

# It's Your Money - Week 2

## FINANCIAL PLANNING I

PRESENTED BY: ANNETTE DI BELLO, CPA, PFS, CFP®



DI BELLO FINANCIAL

*Beauty In Planning*

# ANNETTE DI BELLO, CPA, PFS, CFP®



Annette, the firm's founder and CEO, brings over 35 years of cumulative accounting, tax, financial planning & investing experience, holds three designations: CPA, PFS & CFP® and has a Bachelor Degree in Accounting from California State University, Fullerton.

Annette has a passion for financial planning & investments, focusing on forming long term relationships with her clients. She works directly with high-net-worth clients to fully understand their unique financial lives in-depth, tailoring financial advice to each client in order to fit their needs, everything from financial & retirement planning to tax planning, investing & legacy planning. She is passionate about helping clients to reach their financial goals & educating them along the way.



# Ground to Cover

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- Qualifications & Compensation of Financial Planners
- What is Financial Planning?
- Goal Setting
- Data Gathering:
  - Types of Assets
  - Types of Liabilities
- Your Wealth Statement
- Budgeting:
  - Income &
  - Expenses
- Budgeting Plan
- Impact of Taxes
- Emergency Fund
- Keep on Track



# Qualifications & Compensation of Financial Planners

There are many individuals who offer financial planning but who is best qualified?

Understand the difference in qualifications, there are a lot of names and acronyms to choose from.

Look for a CERTIFIED FINANCIAL PLANNER™

Ask:

- Is the advisor's compensation "Fee-Only" vs. Commission or Fee-Based?
- Is the advisor a Fiduciary putting your best interest first?
- Is the advisor Independent? Or is the advisor beholden to a broker?



# What is Financial Planning?

Financial Planning is a process that starts with examining your current financial situation. This initial step entails gathering your financial information and compiling the data into a report that groups your assets, liabilities and net worth. From here, you can begin the process of analyzing and developing a plan to improve your finances and prepare for your retirement.

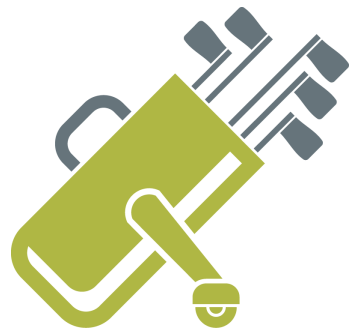
One must know:

- ❑ Assets owned
- ❑ Debts owed
- ❑ Income
- ❑ Expenses
- ❑ Goals



# What are your goals?

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# Smart Goals

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- Specific (Narrowly define your goals)
- Measurable (Track your progress)
- Attainable (Are your goals realistic?)
- Relevant (Do your goals fit with your lifestyle?)
- Timely (Set a timeline)

“Setting goals is the first step in turning the invisible into the visible”

*Tony Robbins*



# Short-term & Long-term Goals

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## Short Term:

- Set a Budget
- Reduce Debt
- Start an Emergency Fund



## Long Term:

- Future Spending
- Future Income
- Retirement Goals





## Personal Use Assets

Assets that do not retain their value

Examples are automobiles, furniture, appliances, electronics, computers.



## Appreciating Assets

Assets that retain and increase in value over time

Examples include stocks, bonds, real estate and savings accounts.

# Assets

# Types of Assets

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Cash & Equivalents

Investments

Charitable Assets

Real Estate

Vehicles

Business Interests

Other Assets

List for each the purchase price, fair market value and how it's titled. Know the cost basis for tax purposes.



# Savings & Investments

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- Tax-Deferred/Tax-Free Accounts
  - Work-based retirement savings plans (401K, 403b)
  - IRAs (Traditional & Roth)
  - 529 College Funding & Health Savings Accounts
  - Annuities & Life Insurance Cash Balance
- Taxable Accounts
  - Bank & Brokerage
    - Individual, Joint, Trusts, Custodial & Business
- Charitable, Tax Advantaged Accounts
  - Donor Advised Fund
  - Charitable Remainder Trust & Charitable Gift Annuity



# Liabilities



## Wealth Generating Debt

Loans used to purchase assets that generally increase in value over time or provide an investment return are called wealth generating debt and can be in certain instances considered a “good” type of liability.

Examples include home loans, student loans, business loans and real estate loans.



## Credit Card or Personal Debt

Credit cards used for personal spending and loans to purchase assets that decrease in value over time are generally consumption debt and considered a “bad” type of liability.

Examples include loans for autos, furniture, computers, and other personal items.

# Types of Liabilities

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Credit Cards

Personal Loans

Home Equity Loans

Rent for duration of lease

Mortgage

Car Loan or Lease

Student Loans or Parent Plus Loans

Other Debt

For each category, know the current balance,  
monthly payment, term and interest rate

“Remember that credit is money”  
*Benjamin Franklin*



# Your Wealth Statement

Assets

-

Liabilities

=

Net Worth

Description	Total
Investment Assets	
Employer Retirement Plans	
Fred SEP IRA	\$15,477
Individual Retirement Accounts	
Fred IRA	\$743,504
Fred Roth IRA	\$162,605
Judy IRA	\$80,693
Taxable and/or Tax-Free Accounts	
Family Trust	\$1,679,737
Citi Savings	\$20,000
TD Ameritrade Indiv	\$27,633
Total Investment Assets	\$2,729,649
Other Assets	
Home and Personal Assets	
Home	\$1,000,000
Business and Property	
Rental Real Estate	\$274,000
Total Other Assets	\$1,274,000
Total Assets	\$4,003,649
Liabilities	
Business Loan	
Rental Real Estate Loan	\$108,364
Total Liabilities	(\$108,364)
Net Worth	\$3,895,285



# Budgeting: List your Income & Expenses

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## + Income

1. Paycheck
2. Rental income
3. Social Security
4. Pension
5. Interest
6. Investment income
  1. Tax Deferred
  2. Taxable

## - Expenses

1. Fixed expenses
2. Discretionary expenses

= Surplus or Deficit

“A budget is telling your money where to go instead of wondering where it went”

*Dave Ramsey*



# Personal Budget Template

HOUSING	Initial Budget	Amended Budget	Difference
Mortgage or rent			\$0
Phone (cell and landline)			\$0
Electricity			\$0
Gas/Oil			\$0
Water and sewer			\$0
Cable and Internet			\$0
Waste removal			\$0
Repairs/Maintenance/Improvements			\$0
Cleaning/Household supplies			\$0
Furniture/HOA dues			\$0
<b>Subtotals</b>	\$0	\$0	\$0

TRANSPORTATION	Initial Budget	Amended Budget	Difference
Vehicle payment			\$0
Bus/taxi fare			\$0
Insurance			\$0
Licensing			\$0
Fuel			\$0
Maintenance			\$0
Parking at work/apt; other			\$0
<b>Subtotals</b>	\$0	\$0	\$0

INSURANCE	Initial Budget	Amended Budget	Difference
Home/Renters			\$0
Health			\$0
Life			\$0
Other			\$0
<b>Subtotals</b>	\$0	\$0	\$0

FOOD	Initial Budget	Amended Budget	Difference
Groceries			\$0
Dining out			\$0
Other			\$0
<b>Subtotals</b>	\$0	\$0	\$0

PETS	Initial Budget	Amended Budget	Difference
Food			\$0
Vet			\$0
Grooming/Boarding			\$0
Toys			\$0
Other			\$0
<b>Subtotals</b>	\$0	\$0	\$0

PERSONAL CARE	Initial Budget	Amended Budget	Difference
Medical/Dentist/Vision			\$0
Grooming (Hair/nails/toiletries)			\$0
Clothing/shoes			\$0
Dry cleaning			\$0
Health club/Fitness			\$0
Organization dues or fees			\$0
Day care/babysitters			\$0
<b>Subtotals</b>	\$0	\$0	\$0

ENTERTAINMENT	Initial Budget	Amended Budget	Difference
Video/DVD			\$0
CDs			\$0
Movies			\$0
Concerts			\$0
Sporting events			\$0
Live theater			\$0
Hobbies			\$0
Magazine subscriptions			\$0
Vacations			\$0
<b>Subtotals</b>	\$0	\$0	\$0

LOAN REPAYMENTS	Initial Budget	Amended Budget	Difference
Personal loan			\$0
Student loans			\$0
Credit card			\$0
Credit card			\$0
Credit card			\$0
Other			\$0
<b>Subtotals</b>	\$0	\$0	\$0

TAXES	Initial Budget	Amended Budget	Difference
FICA			\$0
Federal Income tax			\$0
State Income tax			\$0
Local income tax &/or property tax			\$0
<b>Subtotals</b>	\$0	\$0	\$0

SAVINGS OR INVESTMENTS	Initial Budget	Amended Budget	Difference
401(k)			\$0
IRA (Roth or Traditional)			\$0
Savings/Emergency fund			\$0
<b>Subtotals</b>	\$0	\$0	\$0

GIFTS AND DONATIONS	Initial Budget	Amended Budget	Difference
Charity 1			\$0
Charity 2			\$0
Charity 3			\$0
<b>Subtotals</b>	\$0	\$0	\$0

LEGAL	Initial Budget	Amended Budget	Difference
Attorney			\$0
Alimony/Child support			\$0
Payments on lien or judgment			\$0
Other			\$0
<b>Subtotals</b>	\$0	\$0	\$0

TOTAL INITIAL BUDGETED EXPENSES	\$0
TOTAL AMENDED BUDGETED EXPENSES	\$0
TOTAL DIFFERENCE	\$0





# Compare Income & Expenses

If your income is greater than your expenses, look to allocate the residual to savings or other investments

If your income is less than your expenses, look to reduce and/or cut spending to bring your budget back in line with your income

Avoid a “Negative Cash Flow” situation!

Living within your means should be your first goal.

“Making more money will not solve your problems  
if cash flow management is your problem”

*Robert Kiyosaki*

# Budgeting Benefits

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## Control Spending

- What are you spending?
- Is your spending need based or want based?
- Are you spending too much in discretionary items?

## Avoiding Debt

- Spending should be in line with income, avoid additional credit card debt
- Cut and/or reduce spending where needed
- Live within your means

## Save for Financial Goals

- Save for both short term and long-term goals



# Maintaining a Budget

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## Calculating Your Income

- Add up your regular and steady income.
- Calculate your after-tax income
- Variable income that is not guaranteed should not be included

## Budgeting for Annual Expenses

- Track annual expenses like DMV fees, home or auto insurance, property tax, copays & deductibles, holiday gifts, vacations, etc.
- Add to budget on a monthly basis

## Tracking Daily & Monthly Expenses

- Track all daily expenditures, Starbucks adds up!
- Track monthly recurring bills
- Track over a longer period to obtain a thorough view of your spending

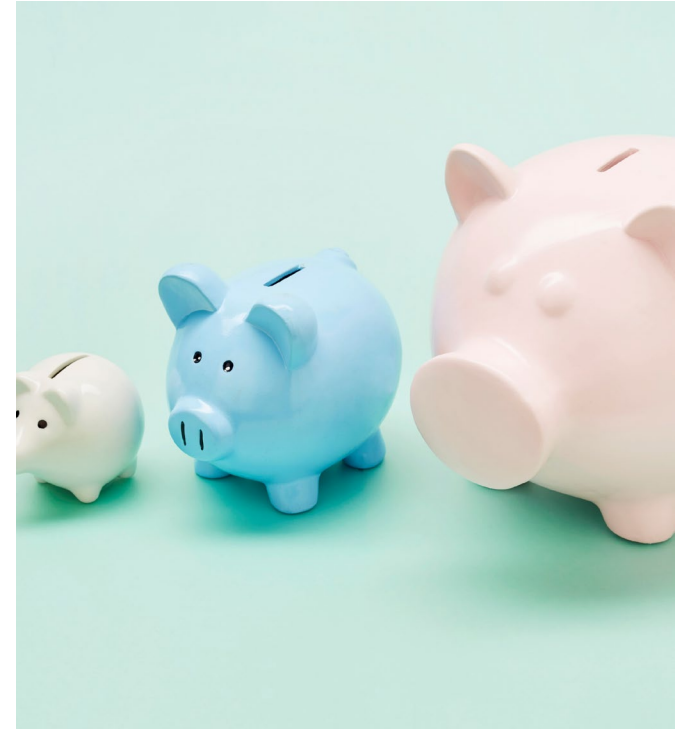
“It takes as much energy to wish as it does to plan”

*Eleanor Roosevelt*

# Track Your Expenses

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- Spreadsheet
- Banking downloads
- Software
  - Quicken, Mint, Nerdwallet, etc



# Impact of Taxes

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Ordinary income tax (e.g., interest)

Special tax rates for long-term capital gains and qualifying dividends

Tax-free income

Special rules for tax-advantaged accounts

Are your investments tax efficient? (Are you in control of how much taxable income lands on your tax return?)

“The hardest thing in the world to understand is the income tax”  
*Albert Einstein*



# Emergency Fund

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Keep an emergency fund in an accessible account, fully liquid and ready for an emergency.

Approximately 6-9 months of living expenses.

“Never invest emergency savings in the stock market”

*Suze Orman*



# Keep on Track

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- Stay within your budget
- Keep track of your finances
- Stay Committed
- Stay Inspired!
- Do you need or do you want it?
- Visualize your life in the future

“You are never too old to set another goal  
or to dream a new dream”

*C.S. Lewis*



Thank you!

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