

It's Your money

FINANCIAL PLANNING I

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Financial planning is a *process*

1. Understand personal and financial circumstances
2. Identify and select goals
3. Analyze current situation and alternatives
4. Develop the plan/recommendation(s)
5. Present the plan/recommendation(s)
6. Implement the plan
7. Monitor and update plan

Step 1 of 7: Personal and financial circumstances

- * Use the Ask First form
- * Agreement
- * Expectations of both parties
- * Your finances: net worth and income/expenses



Step 2 of 7: Identify goals & objectives

- * Retirement
- * Home improvements/purchase of new home
- * Travel
- * Gifting to family
- * Funding long term care costs
- * Philanthropy

Step 3 of 7: Analyze current situation

- * Tax returns
- * Social Security and pension statements
- * Account statements
- * Insurance policy declaration pages
- * Loan documents, other liabilities
- * Estate planning documents
- * Annual spending

Step 3 of 7: Analyze current situation

Net Worth

- * assets
- * liabilities

Cash Flow

- * income
- * expenses

Net worth example

Net Worth Statement As of April 18, 2025

ASSETS	Frank	Joanna	Joint	Total
NON-QUALIFIED ASSETS				
Cash Alternatives				
Cash / Emergency Fund	—	—	\$25,000	\$25,000
Insurance Policies				
Whole Life Policy on Frank	\$35,500	—	—	\$35,500
Total Non-Qualified Assets	\$35,500	—	\$25,000	\$60,500
RETIREMENT ASSETS				
Qualified Retirement				
457 plan	\$450,000	—	—	\$450,000
457 plan	—	\$250,000	—	\$250,000
Roth IRAs				
Joanna's Roth IRA (converted)	—	\$10,000	—	\$10,000
Roth IRA 1	—	—	—	—
Total Retirement Assets	\$450,000	\$260,000	—	\$710,000
Total Liquid Assets	\$485,500	\$260,000	\$25,000	\$770,500
STOCK OPTIONS				
Stock Option 1	—	—	—	—
Total Stock Options	—	—	—	—
REAL ESTATE ASSETS				
Real Estate 1	—	—	\$1,200,000	\$1,200,000
Total Real Estate Assets	—	—	\$1,200,000	\$1,200,000
PERSONAL ASSETS				
Cars	—	—	\$60,000	\$60,000
Total Personal Assets	—	—	\$60,000	\$60,000
Total Assets	\$485,500	\$260,000	\$1,285,000	\$2,030,500

LIABILITIES	Frank	Joanna	Joint	Total
LONG TERM LIABILITIES				
Credit Card	(\$3,643)	—	—	(\$3,643)
Mortgage on Home	—	—	(\$426,385)	(\$426,385)
Total Long Term Liabilities	(\$3,643)	\$0	(\$426,385)	(\$430,028)
Total Liabilities	(\$3,643)	\$0	(\$426,385)	(\$430,028)
Total Net Worth	\$481,857	\$260,000	\$858,615	\$1,600,472

Total Net Worth \$1,600,472

Cash flow example

5-Year Cash Flow Base Facts in First Year (2025)

The 5-Year Cash Flow report illustrates your income, savings, expenses, and resulting net cash flow on an annual basis.

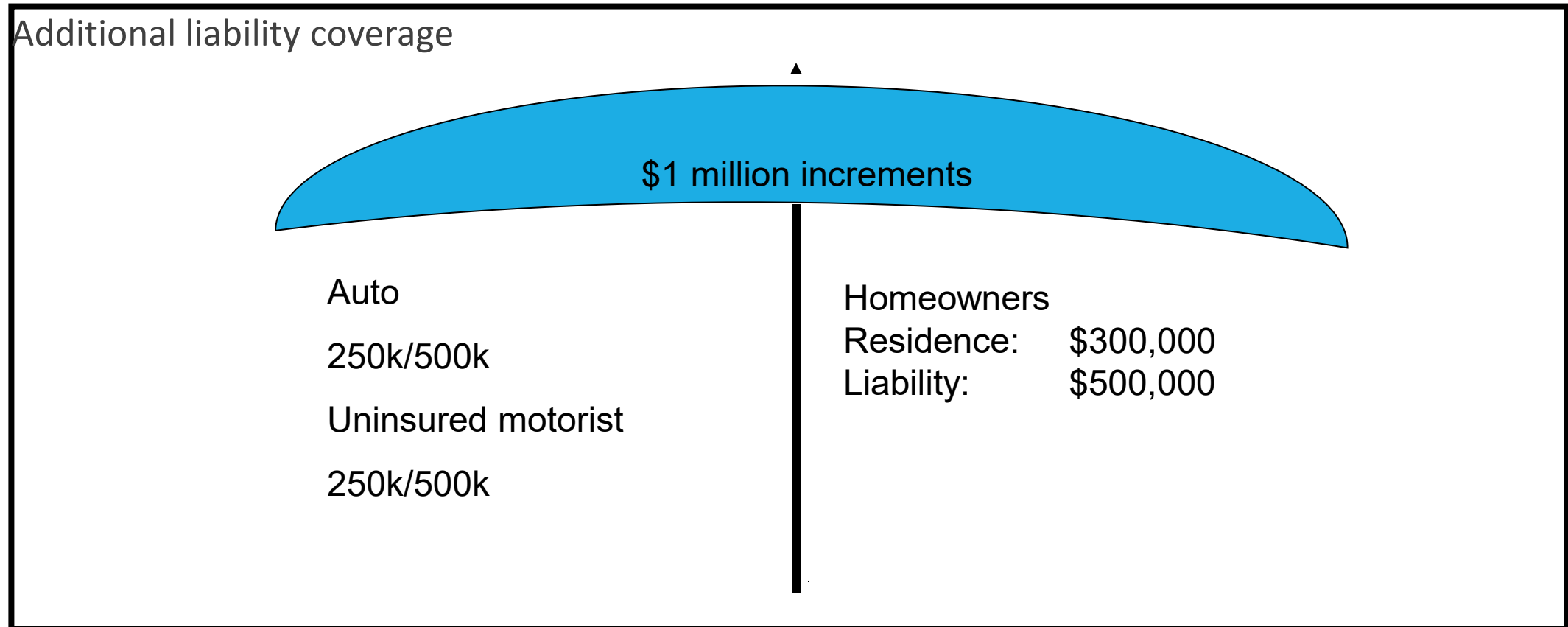
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YEARS (AGES)	2025 (55/52)	2026 (56/53)	2027 (57/54)	2028 (58/55)	2029 (59/56)
PORTFOLIO ASSET BALANCES (BEGINNING OF YEAR)					
Retirement Accounts	\$710,000	\$714,637	\$826,972	\$945,588	\$1,071,863
Cash Accounts	\$25,000	\$0	\$0	\$0	\$0
Insurance Accounts	\$35,500	\$36,306	\$37,130	\$37,973	\$38,835
Total Portfolio Asset Balances (Beginning of Year)	\$770,500	\$750,943	\$864,102	\$983,561	\$1,110,698
CASH INFLOWS					
<i>Salary</i>					
Frank's Earnings	\$0	\$204,540	\$209,183	\$213,931	\$0
Joanna's Part-Time Earnings	\$50,000	\$51,135	\$52,296	\$53,483	\$54,697
<i>Deferred Income</i>					
Frank's pension	\$50,000	\$51,000	\$52,020	\$53,060	\$54,121
Total Cash Inflows	\$100,000	\$306,675	\$313,499	\$320,474	\$108,818
CASH OUTFLOWS					
Living Expenses	\$90,000	\$92,043	\$94,132	\$96,269	\$98,454
Spent Savings	\$0	\$38,002	\$40,899	\$43,138	\$2
Liabilities	\$44,280	\$44,280	\$44,280	\$44,280	\$320,015
Insurance Premiums	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000
Taxes	\$21,425	\$60,750	\$63,088	\$65,187	\$234,728
Planned Savings	\$33,000	\$58,600	\$58,100	\$58,600	\$34,100
Total Cash Outflows	\$201,705	\$306,675	\$313,499	\$320,474	\$700,299
Net Cash Flow	(\$101,705)	\$0	\$0	\$0	(\$591,481)
Total Portfolio Asset Balances (End of Year)	\$750,943	\$864,102	\$983,561	\$1,110,698	\$624,499

Step 4 of 7: Develop the plan

- * Cash flow
- * Insurance
- * Investments
- * Estate planning
- * Retirement
- * College planning
- * Income
- * Taxes

Risk management - the Umbrella concept



Step 5: Plan Recommendations

- * Income. Social Security timing; pension payout strategies; required minimum distributions
- * Taxes. Tax-efficient investing/gifting; Qualified Charitable Distributions (QCDs); Roth conversions, withdrawal strategies
- * Investments. Asset allocation review and recommendations; consolidation of accounts
- * Estate planning. Beneficiary review, discussion of topics for attorney
- * College funding

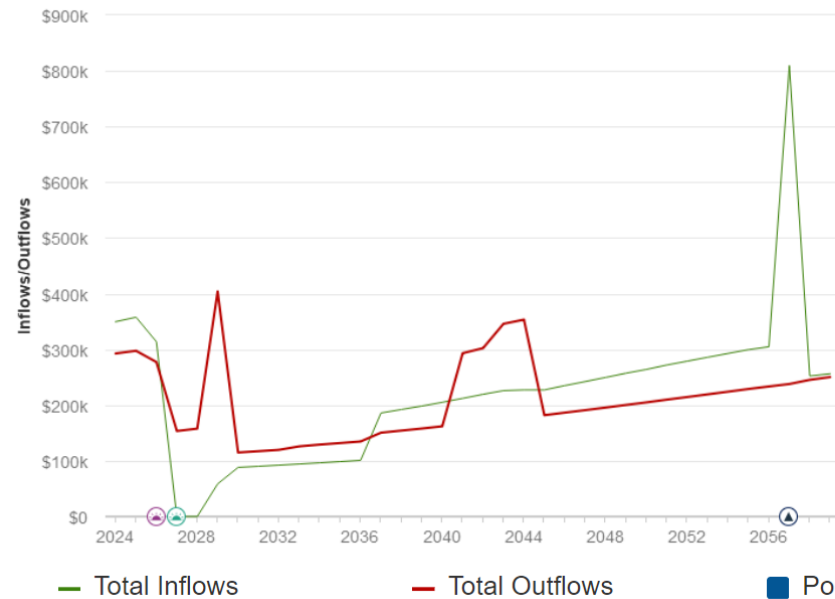
Step 5: Plan Recommendations

Cash Flow Base Facts (All Years) (Only Show Future Values)

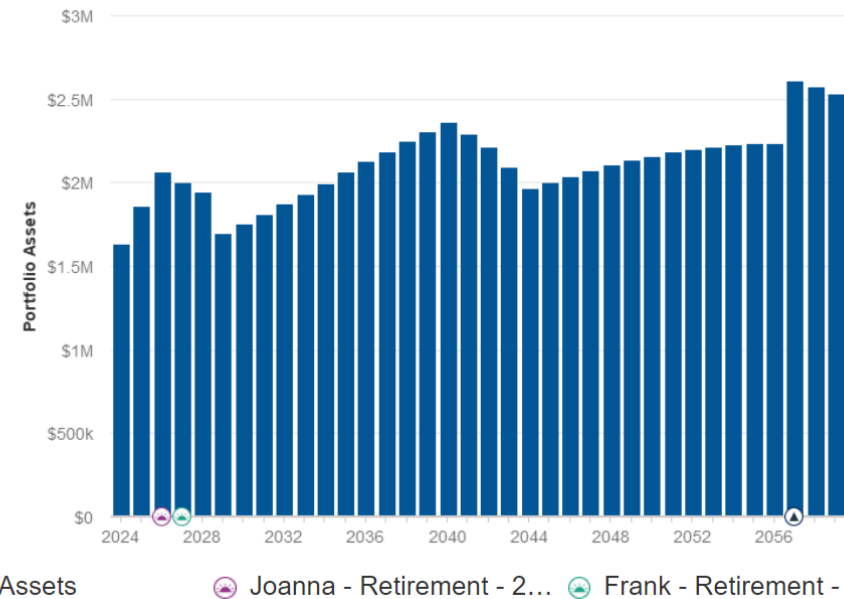
The Cash Flow report illustrates your income, savings, expenses, and resulting net cash flow on an annual basis.

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Inflows and Outflows Base Facts



Portfolio Assets Base Facts



Joanna - Retirement - 2... Frank - Retirement - 2027

Step 6: Implement the plan

- * Cash flow. Tax-efficient withdrawal strategies.
- * Insurance. Add/increase coverages/umbrella coverage/rental coverage.
- * Investments. Consolidate accounts; make tax-efficient investment changes; reallocate holdings.
- * Estate planning. See attorney for review and update of documents; update account titles/beneficiaries.
- * Gifting/charity. Tax-efficient gifting strategies; Qualified Charitable Distributions (QCDs); charitable gift annuity.
- * Taxes. Roth IRA conversions.

Step 7 of 7: Monitor and update

Review

- * Plan progress
- * Assumptions, goals and objectives
- * Changes in circumstances
- * Revisit and update plan

The joy of having a plan!

