



*Flight Plan to Financial Freedom*

# **Air Force Financial Readiness Babies and Budgets Instructor Guide**

May 2020

Air Force Financial Readiness Touchpoints ensure financial management information and training opportunities for Airmen are available at the life and career transition points where they are needed most. Financial choices that are made over the course of an Airman's career can impact everything from retention in the service to comfort in retirement. This is especially true of decisions that are made when significant life changes occur, such as the birth or adoption of a child.

*The Babies and Budgets* course, facilitated by approved financial educators or Airman and Family Readiness Center (A&FRC) staff, will equip Airmen with the basic knowledge and skills they need to make sound financial decisions as their families grow. This training will also help Airmen prepare financially for future transitions, both as parents and as military professionals.

Guidance on financial readiness training requirements are outlined in AFI 36-3009 (10 May 2019), *Airman and Family Readiness Centers*.

Completion of this course satisfies the training requirement for Personal Financial Readiness – First Child.

## TRAINING ORGANIZATION

*Babies and Budgets* comprises four parts:

- › Introduction
- › Baby Inbound: Financial Readiness for New Child Expenses
- › Baby Onboard: Money-Saving Strategies for New Parents
- › Baby Upward Bound: Financial Planning for the First Year and Beyond
- › Conclusion

## COURSE MATERIALS

A list of required and optional materials is included in the materials section of each content section. All learning aids are included with the course materials, and instructors may print new blank forms as needed. The training content includes a list of financial resources that can be expanded to include base-specific resources that are available at each training site.

Be sure that mandatory topics are thoroughly covered during this course.





## INSTRUCTOR NOTES

Sections labeled "Instructor Note" include additional information for instructor background, as well as activities that provide practical application of key learning points. Instructor notes include an icon and appear in a shaded text box for easier recognition.



## CONTENT ICONS

The following icons are used throughout the guide:

<b>Instructor Note:</b>	<i>Indicates additional information related to the content for the instructor</i>
	Handout ( <i>indicates a handout is associated with the content</i> )
	Learning Activity ( <i>indicates a learning activity</i> )
	Optional Material ( <i>indicates additional information that may be used at the instructor's discretion</i> )
	Animated Slide ( <i>indicates that a slide is animated</i> )

## COURSE EVALUATIONS

Upon completion of the *Babies and Budgets* training, learners are encouraged to complete a training evaluation. Please check the Personal Financial Readiness (PFR) Operations Guide for the most current information on how to complete a course evaluation and encourage learners to complete the evaluation.

## GUEST SPEAKERS

The use of guest speakers is to be determined by each A&FRC or command. Speakers may be invited to present information about a specific organization or as a subject matter expert. The use of guest speakers must comply with Air Force Supplement (DODI1344.07\_AFI36-2925), *Personal Commercial Solicitation on Air Force Installations*, and use only Air Force-provided materials; that is, this training.

## DESCRIPTION

- I. Length of Training. *Babies and Budgets* consists of approximately 45 minutes of live classroom training.
- II. Sections. *Babies and Budgets* contains an introduction, three content sections, and a conclusion. (Please see the Content Outline for details.)
  - A. Introduction
  - B. Baby Inbound: Financial Readiness for New Child Expenses
  - C. Baby Onboard: Money-Saving Strategies for New Parents
  - D. Baby Upward Bound: Financial Planning for the First Year and Beyond
  - E. Conclusion



## LEARNING OBJECTIVES

**Course Terminal Objective:** Upon completion of this course, learners should be able to implement strategies to manage debt and spending, increase savings, and make regular investments in their role as a parent.

- I. Baby Inbound: Financial Readiness for New Child Expenses
  - A. **Terminal Objective:** At the conclusion of this section, learners should be able to reduce debt and adjust spending plans in anticipation of child-related expenses.
  - B. **Enabling Objective:** During the *Growing Family Feud* game, learners will validate their expectations of five typical baby-related expenses by sorting them from highest to lowest.
- II. Baby Onboard: Money-Saving Strategies for New Parents
  - A. **Terminal Objective:** At the conclusion of this section, learners should be able to limit debt and to moderate new expenditures that are associated with the arrival of a new child.
  - B. **Enabling Objective:** During the *Price is High!* game, learners will estimate the prices for five popular “baby gear” items that are available at the Exchange. Guesses must be as close as possible without going over.
- III. Baby Upward Bound: Financial Planning for the First Year and Beyond
  - A. **Terminal Objective:** At the conclusion of this section, learners should be able to understand the importance of saving and investing to ensure that parents and children can afford educational and other opportunities.
  - B. **Enabling Objective:** During the *Alphabet Sprint* review game, learners will engage in a team competition to list saving and investing concepts discussed in the class.

## SUMMARY OF LEARNING ACTIVITIES

- › *Growing Family Feud*: This is a game show-style exercise that stimulates thinking about baby-related budget changes. Teams compete to order a list of budget-busting, baby-related expenses from highest to lowest.
- › *The Price is High!*: This is a game show-style exercise that stimulates interest in money-saving strategies for baby-related purchases. Teams compete to estimate (as closely as possible, without going over) the current prices of baby “essentials” at the Exchange.
- › *Alphabet Sprint*: This is a saving and investing review exercise. Teams compete to list the most saving and investing concepts (that were discussed in the class) that begin with five pre-selected letters.





# CONTENT OUTLINE

- I. Introduction (8 minutes)
  - A. Welcome
  - B. Facilitator Introduction
  - C. Course Purpose and Rationale
  - D. Agenda
  - E. Learning Activity: *Growing Family Feud*
- II. Baby Inbound: Financial Readiness for New Child Expenses (10 minutes)
  - A. Reduce Debt
  - B. Adjust Student Loans
  - C. Optional Topic: Debt-to-Income Ratio
  - D. Limit Anticipatory Spending
  - E. Practice "Baby Normal"
  - F. Summary and Questions
- III. Baby Onboard: Money-Saving Strategies for New Parents (12 minutes)
  - A. Learning Activity: *The Price is High!*
  - B. Register for Baby's Needs
  - C. Take Advantage of Freebies
  - D. Look for Gently Used Bargains
  - E. Use Your Military Resources
  - F. Summary and Questions
- IV. Baby Upward Bound: Financial Planning for the First Year and Beyond (12 minutes)
  - A. Protecting Yourself and Your Family's Financial Interests
  - B. Review Insurance
    - 1. Life Insurance
    - 2. Property Insurance
  - C. Maintain or Increase Savings
  - D. Invest for College
  - E. Invest for Retirement
  - F. Learning Activity: *Alphabet Sprint*
  - G. Summary and Questions
- V. Conclusion (3 minutes)
  - A. Closing
  - B. Evaluation
  - C. Certificates



## MATERIALS AND EQUIPMENT

### Materials and equipment that are needed:

- › Projector/screen
- › *Babies and Budgets* PowerPoint slides
- › Chart pad and easel or whiteboard and markers
- › Paper
- › Pens, pencils

### Forms:

- › Course sign-in sheet (from the course materials)
- › *Paying Off Student Loans: Student Loan Repayment Options for Military Borrowers* handout
- › *New Child Financial Planning Tips* handout
- › Training evaluation
- › Course certificate

### Optional Materials:

- › Informational materials for available family advocacy/new parent support services (as appropriate)
- › Schedules and informational materials for upcoming family advocacy parenting and A&FRC personal financial management courses (as appropriate)
- › Informational materials from the Air Force Aid Society (AFAS); Women, Infants and Children (WIC); and/or other governmental and non-governmental organizations (as appropriate)

## MATERIALS AND EQUIPMENT

**Instructor Note:** Being prepared for training promotes organization, projects a positive image, and reduces stress. To ensure proper preparation for your training, do the following:

- Create a roster of learners before the training begins.
- Set up an attendee sign-in sheet on a sign-in table near the front of the classroom.
- Place a sharpened pencil and blank paper for notes at each seat.

**Instructor Note:** Preview the learning activity games to ensure that you can explain how each game is played and how to score the games correctly. Determine in advance how you will play each game and what scoring options are appropriate for the circumstances on your installation. Familiarize yourself with the disclaimer on Slide 3 in the PowerPoint presentation. Be prepared to answer any questions learners may have about endorsement of products and services discussed in the class.



# CONTENT



## SLIDE 1

### Introduction

#### Welcome and Facilitator Introduction

Welcome learners to the *Babies and Budgets* course. Introduce yourself by providing:

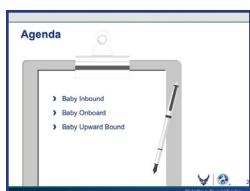
- › Your name
- › Your position
- › Your experience as a facilitator and/or with personal financial management

**Instructor Note:** If you have children of your own and relevant experience with household financial challenges, you may mention them, but ensure that you take an upbeat and self-confident approach to your subject matter.

### Course Purpose and Rationale

Inquire where learners are in the process of growing their families. Are they expecting? First-time parents? Are they already parents but anticipating more biological children, adopted children, or stepchildren? Something else? Keep replies brief and do not require learners to share their situations.

Assure learners that they will learn tips and tricks for managing some of the financial challenges of parenting, regardless of their parenting experience to date. Note that they might also have a little fun doing it.

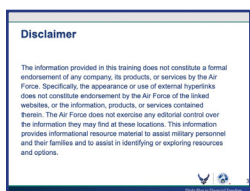


## SLIDE 2

#### Agenda: What You Will Learn

Explain that *Babies and Budgets* consists of three sections:

- › Baby Inbound: Financial Readiness for New Child Expenses
- › Baby Onboard: Money-Saving Strategies for New Parents
- › Baby Upward Bound: Financial Planning for the First Year and Beyond



## SLIDE 3

### Disclaimer

State that you are going to get the ball rolling with a lightning round of the *Growing Family Feud* game, but first you need to present a disclaimer.

**Instructor Note:** Tell learners that the information provided in this course does not constitute a formal endorsement of any company, its products, or services by the Air Force.



**Disclaimer:** The information provided in this training does not constitute a formal endorsement of any company, its products, or services by the Air Force. Specifically, the appearance or use of external hyperlinks does not constitute endorsement by the Air Force of the linked websites, or the information, products, or services contained therein. The Air Force does not exercise any editorial control over the information they may find at these locations. This information provides informational resource material to assist military personnel and their families and to assist in identifying or exploring resources and options.



## Learning Activity: Growing Family Feud



SLIDE 4



### Purpose:

This group activity allows learners to assess their preconceptions about additional and different expenses they may face as parents. Whether their preconceptions prove to be correct or incorrect, the assessment process will increase their interest in personal financial management strategies.

### Materials:

- Paper, pens/pencils/markers
- Chart paper or whiteboard
- Stopwatch or other timing device

### Time:

5 to 10 minutes

### Preparation:

Ensure that materials are on hand and readily available to learners and the instructor. Review the Instructor Note explanation below for the basis of cost estimates presented in the game.

### Process:

1. Divide learners into two groups.
2. Explain that the groups will have three minutes to list on a single sheet of paper what they believe the top five expenses of a baby's first year are. Groups do not have to estimate the expenditures associated with the items they list, and the order of their responses does not matter for scoring purposes. Groups should not consult with each other as they compose their lists.
3. When time is called, invite each group to share the group's list. Record each group's responses on the chart paper or whiteboard, noting commonalities and differences.





4. Before you reveal the list on the PowerPoint slide, tell the groups that the figures are “ballpark” costs based on a survey of current prices (2020). Also note that individual results may vary significantly, either up or down.
5. Allow groups to award themselves points from the table on the slide (reprinted below) that correspond to the answers on their list that match (even approximately) the answers on the slide. (See scoring example below.)
6. Congratulate the winning team (or teams, in case of a tie).
7. Debrief by asking if learners were surprised by any of the items on the top five list. Briefly discuss responses, reminding learners to recalculate their spending plans considering the new information.

Points	Expense	Estimated First-Year Expenditure
5	Child care	\$10,000
4	Unpaid parental leave	\$7,000
3	Formula	\$1,560
2	Baby gear	\$1,350
1	Diapers and wipes	\$1,000

### Scoring Example

Group A proposed a “top five” list of baby furniture, prenatal care, clothes, diapers, and day care. Group A would receive a total of 8 points:

- Baby furniture (part of “baby gear”) = 2 points
- Prenatal care = 0 points
- Clothes = 0 points
- Diapers = 1 point
- Day care (child care) = 5 points

**Instructor Note:** Explain price assumptions, as needed:

1. **Child care** is a major expense for growing families. Cost and availability vary widely by location; \$200 per week and up is not uncommon. A recent survey reported by *Marketwatch* <https://www.marketwatch.com/story/one-third-of-american-families-spend-20-of-their-income-on-child-care-2017-07-18> showed a third of respondents spending 20% or more of household income on child care.



2. The **parental leave** estimate is based on 12 weeks of unpaid work release granted under the Family Medical Leave Act (FMLA) and taken by the non-military partner. The figure assumes two roughly even incomes and a total household income at the national median of just over \$63,030 in 2019. This figure will vary according to real income and actual time away from paid employment.

3. The **formula** estimate assumes one can of formula mix per week, each retailing for \$30. Local prices may be higher or lower. Formula mixes for infants with special dietary needs may be higher.

4. For this exercise, **"baby gear"** includes a stroller, infant car carrier, crib, changing table, car seat, high chair, diaper bag, video baby monitor, bibs, and bottles. It does not include toys, clothes, shoes, wearable infant carriers, playpens, or many other available products. The estimate provided with this activity is the average of typical prices for used items and typical retail prices for the same items purchased new.

5. The **disposable diaper** estimate assumes an average cost of \$0.20/diaper @ 10 per day for 365 days, plus \$20/month for wipes.

### [End activity]



SLIDE 5



## Baby Inbound: Financial Readiness for New Child Expenses

Segue from the learning activity by noting that new children bring new and different challenges to household financial management. Fortunately, prospective parents can start smoothing the transition even before the child's or children's arrival. Effective pre-arrival strategies include reducing debt, limiting anticipatory spending, adjusting student loans (if any), and getting an early start on practicing "baby normal."



SLIDE 6



## Reduce Debt

Ask how many learners know the current balances on their mortgages, cars, student loans, and credit cards. Commend those who do, noting that it is easy to let debt creep up unnoticed, especially if there is more than one purchaser in the household.

Stress that even when it is not problematic, debt reduces the resources available to make major purchases or take advantage of limited-time bargains on bulk purchases like formula, diapers, and wipes.

Suggest that expectant parents should work with a personal financial counselor/educator (PFC/E) at the A&FRC to implement debt-reduction strategies such as:



- Developing a workable budget/spending plan to ensure positive cash flow from month to month.
- Using a power payment plan to ensure monthly bills are paid before systematically eliminating debts with the lowest balances and/or the highest interest rates until all are paid off.
- Changing spending behavior, thoroughly planning credit purchases, and shopping for the best deals, not only on purchases but on credit itself.

**Instructor Note:** If handouts that promote A&FRC financial management classes, services, and/or other events are available, distribute them.



SLIDE 7



## Adjust Student Loans

**Instructor Note:** By show of hands, determine if any attendees are currently making payments on student loans or expect to start paying soon. If none are present, this slide can be omitted.

State that according to the most recent figures from the U.S. Department of Education, about 70% of those who graduate from technical schools, colleges, and universities have student loans to repay. A significant number of students who have not completed their studies also owe money for public and private student borrowing.

**Instructor Note:** Distribute the *Paying Off Student Loans: Student Loan Repayment Options for Military Borrowers* handout. Review as needed.

Note that borrowers may be eligible for income-driven repayment plans that can reduce their monthly student loan payments and free up extra money for baby-related expenses. Combined with a benefit called Public Service Loan Forgiveness, service members (and family members working in government or non-profit organizations) may even be eligible to have part of their student loan debt written off.

The availability of repayment benefits depends on the type(s) of loans that were made to the borrower. Refer learners to the Studentaid.gov website: <https://studentaid.gov/manage-loans/repayment/plans>. Note that the repayment estimator tool can help them assess how income changes might make them eligible for repayment options that reduce the financial burden of student loans.

Stress that all changes to repayment plans must be made through their loan servicers (companies hired to manage student loan accounts.)





## Optional Topic: Debt-to-Income Ratio

**Instructor Note:** The information below on debt-to-income ratio can be added at your discretion and if time permits.

Ask how many learners could state their current debt-to-income ratio (DTI). Explain, as necessary, that DTI is calculated by dividing debt payments made in a certain period of time (e.g., a month, a year) by the gross income received in the same period.

**Example:** Senior Airman Greg Jones has a gross monthly income of \$2,306.83 and pays \$500 a month for his car, his student loan, and a credit card he uses regularly but pays off every month. His DTI is  $\$500 \div \$2,306.83 = 0.217 \times 100 = 21.7\%$ .

Note the financial “rule of thumb” is that DTI should be equal to or lower than 28%. Some advisors—who consider the hardships faced by debtors during the last recession—now suggest keeping DTI below 20%. A DTI above 36% may negatively affect the borrower’s credit rating and access to new credit.



SLIDE 8



## Limit Anticipatory Spending

Ask learners to brainstorm the features of an ideal home for their expected child or children.

Answers may include a safe neighborhood, good schools, convenient shopping, play space, proximity to family, a bedroom for every child, etc.

Ask which of the features the expected child or children will need right away. (This will probably be a much shorter list.)

Acknowledge that staying a step ahead of children is always going to be a challenge for parents. It is possible to spend too far ahead of what children actually need, based on assumptions that may change after they arrive. This is especially true for housing and transportation.

Note that prospective parents have a lot to do before their baby arrives, and a long list of likely expenses to consider (some of which you will discuss in the next section). However, unless child safety is at stake, a new address and a new car are purchases that can wait, if they are needed at all. It is important to consider what is absolutely needed and what is optional.

**Instructor Note:** Be open to helping learners identify compelling issues, such as street crime in the neighborhood; excessive stairs; unreasonable distance from child care for housing; and mechanical unreliability, poor crash protection, and lack of air conditioning for automobiles.



Suggest that learners plan to attend A&FRC classes on home buying and/or car buying before making these major purchases.



SLIDE 9



## Practice "Baby Normal"

Ask learners to remember a time when they had to adjust to financial changes.

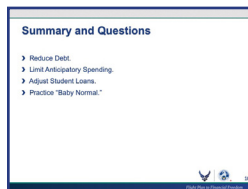
Answers may include leaving home for school, moving away from home, changing jobs and income expectations, or joining the Air Force.

Ask learners how long they think it took their finances to stabilize after the changes they identified.

State that many financial experts say it takes at least three months to become familiar and comfortable with major financial changes.

Suggest that learners who expect financial readjustments when a partner ceases working for pay or when new expenses (like those included in the *Growing Family Feud* game) become routine might want to "test drive" their expected spending plan for at least three months before the new child arrives. The required financial changes can then be made early enough to be less disruptive when the child is actually "on board."

Any money that is put aside during the experiment can be added to savings, used to reduce debt, or invested in a college or other educational fund for the new family member.



SLIDE 10



## Summary and Questions

Transition from the Baby Inbound section by reminding learners of the financial preparation strategies you have covered:

- Reduce debt.
- Limit anticipatory spending, especially on major purchases like a house or car.
- Adjust student loans (if any).
- Practice "baby normal"—living on the budget you expect to have when the new child arrives.

Invite and answer questions.



SLIDE 11



## Baby Onboard: Money-Saving Strategies for New Parents

Segue from the previous section by reminding learners that it focused on tips for prospective parents, whereas this second section contains money-saving ideas that will help new parents manage baby-related expenses once the new child or children become(s) part of the household.

Specifically, you will suggest that learners register at stores for baby gear, take advantage of freebies, look for gently used bargains, and use their Air Force resources.







SLIDE 12



## Learning Activity: *The Price is High!*

### Purpose:

This group activity allows learners to assess their knowledge of what typical baby accessories actually cost. Whatever their level of knowledge, the process will increase their interest in money-saving strategies in this section.

### Materials:

- › Paper, pens/pencils/markers
- › Chart paper or whiteboard
- › Prepopulated PowerPoint slide

### Time:

5 to 10 minutes

### Preparation:

Select a package of baby necessity items from the Exchange website (<https://www.shopmyexchange.com>), noting the prices of each. Copy and paste pictures onto the *Learning Activity: The Price is High!* slide before the class begins.

Prepare a “reveal” strategy, such as a “Total Cost” PowerPoint slide, a whiteboard list covered with a piece of newsprint, or some other appropriate means.

**Instructor Note:** The example slide in the *Babies and Budgets* PowerPoint displays the following items at the current prices in March 2020:

- DaVinci Piedmont 4-in-1 Crib and Sealy Posturepedic Mattress: \$249 + \$110 = \$359.00
- Chicco Bravo LE Trio Travel System (stroller and infant carrier/car seat): \$419.99
- Graco Blossom 4-in-1 High Chair Seating System: \$179.00
- Owlet Digital Color Video Baby Monitor: \$149.99
- Total cost of all items: \$1,107.98



### Process:

1. Divide learners into two groups. (If you wish, use the groups from the last activity.)
2. Explain that each group will have three minutes to decide on the total cost of the items on the slide at the Exchange. As on *The Price is Right!*, the group whose number is nearest the actual cost of the items without going over is the winner.

Be sure to remind learners that using smartphones to look up the prices of the items is not allowed. They must make their best guesses.

3. When each group has decided on a package value, they should write the amount in large letters on a sheet of paper and place it facedown until both teams are ready. Have a representative from each team reveal their estimate of the package cost.
4. Reveal and itemize the actual cost of the items you have chosen.
5. Declare a winner (or, if both groups went over, declare that there is no winner).
6. Congratulate the winning team (or teams, in case of a tie).
7. Thank learners for playing *The Price is High!*

Transition from the game by asking learners for ideas on how to lower the cost of the many items babies need: from food and diapers, to baby gear and clothes, and equipment to keep them safe as they grow and develop.

After a short discussion, tell learners that the next section of the course will cover the following money-saving strategies:

- Register for baby's needs.
- Take advantage of freebies.
- Look for gently used bargains.
- Use your Air Force resources.

### [End activity]



**SLIDE 13**

### Register for Baby's Needs

Ask who is planning a baby shower or who is registered somewhere for baby gifts. Ask how many have included diapers on their registries. (Congratulate any who may have done so.)

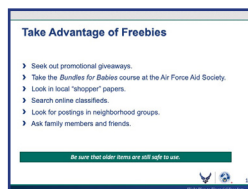
Remind learners of the *Growing Family Feud* activity, which revealed that diapers are a significant cost item for parents, as are other baby items like infant formula, bottles, bibs, sheets, towels, and blankets.



Stores that host registries prefer to sell big-ticket items like cribs and strollers, but most stores also sell more ordinary items. Savvy parents-to-be will include ordinary items, too—and in large quantity.

Baby growth is difficult to predict exactly, but some online sources provide guesstimates of how many diapers in various sizes a typical infant and toddler will go through between birth and potty training. Learners may want to look these up for registry purposes or to take advantage of bulk sales when they occur.

**Instructor Note:** Tell learners that if they have not already filled out their baby registries, they should first determine what their baby needs. Having the prettiest diaper bag or the latest technology to monitor baby may be nice to have but there are certain things parents need before they bring baby home: car seat; practical, weather appropriate clothing; safe sleeping surface (e.g., crib); and diapering, feeding, and bathing supplies.



SLIDE 14



## Take Advantage of Freebies

Tell learners to enter “free stuff for babies” into their internet search engine when they have a morning or afternoon to kill and use an email address they do not mind marketers contacting with follow-on advertisements.

Assert that every day, a fresh list of free promotions can net parents free clothing, shoes, diapers, cleaning products, gift cards, and numerous samples of other products.

Learners might also score a gift card—and no browser cookies—by attending a Bundles for Babies class at the Air Force Aid Society (AFAS).

**Instructor Note:** If you have AFAS promotional materials available, distribute those now. Remind learners that additional information about AFAS and eligibility details can be answered by A&FRC staff after this presentation.

“Bundles” programs are available to families that have a member on Title 10 orders.

Remind learners that they may also find giveaway items they and their babies need in local “shopper” newspapers, in online classified ads, spouse group and on neighborhood-specific sites, and Facebook or other social media groups.

Learners may have family members or friends who have baby items gathering dust in their attic or basement. Learners should be polite but not shy about asking to use that idle playpen or changing table, especially if the items are likely to be returned intact, should the donor want them back.



**Instructor Note:** Remind learners, on this slide and the next slide, to be careful when taking possession of older items. Industry safety regulations may have changed since the item was produced. Parents should use internet resources to verify that items have not been stale-dated (car seats, for example, have a lifespan of 5-7 years), counterfeited, recalled, banned, or significantly changed to a safer design.



SLIDE 15



## Look for Gently Used Bargains

Tell learners that many of the sources that advertise free baby items can also be scanned for ads by private individuals who are selling specific items.

Learners can find leads to garage sales (also called “tag sales” or “yard sales”). Or they can just keep an eye out when driving through a residential neighborhood most weekends. Note that because some items are outgrown so quickly, garage sales often feature inexpensive children’s clothing in like-new condition.

A sharp-eyed shopper may even find great bargains at thrift stores. Some thrift stores specialize in baby gear, toys, and children’s clothing. Keep a sharp eye out and carefully examine gear such as car seats, cribs, and mattresses if buying used. (See, for example, <https://www.consumerreports.org/car-seats/are-secondhand-car-seats-safe>.)

Remind learners to shop the thrift store on base that is just for them: the Airmen’s Attic.

**Instructor Note:** If you have Airmen’s Attic promotional materials available, distribute those now.



SLIDE 16

## Use Your Military Resources

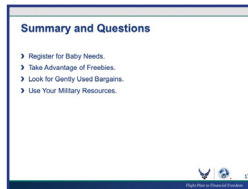
Remind learners of money-saving and money-managing resources that are available especially for Airmen and their families. These resources include tax-free exchanges and commissaries. Commissaries report savings to military families of more than 20% compared to prices in civilian grocery stores. Learners and family members should be alert to sales and coupon savings, so they can stock up on necessities.

Inform learners that the AFAS offers Bundles for Babies as well as other financial management assistance, such as short-term emergency loans to help bridge a variety of financial gaps. Invite learners to speak with A&FRC staff about AFAS information and eligibility after the presentation.

Finally, review the financial counseling and educational resources provided at your A&FRC.



**Instructor Note:** As appropriate, indicate other A&FRC services that might be of interest to parents.



SLIDE 17



## Summary and Questions

Transition from the Baby Onboard section by reminding learners of the money-saving strategies you have covered:

- Register for baby's needs.
- Take advantage of freebies.
- Look for gently used bargains.
- Use your Air Force resources.



SLIDE 18



## Baby Upward Bound: Financial Planning for the First Year and Beyond

State that in this last section of the training, you will review how to keep moving toward the financial goals that the learners may already be pursuing. Learners will also be introduced to some new options that they may want to consider ensuring the financial security of their growing families.

In particular, learners will review their life and property insurance, maintain and increase their emergency fund savings, invest for their children's college expenses, and invest for their own retirement.



SLIDE 19

## Protecting Yourself and Your Family's Financial Interests

Remind learners that insurance is a means of transferring risk, in particular, risks of financial loss or hardship to oneself, one's family, or one's survivors from the insured person to their insurer(s).

Note that major life events, such as moving away from home, marrying, and having children, inevitably affect insurance needs.

Some types of insurance, such as health and disability, are provided while learners remain on active duty. Other types of insurance, such as life and property insurance, are their responsibility in part or in full.

**Instructor Note:** Remind learners that they should update their vRED as soon as possible after the birth or adoption of a child.





**Review Insurance - Life**

Income Replacement	\$40,764 x 22 years =	\$896,808
+ Final Expenses		10,000
+ Readjustment Expenses	\$10,000 x 3.5 years =	35,000
+ Children's College	\$10,000 x 4 years =	40,000
- Existing Death Benefits (SGLI + Death Gratuity)		(100,000)
= Additional Life Insurance Needed		\$981,808

\* Death benefits may also include Dependency and Indemnity Compensation (currently \$1200/month for surviving spouses who do not remarry before age 57) and \$225.77/month for each surviving child under age 18.

SLIDE 20



## Review Insurance

### Life Insurance

Remind learners to review their life insurance coverage at least annually, especially now that they are parents. Although the maximum amount of Servicemembers' Group Life Insurance (SGLI) may be adequate for most Airmen, some Airmen may require more.

Consider the example on your screen, Air Force Staff Sergeant Joe Green and his spouse are both 38 years old. To keep the example simple, we will assume he expects to keep making \$40,764 for the rest of his working life, or at least until his spouse reaches age 60 and can draw survivor benefits based on Joe's salary. We will add, to the income replacement, the cost of a typical funeral (\$10,000) and a lost salary for six months that Joe's spouse will not be working while she deals with their estate. Finally, Joe's daughter Mia will need to go to college. Even at the closest branch of the state university, tuition will cost another \$10,000/year for four years.

Income Replacement: \_\_\_\_\_ x \_\_\_\_\_ years = \_\_\_\_\_

+ Final Expenses \_\_\_\_\_

+ Readjustment Expenses \_\_\_\_\_ x \_\_\_\_\_ years = \_\_\_\_\_

+ Children's College \_\_\_\_\_ x \_\_\_\_\_ years = \_\_\_\_\_

- Existing Death Benefits \_\_\_\_\_

= Additional Life Insurance Needed \_\_\_\_\_

SGLI alone may not be adequate for the present and projected needs of Joe's family. They may want to shop for low-cost term insurance to fill the gap.

Also know that Family Servicemembers' Group Life Insurance (FSGLI) provides coverage for a new child. FSGLI is a program that provides group term life insurance coverage to the spouses and dependent children of service members insured under SGLI. Dependent children are insured at no cost. More information about FSGLI can be found at the VA website: <https://www.benefits.va.gov/insurance/fsgli.asp>.

**Review Insurance - Property**

<ul style="list-style-type: none"> <li>Polices should cover property and liability.</li> <li>Insure property at replacement value rather than "actual cash value."</li> <li>Increase liability insurance for visiting children.</li> <li>Consider an "umbrella policy."</li> </ul>	
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SLIDE 21



### Property Insurance

Inform learners that property insurance—homeowner's and renter's insurance—is usually written to cover possessions, including buildings on the property itself and liability for injuries that occur on the property.



Remind learners to be sure that they have both kinds of insurance (property and liability) and to add whichever insurance is missing.

Note that the default for property insurance is “actual cash value,” which means that damaged property is worth what a thrift shop might charge for it. Insured Airmen should always request “replacement value.” This cost is a little more, but usually not much.

Having children often means entertaining friends for play time and sleepovers. These developmental milestones are important but also increase parents’ exposure to liability risks. Suggest that parents consider increasing the liability portion of their property insurance or taking out an “excess liability policy”—sometimes called an “umbrella policy”—to ensure that they have adequate insurance to cover all liability claims.



SLIDE 22

## Maintain or Increase Savings

Tell learners that if they do not have a savings account for emergency expenses, they can start with a goal of at least \$1,000 and work toward a goal of saving three to six months of income to cover expenses. Tell learners that as hard as they try to plan for emergencies, some of their child’s expenses will catch them by surprise. An emergency/reserve fund is a good place to turn to when unexpected expenses present themselves.



SLIDE 23

## Invest for College

**Instructor Note:** Distribute the *New Child Financial Planning Tips* handout. Point out the college investing section on the second page.

Note that *saving* for college is more difficult than ever, given the low return on savings and rapid annual increases in the cost of education. Today, higher returns of *investing* are required to build an adequate college nest egg. The sooner parents start investing, the lower their costs will be over time. Options include:

**529 Plans** (<https://www.irs.gov/newsroom/529-plans-questions-and-answers>) are tax-advantaged investment accounts sponsored by states, state agencies, or educational institutions. Projected returns are not guaranteed. The maximum annual contribution in 2020 is \$15,000. (There is no actual limit on 529 plan contributions, but gift taxes will be due on amounts over \$15,000 per year.) Funds can be used for qualified college education expenses and tuition for K–12 schools.

**Coverdell Education Savings Account** (<https://www.irs.gov/taxtopics/tc310>) is a tax-advantaged investment account that offers higher potential returns over time but with no guarantee. The maximum annual contribution in 2020 is \$2,000 per account. The same



beneficiary may have multiple fully funded accounts established in a single year. Coverdell accounts can be used for both K–12 and college education expenses.

**Uniform Gift to Minors Act (UGMA)** and **Uniform Transfer to Minors Act (UTMA)** accounts are additional ways to save for a child's education. This trust-like account can be set up by an adult (the custodian) who is typically a parent or grandparent. The account is managed by the custodian until the child reaches the age of majority (typically age 18 to 21), but the funds legally belong to the child regardless of the child's age. There is no contribution limit beyond the annual gift tax exclusion (\$15,000 in 2020).

Anyone considering using a 529 or Coverdell Plan should shop vendors for the best returns, the best track records, and the lowest management expenses.

Most Airmen also earn Post-9/11 GI Bill benefits that can be transferred to dependents. See [https://www.benefits.va.gov/GIBILL/docs/factsheets/Transferability\\_Factsheet.pdf](https://www.benefits.va.gov/GIBILL/docs/factsheets/Transferability_Factsheet.pdf) for more information.



**SLIDE 24**



## Invest for Retirement

Finally, remind learners not to let their own retirement plans become a casualty of baby-based financial planning.

Emphasize that Airmen participating in the Blended Retirement System (BRS) who do not contribute at least 5% of basic pay to the Thrift Savings Program are leaving free matching dollars on the table. For Staff Sergeant Joe Green, who was mentioned earlier, 5% of his basic pay of \$40,764 would be about \$2,038 a year or \$170 a month.

Contributions can be much higher than the matched amount; however, Airmen can only contribute up to \$19,500 per year in 2020. Airmen and family members can also fund individual retirement accounts (IRA) up to \$6,000 per person in 2020. They can also purchase stocks, bonds, mutual funds, and other instruments to be held until retirement.

As with all long-term investments, the sooner the investor begins building a portfolio, the lower the long-term costs and the more the investments earn over time.





SLIDE 25



## Learning Activity: Alphabet Sprint

### Purpose:

This competitive group review allows learners to apply their knowledge of terminology related to all three sections of the training. The process will increase their retention of the concepts presented in the class.

### Materials:

- › Paper, pens/pencils/markers
- › Chart paper or whiteboard
- › Watch, stopwatch, or timer

### Time:

5 to 10 minutes

### Preparation:

Tell learners that you will conclude the training with a group competition that will help them remember some of the terms you covered during the training.

### Process:

1. Divide learners into two groups. (If you wish, use the groups from the previous activities.)
2. Explain that each group will have three minutes to compose a list of all the words that refer to topics used in the *Babies and Budgets* training that start with letters of the instructor's choosing. (Four or five letters are suggested.) A smaller number helps regulate the time and increase pressure on learners.

For example, for the letters A, F, R, and C, possible answers might include:

A	F	R	C
AAFES	Freebies	Retirement	Commissary
Advantages	Finances	Register	Coverdell Account
AFAS	Financial Planning	Real Needs	Crib
Agenda	Financial Counseling	Repaying Student Loans	Counseling
Actual Cash Value	FMLA	Reduce Debt	Car
Air Force Resources	Funded Benefits	Replacement Value	College Fund
A&FRC		Replacement Income	Classified Ads
		Readjustment Expenses	



3. When time is called, allow learners to self-score and total the number of words and terms generated per letter.
4. Congratulate the winning team (or teams, in case of a tie).
5. Thank learners for playing *Alphabet Sprint*.

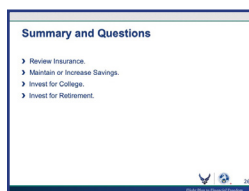
### [End activity]

## Summary and Questions

Transition from the Baby Upward Bound section by reminding learners of the financial planning strategies you have covered:

- Review your life and property insurance.
- Maintain or increase savings.
- Invest for college.
- Invest for retirement.

Invite and answer questions.



SLIDE 26



SLIDE 27

## Conclusion

### Closing

Remind learners that they have gained knowledge and ideas that will help prepare them financially for the arrival of a new child. Note that they explored ways to prepare their finances before the baby arrives, to save money once the baby comes, and to protect the whole family's long-term interests as the baby grows from an infant to a toddler, a preschooler, a school-aged child, and on up through adulthood.

Solicit and answer any final questions.

**Instructor Note:** Remind learners that participant evaluations are an essential part of facilitation. Encourage learners to complete the training evaluation.

Explain that certificates are available, if needed, and can be collected before they leave the classroom.

Thank everyone for participating and congratulate those who are expecting children in the near future!

