

Financial & Estate Literacy

It's Your Money
Financial Planning Workbook[©]
Spring 2023 Series

Your name or initials: _____

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Week 1 - Overview

This workbook is designed to be a companion to the It's Your Money (IYM) series presented by Financial and Estate Literacy. During the IYM sessions, we will discuss areas covered in this workbook and we encourage you to put as much information into the workbook as practical to assist you in working with your planner.

This workbook is intended for you to begin collecting information needed to work with your Financial Planner to complete your financial plan.

This workbook is not intended to generate a completed financial plan, just to begin the collection of information needed to work with your Financial Planner.

Your planner will need far more detailed information than we suggest you put into this workbook. For security reasons, we do not recommend that you put detailed account information in this workbook, just total dollar amounts.

Titling is a very important issue. This impacts what happens to assets after you die and how your representative will assist you if you are incapacitated. You will be asked how all your assets are titled or whose name is on the account.

Cost basis is another factor. To make informed investment decisions, your planner will want to have this information. You may not always remember what you paid for things but try to find out. As an example, many times, a brokerage account statement will list the cost basis. For the cost basis of your home or any rental properties you own, you may need to contact your CPA.

This workbook will follow the weekly sessions of IYM. It is not a replacement for the weekly handout material provided for each session. As such, it is not meant to be a standalone document, but rather a collection point for materials referred to in the weekly sessions.

At the end of each weekly session, we will give you homework to help you with the following week's activities. As always, this workbook and related

session handouts are provided for your benefit. How you choose to use the material is entirely your choice. There is no requirement that you use the workbook at all. It is just given as a tool to use as you wish.

Goals, Objectives, and Assumptions

Consider your Goals, Objectives, and Assumptions. For goals, think short term, say 12 months and long term, say many years out. It is also important to think about broad goals, like in the future how can I continue to live as I am today or make desired changes.

Goals - Short and Long Term

Objectives are the steps you will follow to achieve your goals. Objectives are more specific. They should follow the SMART approach:

- S – Specific
- M – Measurable
- A – Attainable
- R – Relevant
- T – Time frame

This will allow you to track how you are doing against the Objectives you set and identify when you need to change course as needed.

Objectives - Short and Long Term

Estate Goals and Objectives

It is important to identify the Assumptions you used in making your plan. Items like inflation and investment return rates will impact how the plan is built and how you will want to monitor your progress with the plan. What assumptions have you thought about?

Risk Management

Insurance – Write down how much insurance (the face value) for each of your insurance policies. For example, auto, homeowners, personal liability, life insurance and any others you can think of.

Then describe for yourself how you feel about your current health insurance. Does it meet your needs for doctors, hospitalization, prescriptions, and other items? No right or wrong, just you're feeling about this kind of insurance. Do you have Long Term Care insurance?

Risk tolerance – Describe how you think about your investments, how do you feel about risk? Are you comfortable having a plan, implementing it, and letting it run? Reviewing it as needed, but not fretting about its performance.

Or after you prepare your plan, but before implementing it, do you call your advisor for a review of how it fits with your overall plan, and how you feel about the total risk?

Week 2 - Financial Planning I

In this section, you will begin to collect the kinds of information your financial advisor will want to know. Please understand that when you meet with your financial advisor, they will certainly ask you for a lot more detailed information, but this will provide a starting point. And if you are your own financial advisor, you need to be aware of your numbers

What you own and what you owe

We will begin with what you **own**. These are referred to as Assets. We have listed many common assets, and you can use these and add any additional items that fit your situation.

We have included a single line for things like bank accounts or investments. You may have several of these and you can list them separately or as a combined number. Again, the purpose is to help you gather the information you need, not to require that you fit into a specific format.

We have included several columns. First is the for the **Value** of the asset today. For example, how much is in your checking account today. Many of these items you can easily be found on a statement from the bank or brokerage firm. Other items, like the value of your home can be whatever you think is a good number. This document is not to be used to get a loan; it is for your planning purposes.

The second column is **Cost Basis**. This is how much you paid for this asset. In the case of things like a bank account, this is not important. The cost basis of your investments or of your home, are important for your planner to know. It helps when making investment decisions. Cost basis is used to determine the gain when an asset is sold and that can result in taxes. This is an important issue to recognize when an asset is being sold.

The last column is **How Titled**. This is important for estate planning purposes as well as for a Power Of Attorney for Finance if you become incapacitated. It is good for you to know how your assets are titled, so you can see if this is what you want and how it impacts you today and in the future.

We included a section on Charitable Assets. This would normally not be included in a personal “Balance Sheet”, however, for our purposes it is

important to let your planner know all the sources of income you have available. Charitable assets such as a Charitable Remainder Trust (CRT) or a Charitable Gift Annuity (CGA) can often be a good source of this income.

What do you **own** today?

Net Worth for Planning Purposes				
Assets		Amount	Cost Basis	How titled
	Cash & Equivalents			
	Checking account		X	
	Money Market accounts			
	Savings accounts			
	Investments			
	Brokerage accounts			
	IRA/401k ... accounts			
	Annuities			
	Charitable assets			
	Charitable Remainder Trust		X	
	Charitable Gift Annuity			
	Life Estate			
	Others			
	Real Estate			
	Primary residence			
	Vacation home			
	Income property			
	Others			
	Vehicles			
	Car(s)			
	Others			
	Other assets			
	Total what you Own	\$0		

Next, we look at what you **owe**.

Liabilities are what accountants call what you owe or perhaps call it a debt. It does not mean anything bad; it is just the name they give to what you owe.

What you owe is very important, in part because it can impact what you need to spend your available funds on today and in the future. If you have a mortgage on your home, you need to consider your mortgage payments in your budget. If you rent, then your rent payments are a liability.

The idea is to find out how much money you need to pay out. We included things like credit card balances today and short-term loans again for cashflow purposes. If you rent, we included one year's rent in your liabilities.

There is no Cost Basis nor How Titled for liabilities, just the current amount owed. As with assets, you may need more space or need to add additional items. The purpose here is to help you see what you owe, not to fit the format.

We include two columns. The first is the Total and the second is Monthly. The total helps you see how your assets compare to your liabilities. The monthly figure is needed to figure out your expenses.

Liabilities	Total	Monthly
Credit card balance(s) today		
Short term loans (1 year or less)		
1 year's rent if renting		
Mortgage(s)		
Car loan / lease		
Other debt		
Total what you Owe	\$0	

The last piece of this section is Net Worth for Planning Purposes. This equals your Assets minus your Liabilities. That gives you Net Worth.

Net Worth for Planning Purposes	\$0
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We say, for Planning Purposes, because this is not a traditional “Balance Sheet”. A bank or other lender would not include some of the items we have listed. But for your planning purpose, it is important to include these items.

What is your income

Now we begin looking at cashflow. In effect, this is the life blood of how we can live. If there isn't enough, then something must give. If there is excess, then we can either spend it or invest in your future by saving the excess. But by going through this process, you will have a far better idea of where you stand.

Income in our case is really cash coming in. Not literally cash, but rather what we receive that can be spent if needed. So, for this exercise we will not count items like reinvested dividends. Since they are reinvested, we can't spend that now. It may be a great investment, but not a spendable item.

We included two columns for Income. First is Total and second is Monthly. The Total helps you see your overall income, but monthly will help us develop a budget. This gives you an idea of your overall financial position.

In the IYM session, we will answer questions about what each item means and how best to get the information. For now, your 2022 income tax return may provide many of the items.

Income & Expenses for Cashflow Analysis		
Income	Amount	Monthly
Net Wages & Self Employment (W2 & 1099 income)		
Social Security & Pensions		
Interest		
Dividends, capital gains, rental income & royalties		
Required Minimum Distribution from IRD accounts		
Added retirement withdrawals		
Income from Charitable Giving		
Other income		
Total Income	\$0	

Income for financial planning as we define it here, is looking at the cash you receive and what you have available to spend as needed. Many planners

will want to include items like reinvested dividends since they are a part of your investment plan. For now, we are looking at what you have coming in.

What are your expenses

Expenses represent cash outflow. It is very important to recognize your overall expenses and best to know the specifics. By having this information, you will be better prepared to evaluate how you are doing.

Below and on the following page, fill in your expenses. Add extra categories if needed and don't be concerned if you don't have some of the items. The Amount is for the year and Monthly is just that.

Expenses	Amount	Monthly	Expenses	Amount	Monthly
Auto & Transportation			Financial		
Auto insurance			Financial advisor		
Auto payment / lease			Interest		
Car wash			Life Insurance		
Gas & fuel			Long Term Care policy		
Parking			Personal liability insurance		
Registration			Trade commissions		
Service & parts			Other		
Tolls			Food & Dining		
Other			Alcohol & bars		
Cash & ATM			Groceries		
Entertainment			Eating out		
Concert / Theater tickets			Other		
Events at home			Gifts & Donations		
Movies			Charities (cash)		
Newspaper & magazine			Gifts		
Other			Other		
Fees & charges			Health & Fitness		
ATM fee			Counseling		
Bank fees			Dentist		
Late fees			Doctor		
Service fees			Eyecare		
Other			Gym		
			Health Insurance		
			Hospital		
			Labs & Testing		
			Pharmacy & equipment		
			Sports activities		
			Weight Control		
			Yoga		
			Other		

Expenses		Amount	Monthly	Expenses		Amount	Monthly
Home				Shopping			
	Furnishings & Art works				Books		
	Gardener / Pool				Clothing & Accessories		
	Home improvement				Electronics & software		
	Home insurance				Hobbies		
	Home maintenance				Sporting goods		
	Home services				Other		
	Homeowners association			Taxes			
	Housekeeper				Federal		
	Mortgage / rent				Property tax		
	Other				State		
Miscellaneous / Not Sure					Other		
Personal Care				Travel			
	Care Facility				Vacations		
	Care Giver				Other		
	Facials			Utilities			
	Hair				Electricity		
	Laundry				Gas		
	Make Up				Telephone -Cell		
	Nails				Telephone - Home		
	Spa & message				Water/Sewer/Garbage		
	Other				Garbage/Recycling		
Savings					Other		
	Bank account			Total Expenses		\$0	
	Retirement account						
	Other			Net Cash In or Out		\$0	

Now it's time to see how we are doing. Take the total of your annual income and subtract the total expenses for the year. A positive number means you have more income than your expenses. A negative number means you spend more than you received.

For our purposes in this workbook, there is no significance to this number bring positive or negative. It is simply for your awareness, and it will help your planner recognize your situation.

Week 3 - Medical care planning

Medical care may become the largest expense you will have as you age. Planning for this possibility is vital to your financial health.

The first step in this process is understanding what levels of care are involved in this “care”.

Do you understand the following levels of care? If not, what questions would you want to ask during the sessions?

- Acute care – Hospital
- Skilled care
 - Skilled Nursing Facility (SNF)
- Custodial care – ADL (see below)
 - Assisted Living – Board & Care
 - Home care

Next is how do these levels get paid. Do you understand the various “Parts” of Medicare? If not, what questions would you ask during the sessions?

- Part A – Hospital and skilled nursing
- Part B – Medical. Doctors’ services, outpatient care, home care and some others.
- Part C – Medicare Advantage (combines Parts A, B, C & D into one plan: provided by private insurance companies)
- Part D – Prescriptions (provided by private insurance companies)

Which of these plans do you have? Are you happy with this plan? This is important to know when you talk to your financial planner.

What does ADL mean? Activities of Daily Living without assistance. If there are issues with a number of these areas, you may need additional care. This is very important in discussing your custodial care.

- Bathing
- Dressing
- Toileting
- Continence
- Transferring / Ambulation
- Eating
- Mental decline (dementia)

Week 4 - Investment World

The investment world is mostly a sales world that gets compensated through commissions. The items listed below, and others will be discussed in this section.

Terms and considerations:

Brokers versus advisors

What does “fiduciary” mean in investment terms

Suitability versus best interest

Fee structure and commissions

Regulations – governmental versus self-regulating

FINRA

Products offered

Below is a partial list of products offered in the investment world. It is important for you to understand how these items are sold and the way brokers/dealers are paid. Are they recommending a product in your best interest, or theirs?

Annuities (Commercial versus Charitable Gift Annuities)

Mutual funds

Limited partnerships

REITs

Insurance

Commodities

Mortgage-backed securities

Reverse mortgages

Alternative investments & Bitcoin

Week 5 - Equity & Fixed Income Investing

In the earlier section on Financial Planning I, you put in the total amount of your investments. In this section we begin to look within these investments.

The first area we will review is Equity (Stocks) Investing. Fixed Income (Bonds) Investing will be discussed next.

Some of these topics will apply to both stocks and bonds, so feel free to look at both and then focus on each during the sessions. The goal with this exercise is to get you informed on how your portfolio is structured before this sessions' discussions.

Equity Investing

Here are several topics to help you review your current portfolio. How do you feel about your current portfolio in these items?

- What is the mix of your overall portfolio of Cash & Equivalents, Stocks, Bonds, and “Alternatives”?
- What is your holding on Individual Stocks, Mutual Funds, Exchange Traded Funds (ETFs) and Indexes?
- How diversified are your stocks for Growth versus Value, Large Cap versus Mid- or Small Cap, Domestic versus International?
- Are you comfortable with the level of risk you feel with your portfolio? More risk is generally rewarded with a higher return. However, higher risk also can lead to fluctuations in value and may affect your sleep.
- What is your time horizon for investing?

Questions you want to ask about Equity Investing

Fixed Income Investing

Like the last section, here we will look at your Fixed Income Investments or more commonly referred to as Bonds.

Here are several topics to help you review your current portfolio. How do you feel about your current portfolio in these items?

- What is the mix of your overall portfolio of Cash & Equivalents, Stocks, Bonds, and “Alternatives”?
- How diversified are your Bonds for Federal Government, Corporate or Municipal?
- Do you own individual bonds or bond funds?
- Are you comfortable with the level of risk you feel with your portfolio?
- What is your time horizon for investing, short term or long term?
- What do the credit ratings mean for the various credit rating “agencies” ?
- Do you understand the relationship between risk and reward relating to credit ratings, duration, and yields?

Having now talked about stocks and bonds, how would you structure an overall portfolio of stocks and bonds? And within each of these how would you decide how to invest? Would a pie chart of the investment classes help you visualize the mix?

Questions you want to ask about Fixed Income Investing

Week 6 - Financial Planning II

We have now looked at various pieces of a financial plan. Your current assets, liabilities that give you your Net Worth. We looked at your income from various sources and your expenses. This told us if you need to increase income, cut expenses, or invest the excess cash.

What lessons did you learn from this?

Then we looked at Medical Care planning and the expenses associated with various levels of potential or current care needs.

What lessons did you learn from this?

Then we looked at Equity and Fixed Income Investing. In this area we looked at determining your risk tolerance in investing, which often drives the level of return you will probably receive.

Several areas need to be considered in investing. Consider these issues:

Risk versus reward – historic returns on stocks & bonds

Investment pie chart stocks, bonds

Active versus passive investment management

Diversification

Indexed funds. ETFs

Balanced portfolio

As these are discussed, how would they impact you and your investing?

Now we bring these pieces together. Things you would want to review:

- What are your goal for today, in your future and in your estate after you die? Think broadly and specifically where it makes sense. If you want to go on a trip, how much will it cost so you can plan for it and when would you like to go?
- The objectives planned to help you achieve your goals should be specific and measurable to you can see you progress toward the goals.
- What risks have you considered, like insurance, inflation, longevity?
- How much risk are you willing to accept in your investments?
- What are your assets, liabilities, and net worth today?
- What is your income, expenses, and net amount? Does this meet your needs today and into the future?
- When working on your financial plan, how do you plan to invest in equities and fixed income? How will you diversify your investments?

And when are you meeting with your Financial Planner? Commit.

Questions you still want to ask about financial planning

Wrap Up

What are pieces to this process beyond what we covered in this seminar series. The sister series to It's Your Money is It's Your Estate.

It's Your Estate covers the need for an Advanced Health Care Directive for matters relating to your health care IF you are incapacitated, Power of Attorney for financial matters IF you are incapacitated, a Will, probably a Trust to avoid Probate and to assure that your estate is handled in a manner you want.

