

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 23, 2024

ASSETS	Frank	Joanna	Joint	Total
NON-QUALIFIED ASSETS				
<i>Cash Alternatives</i>				
Cash / Emergency Fund	—	—	\$25,000	\$25,000
<i>Taxable Investments</i>				
Frank and Joanna Joint Investments	—	—	\$364,658	\$364,658
<i>Insurance Policies</i>				
Whole Life Policy on Frank	\$35,500	—	—	\$35,500
Total Non-Qualified Assets	\$35,500	—	\$389,658	\$425,158
RETIREMENT ASSETS				
<i>Qualified Retirement</i>				
Frank's 401(k)	\$992,902	—	—	\$992,902
<i>Roth IRAs</i>				
Joanna's Roth IRA (converted)	—	\$10,000	—	\$10,000
Total Retirement Assets	\$992,902	\$10,000	—	\$1,002,902
Total Liquid Assets	\$1,028,402	\$10,000	\$389,658	\$1,428,060
529 Plans:				
529 Plan for Lucas	—	—	—	—
Total 529 Plans	—	—	—	—
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
Jewelry	—	\$35,000	—	\$35,000
Total Personal Assets	—	\$35,000	\$60,000	\$95,000
Total Assets	\$1,028,402	\$45,000	\$1,649,658	\$2,723,060

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	\$1,024,759	\$45,000	\$1,223,273	\$2,293,032

Total Net Worth \$2,293,032

Cash flow example

5-Year Cash Flow Base Facts in First Year (2024)

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)	2024 (62/60)	2025 (63/61)	2026 (64/62)	2027 (65/63)	2028 (66/64)
PORTFOLIO ASSET BALANCES (BEGINNING OF YEAR)					
Taxable Investments	\$364,658	\$398,352	\$435,160	\$475,369	\$499,233
Retirement Accounts	\$1,002,902	\$1,120,756	\$1,248,471	\$1,371,460	\$1,440,308
Cash Accounts	\$25,000	\$82,297	\$142,702	\$179,176	\$25,627
Insurance Accounts	\$35,500	\$36,306	\$37,130	\$37,973	\$38,835
Total Portfolio Asset Balances (Beginning of Year)	\$1,428,060	\$1,637,711	\$1,863,463	\$2,063,978	\$2,004,003
CASH INFLOWS					
<i>Salary</i>					
Frank's Earnings	\$300,000	\$306,810	\$313,775	\$0	\$0
Joanna's Part-Time Earnings	\$50,000	\$51,135	\$0	\$0	\$0
Total Cash Inflows	\$350,000	\$357,945	\$313,775	\$0	\$0
CASH OUTFLOWS					
Living Expenses	\$90,000	\$92,043	\$94,132	\$96,269	\$98,454
Liabilities	\$44,280	\$44,280	\$44,280	\$44,280	\$46,396
Insurance Premiums	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000
Taxes	\$107,423	\$109,536	\$101,889	\$0	\$0
Planned Savings	\$38,000	\$38,681	\$24,000	\$0	\$0
Total Cash Outflows	\$292,703	\$297,540	\$277,301	\$153,549	\$157,850
Net Cash Flow	\$57,297	\$60,405	\$36,474	(\$153,549)	(\$157,850)
Total Portfolio Asset Balances (End of Year)	\$1,637,711	\$1,863,463	\$2,063,978	\$2,004,003	\$1,944,400

Step 4 of 7: Develop the plan

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

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

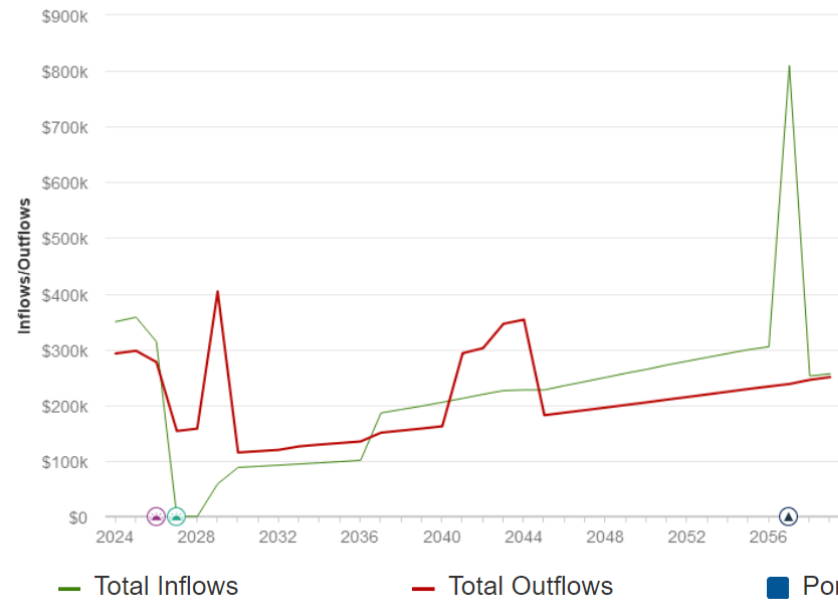
Cash Flow Base Facts (All Years) (Only Show Future Values)

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

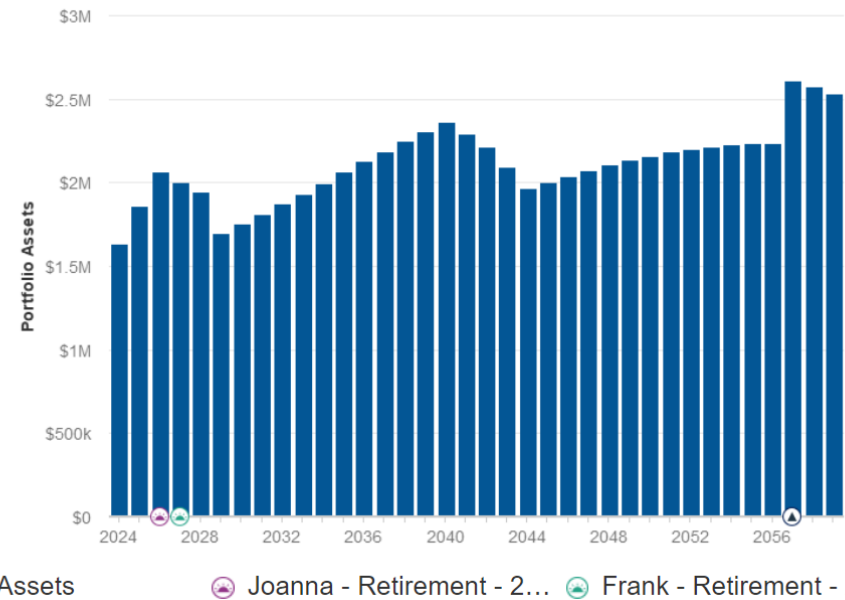
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Inflows and Outflows Base Facts



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!

