

Transcript

Debt And Your Family After The Military

While on active duty, your family may have faced unique budgeting challenges. Relocations can make it hard for a spouse to find and keep a job. And some families resort to taking out loans or increasing their credit card debt to make ends meet.

In this video we'll look at some of the financial changes you might face after separating from the military—and specifically- how you can get a handle on your debt.

First, make sure you and your spouse are both aware of your whole financial picture: how much you owe in debt - and what it's costing you, how much income you have coming in, and your total monthly living expenses.

Find a time to sit down together and go over your finances. While talking about debt can be a sensitive topic, coming up with a plan to pay off what you owe- and a budget to achieve these goals - can help you reach your goals that much faster.

You can start by figuring out how much you owe on each loan, each credit card and any other debt you have, and the interest rates for each one.

Keep in mind that you may be looking at higher interest rates on things like credit card debt post service.

This is especially important to be aware of because you may have had access to lower interest rates while you were on active duty. Now that you're out of the service, these rates may increase.

Once you have a list of your debts and their associated interest rates, you can figure out a plan to pay them down.

Now, at the very least, it is important to make the minimum required payment on all of your debts every month, so you don't damage your credit score.

But if you can afford extra payments, paying more than the minimum can help you get out of debt faster and save you a lot in interest over time.

Some people prefer to pay off debts with the highest interest rate first-

this can save you more money on interest in the long run.

Others choose to pay their smallest loans off first-

this might give you a better sense of accomplishment as you tick the easiest debts off your list quicker.

Whatever strategy you choose, it's important that you are both on the same page and figure out a plan that the two of you can stick to.

Once you've decided which debts you want to tackle first, you can take a look at your income and expenses to see how much money you have available to put toward extra debt payments.

Figure out your family income. If you're just transitioning out of the military, you may encounter some income changes with your new civilian paycheck. So make sure you and your spouse understand the new realities of your combined income after taxes.

Then, figure out your living expenses. These may have changed since you left the military as well. For example, your housing expenses or insurance costs may have changed or you might have new expenses if you're returning to school.

Whatever your new reality may be, once you know how much money you have coming in and going out, you can figure how much you have left to put toward paying down your debts.

Having a good credit report and a high credit score can be essential to your financial goals.

While you were on active duty, lenders may have overlooked a low credit score.

Now, your credit score will help determine whether you can qualify for a loan and whether you can get a low interest rate on that loan. And a good score could significantly reduce your interest payments on future credit card, car, and home loans.

You and your spouse's credit reports can give you a good picture of debts or unpaid bills you may have, and whether any bills have been sent to collections agencies. The reports can also alert you to areas you might want to improve before trying to qualify for a car loan or a mortgage.

You and your spouse can access your credit reports and get a free copy each year at www.annualcreditreport.com.

If managing your debt seems overwhelming—you're not alone. There are many resources available to help returning service members with financial matters.

Free and low-cost credit counselors can help you come up with a plan of action and can help you negotiate with creditors. The National Foundation for Credit Counseling maintains a list of local agencies where you can set up an appointment.

And, if you have Veterans' Group Life Insurance, you can receive professional financial advice at no cost to you. You can find out more at [VA.gov](https://www.va.gov)

And, if, for example, you find errors in your credit report and the credit agencies are being unresponsive, the Consumer Financial Protection Bureau has resources and services specifically designed to help veterans and military members.

By working on your financial goals together, reading the fine print, and knowing where you can get assistance when you need it, you can build a stronger future for you and your family.