into your saving account each month.

**PUTTING \$10.00 A MONTH INTO A SAVINGS ACCOUNT
THAT EARNS 4% WHILE PAYING 8% INTEREST ON YOUR
\$15,000.00 CAR LOAN EQUALS A NET LOSS NO MATTER
HOW YOU FIGURE IT!**

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The Sting

The strategy we're going to follow here is incredibly simple. By keeping focused on **INTEREST** we simply plug as many holes in our financial boat as we can. YES everyone, no matter who, has holes in their financial boat. We spend our adult lifetime plugging holes and making new ones. But what everyone needs to realize is that INTEREST PAID is money out of your pocket and **down the toilet**. **Make no mistakes about it**, that money is by no means invested into some pretty picture called your CREDIT, it's very simply **GONE!** Someone who pays off a \$20,000.00 debt in 24 months has BETTER credit than someone who pays it off in 4 or 5 years.

There are many, many, different ways to invest your hard-earned money and many, many, many, people out there willing and even eager to show you how. There are hundreds of ways to earn extra money and I've personally spent many hours, in front of the TV watching Info-mercials, getting my free something for listening to some AMWAY representative, and being bored to death by stock brokers and insurance salesmen. The one thing all these people have in common is that **they want your money**, no ifs, ands or buts about it, they make money with your money. And they want it now, or at least a signature saying they'll get it later.

What I'm showing you costs you **NOTHING**, nobody gets any money from doing things this way, you simply stop throwing so much down the toilet. OK so you ask, "if its so simple why isn't everyone doing it?" Well to put it simply, if everyone started doing this it would, most definitely destroy most, if not all, bank and financial institutions. Remember we're talking about INTEREST here, which is their life's blood. Take that away and they fall. I challenge you to find a flaw, ask your parents, ask your broker, or your college professor! The bottom line is that by using this method you take control of your financial boat! You are, in essence, **INVESTING IN YOURSELF**.

INVEST IN YOURSELF!

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Most PCs today have Amortization programs in them, and if not they are relatively inexpensive. Only by Amortizing your debt can you get an accurate idea of how much money you are currently throwing down the toilet. Believe me, or better yet amortize and see for yourself, every one of use, whether you're an E-2 or an O-6, is throwing money down the toilet right now!

AMORTIZE YOUR DEBTS!

The Scenario

BM3 Gumblatz has 10 years in the service and is planning on retiring after 20. He is married with two kids, He has the following debts

- \$65,000.00 house with a 30 year mortgage at 8%
- \$15,000.00 car financed at 10% for 5 years
- a visa credit card with \$3,000.00 on it which he pays 8.9% interest
- Sears/Discover card with \$1500.00 on it which he pays 19.8% interest on.

And with all this he has delusions of buying some investment/vacation property for \$30,000.00 financed over 15 years at 8% interest

SILLY BOY, RIGHT?

WRONG!

If our lowly BM3 with ten years and dreams of retiring and spending his time fishing, golfing, and coaching little league handled the above financial boat as most of the people in this country handle theirs, this is what he will pay.

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ASSET	% FINANCED	AMOUNT BOUGHT	# OF PAYMENTS	TOTAL PAID	INTEREST PAID
CAR	10%	\$15,000.00	60	\$19,122.41	\$4,122.41
HOUSE	8%	\$65,000.00	360	\$171,697.65	\$106,697.65
VISA	8.9%	\$3,000.00	63	\$3,762.45	\$762.45
SEARS	19.8%	\$1,500.00	282	\$7,033.51	\$5,533.51
LAND	8%	\$30,000.00	180	\$51,604.45	\$21,604.45
TOTAL		\$114,500.00		\$253,220.47	\$138,720.47
The Visa shown above represents the minimum payments they will ask for on your bill and the Sears card shows \$25.00 which is actually higher than what your minimum payment would be.					

Well what do you think of that? BM3 Gumblatz is going to throw ONE HUNDRED THIRTY EIGHT THOUSAND SEVEN HUNDRED AND TWENTY DOLLARS AND FORTY SEVEN CENTS, **DOWN THE TOILET!!!** That's on his purchase of \$114,500.00 of things.

KNOCK, KNOCK?

I know, you're saying, old BM3 Gumblatz is certainly no brain surgeon. Well neither am I and neither are you, but if we allow ourselves to get focused on just paying the bills instead of keeping as much money as we can, this is EXACTLY what will happen to us.

WAKE-UP NOW!

The Key

BM3 Gumblatz should be able to weather his stormy financial seas just fine and still meet his goal. What he needs to realize are the three basic principles of POWER PAYING, they are:

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#1

1. Don't earn less than you're paying in INTEREST. In other words, as stated on page 1, if he's only earning 4-8 percent on his money, which is in his savings account or locked away in CDs and he's paying 8-19.9 percent on his debts, he has problems. Let's face it in today's world a savings account or money stuffed under a mattress is no better than having a major credit card with credit available (it can actually be worse). It's a myth to think a large savings account is good for your credit, it's the exact opposite. Good credit can only be earned through a proven financial history of incurring and paying off debt. SAD, BUT, OH SO TRUE! If you are confronted with an emergency there is nothing as readily accessible, or acceptable, as a major credit card.
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#2

2. Consolidate all your debts at the lowest interest rate available. If good ole BM3 Gumblatz had enough available credit on his Visa it would behoove him to pay off his Sears/Discover with his Visa and ~~&*&#%~~can his Sears card (19.8% sucks)
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#3

3. POWER PAY only one bill at a time. Starting with the highest interest rate short-term debts and working towards the lowest interest long-term debts. As one bill gets paid-off roll all that money into the next bill until it's paid-off and then roll all that money (payments from bills 1 & 2) into bill number 3, and so on, and so on, and so on. Guess what you're building?? CREDIT that's what, and at the **fastest, safest and surest** way possible.
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POWER PAY!

Now, I'm finally going to show you exactly how our BM3 Gumblatz is going to pay everything off in the 10 years he has remaining, thereby freeing up his retirement for the day-to-day expenses he knows he'll have. This is a hypothetical situation, **but** these numbers and figures are **NOT HYPOTHETICAL** they do not lie and anyone who handles their finances this way can achieve remarkable things. There is literally no limit i.e. Early retirement, yachts, planes, vacations, travel, you name it. Once you've done this, your CREDIT WILL BE PLATINUM, and it will stay that way.

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PLATINUM CREDIT!

Financial Success

Before I lay this all out I think it should be pointed out that our young BM3 Gumblatz is going to do this **without**:

1. Trusting his money to someone else
2. Getting a second or third job or
3. Putting his kids to work in the coal mines.

It should also be noted that his standard of living WILL increase as bills get paid off and he'll be in better financial shape then ever before to handle the little (yea right) things that MURPHY tends to throw in our faces year to year.

SCREW MURPHY's LAW!!!

Step 1

BM3 Gumblatz focuses his efforts into bill #1, the Sears/Discover credit card (remember basic principle #3 from page 5?) He feels he can safely increase his monthly payment from \$25.00 to \$100.00 (\$75.00 pinch which no longer goes into savings account) starting on January 2001. This changes his pay off date from the year 2024 (no kidding, if he sticks to the \$25.00 payments that's when it would be paid off) to June 2002 (18 months)

TOTAL SAVINGS FROM STEP #1: \$5,533.51

Step 2

June 2002: He then takes \$90.00 of the \$100.00 he no-longer owes to Sears (\$10.00 goes in his pocket for beer, golf balls, etc.), and rolls that into the \$60.00 payment he makes on his \$3000.00 Visa which is at this point down to \$2,232.80, making his total **POWER PAYMENT** \$150.00 HEE! HEE! **Now's where it starts to get fun!** This changes his pay off time from the year 2011 to October 2008 (16 months).

TOTAL SAVINGS FROM STEP #2: \$168.09

(saving on interest from 4 years of payment scheduled less interest paid during POWER PAYMENT period)

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He now owns, outright, his vehicle, his home, and his vacation property. Bottom line no, if, ands, or buts about it. His retirement alone will pay for his insurance, property taxes and utilities (maybe depending on where he retires)

Retirement Success

Please notice one odd thing about our now retired BM3 Gumblatz, he didn't make it to 20 years retirement by staying a BM3 so I wonder what he did retire as? And I wonder, where is he sitting now if he advanced to BM1, BMC, BMCS, or even BMCM (but I know he didn't go Officer because, as he's shown all of us, he doesn't need the money **THAT bad!**) and used that increased Base pay, Sea pay, Flight pay, etc. to **POWER PAY** bigger and better things!

Conclusion

Keep in mind that **POWER PAYING** to work at it's maximum potential you should roll everything you can (comfortably) afford into each target bill. If BM3 Gumblatz had done that he could actually pay everything off years before he retires and be able to buy a \$20,000.00 to \$30,000.00 car or boat and have it paid off prior to his retirement date.

Ten Two Letter
Words to live by!

IF IT IS TO BE IT IS UP TO ME!

For those who don't want to retire and live the lazy life, and would like to keep working, That's Great! But how about being self employed? Remember that, **POWER PAYING** builds credit, but what also happens is you accumulate equity and collateral at an astounding rate. You would have no problem being able to get a loan to start your own business.

**INDEPENDENCE IS WHAT IT'S
ALL ABOUT**

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Conclusion (continued)

Now, if anyone out there can show me a better way, please do it. I'm **always** willing to listen. I invite you to go over my figures very carefully, please use a magnifying glass or as suggested before, let other folks look at it (parents, friends, broker, professor). Don't blow this opportunity to take control of your finances and always, always, remember what you're throwing down the toilet by the way of interest. It's exactly like burning perfectly good hard earned money!

I encourage you to take this home and share it with friends, or take it to your next unit and conduct some training on it yourself. If even one Coastie uses this then it's worth the effort but I think you'll agree this is **too hot not to share!**

SHARE THE POWER!
