The TFAF Personal Finance Publication Set #2 of 3

Your *financial* PARTNER™ Guidebook



Helping you achieve and maintain financial stability, security, and freedom

Develop a Sound Financial Plan to Guide You Through Life's Events

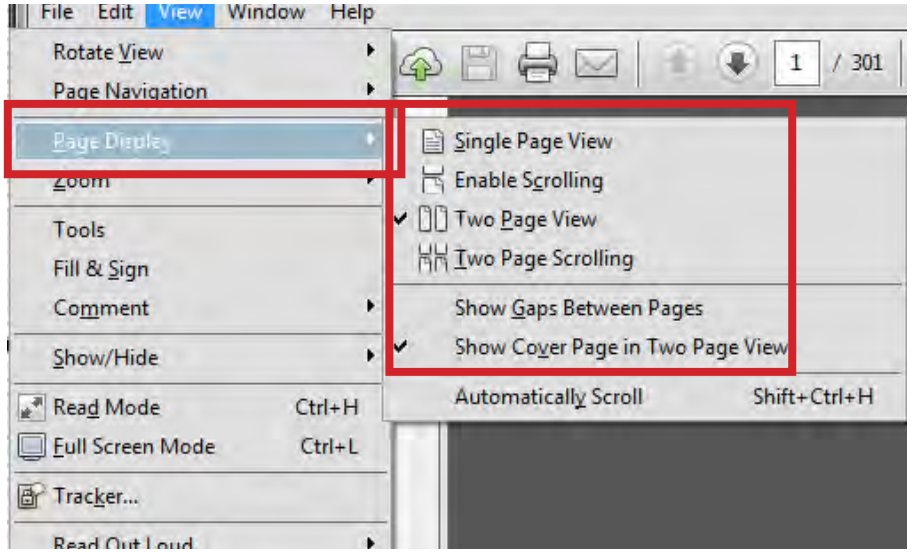
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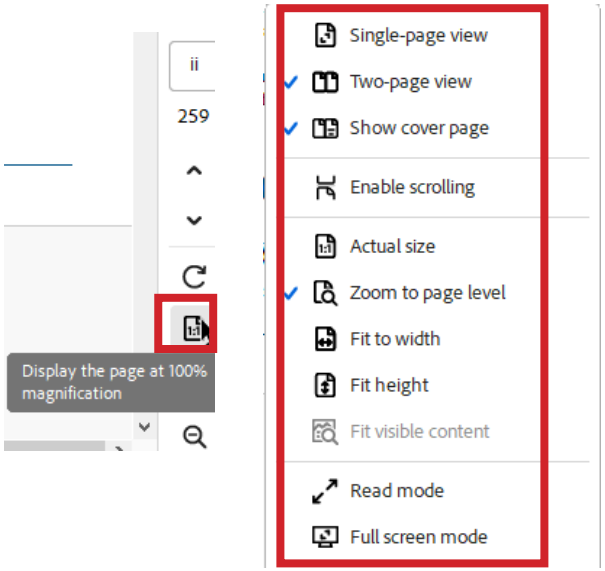
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Greetings & Welcome to the TFAF Personal Finance Publication Set

The following underlying knowledge was accumulated over the last fifty years in the United States of America, while participating in, and pioneering the financial planning industry and 'fee-only' financial advisory profession. This valuable knowledge was acquired working with real people not in a corporate or academic vacuum, and is now being shared domestically and internationally to help significantly improve financial awareness and financial literacy.

Book #2 of 3, of the ***TFAF Personal Finance Publication Set*** is intended to provide the reader with an in-depth orientation to the essential principles of smart money management and common mistakes to avoid – the foundation to personal finance knowledge. This **'Life Changing' TFAF Publication Set** is more than just words about some financial planning topics, it is a complete personal financial management system designed to

1. Introduce you to The FA Infinity Lifelong Learning Symbol and to the secrets and essential principles of smart money management – the foundation to personal finance knowledge
   - ♦ Helping you to make better informed lifelong financial decisions
2. Provide you with a systematic approach to organizing and managing personal finances over one's lifetime
   - ♦ Saving you time and money
3. Prepare you with skills to work efficiently with financial service professionals & financial product providers
   - ♦ Getting the best results from time & money
4. Develop your updateable personal financial plan to serve as your lifelong road map – 'Guide'
   - ♦ Giving you the best possibilities of living out a fun, meaningful, and successful career/financial future.

This valuable shared knowledge provides the user with a solid Pathway to solving YOUR life's most pressing challenges, and giving you the best probability for a financially successful life.

These materials were developed under USA laws, vocabulary, economics, and customs, we feel the principles shared are the universal foundation to personal finance knowledge. Internationally there may be differences in your particular region / country, and you should be so advised.

Before you begin, check the Table of Contents to see if there is an Appendix for your particular country, and if so please read it. If not you can use the one provided to add your own localized notes as you go along.

The application and impact of tax laws, economic situations, and financial matters can vary widely, based upon the specific or unique facts involved. Accordingly, information in this book **IS NOT** intended to serve as legal, accounting, investment, or tax advice. Readers are strongly encouraged to consult with their own professional financial advisors and financial product providers concerning their specific matters before making any major financial decisions.



Your *financial* PARTNER™ Guidebook

The Personal Financial Management System

Helping You Achieve Financial Stability, Security & Freedom

In preparation of this publication and forms set, every effort has been made to offer the most current, correct and clearly expressed information possible.
Nonetheless, inadvertent errors can occur, and tax rules and regulations often change.

Further, information in the text is intended to offer general guidelines on matters of financial, estate and gift planning and management to everyone. The application and impact of tax laws and financial matters can vary widely, based upon the specific or unique facts involved. Accordingly, information in this book is not intended to serve as legal, accounting, investment or tax advice. Readers are encouraged to consult with professional advisors concerning specific matters before making any decision, and the author and publishers disclaim any responsibility for positions taken by taxpayers in their individual cases or for any misunderstanding on the part of readers.
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Improving financial awareness & financial literacy™

Your *financial* PARTNER University / College Program™

The Financially Green Organization Certification Program™

The Improving Financial Awareness & Financial Literacy Movement™

A Financially Green Organization means "doing the right thing financially" for employees, members, students, faculty and administrative personnel, alumni, municipality residents, customers, prospects, and the general public while actively supporting and working toward improving financial awareness and financial literacy.

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The Financial Awareness Foundation

A 501(c)(3) Nonprofit Organization Dedicated to Significantly "Improving financial awareness & financial literacy"™



The Financial Awareness Foundation (TFAF) is a 501(c)(3) nonprofit organization founded in 2013 with a mission to combat the lack of financial awareness and the financial illiteracy epidemic. We believe that financial education is crucial for empowering individuals to make informed money decisions and secure their financial future, thereby improving their quality of life and contributing to a better world.

Our focus areas include ***Promoting Financial Awareness and Financial Literacy*** TFAF takes a proactive leadership role in recognizing organizations dedicated to improving financial awareness and financial literacy. We collaborate with various stakeholders, including associations, nonprofits, educational institutions, municipalities, employers, and the media, to drive initiatives such as celebrating

- April as Financial Literacy Month
- October as Estate & Gift Planning Awareness Month

The plan is to touch the majority of the general public, high net worth individuals, financial service and nonprofit professionals and their organizations at least twice a year through these strategic venues, with educational and motivating reminders to get and keep their financial house in order with current financial, estate, and gift plans.

These activities have developed in **The Improving Financial Awareness & Financial Literacy Movement.** The Movement began in the USA over a decade ago and has since expanded globally, with initiatives developing over 5 continents. We also foster the establishment of **The International Improving Financial Awareness and Financial Literacy Research Centers** within universities worldwide to advance financial education at the local level, while networking together into a **Global Problem-Solving Think Tank**. In addition to financial awareness and financial literacy, TFAF emphasizes the importance of teaching other key life skills such as problem-solving, collaboration, creativity, maintaining a neutral mind, and ethical decision-making. We believe that these fundamentals are essential for addressing various needed social and political challenges.

Developing Educational Content and Programs TFAF develops and delivers educational content and programs tailored for diverse audiences, including the general public, financial professionals, and educational institutions.

Our aim is to end inherited poverty by equipping individuals with the knowledge and skills needed for financial and estate planning, charitable giving, and sustainable financial practices.

Catalyzing Positive Change **The Improving Financial Awareness & Financial Literacy Movement** serves as a pivotal communication platform aimed at accelerating substantial strides in financial awareness and financial literacy along with a catalyst for broader social improvements, including gender equality and sustainable efforts. We advocate for systemic change and collaboration among stakeholders to create a more equitable and sustainable future.

We hope your will enjoy and find the following materials valuable and helpful to you and your family. If so please help us do more by making a tax deductible contribution to us at

https://home.thefinancialawarenessfoundation.org/donationgateway.html

To learn more about us and The Movement, campaigns and programs, and '**how you can make a meaningful difference**', visit us at

www.TheFinancialAwarenessFoundation.org.

For additional information or to discuss volunteer activities, sponsorships, planned gifts, grants, and contributions to The Financial Awareness Foundation, please contact us directly. Thank you for your consideration and we wish you all the very best.

Your ***financial***PARTNER

Your *financial* PARTNER Table of Contents



Action Forms Directory vi
For & Thanks to YOU - Preface vii
Some Questions to Ponder xi
Introduction: Welcome to *financial* PARTNER 1
- ☐ Do I Need a Lot of Money to Make Planning Worthwhile? 2
- ☐ What About the Things I'm Already Doing? 2
- ☐ Getting Acquainted 3
- ☐ How Do I Begin? 3
- ☐ Look for *financial* PARTNER Icons 4
- ☐ How Is *financial* PARTNER Organized? 4
- ☐ Planning for Life 6
- ☐ An Answer, and a Beginning 6
- ☐ Registration 7
- ☐ The Future Starts Right Now 9

Part I — Getting Organized 11

CHAPTER 1: Paperwork - Organizing Is Important . . 15
- ☐ Moving Past the Paperwork 15
- ☐ Common Mistakes to Avoid 15
- ☐ A Preview of What You Will Be Doing 16
- ☐ Start Your Things to Do List 17
- ☐ Gather Primary Documents 18
- ☐ Set Up Your Personal Filing System 23
- ☐ Organize Your Personal & Family Data 24
- ☐ Outline Your Family Tree 26
- ☐ Building & Tracking Your Social Capital 27
- ☐ Selecting Financial Advisors & Product Providers 27
- ☐ Obtain Your Credit Report & Score 30
- ☐ Protect Your Identity 32
- ☐ **Action Items**: Review The Principles & Your Personal Plan. . . . 32

CHAPTER 2: Net Worth - Know Where You Stand . 35
- ☐ The Journey Begins Where You Are 35
- ☐ Common Mistakes to Avoid 36
- ☐ A Preview of What You Will Be Doing 36
- ☐ Getting to the Big Issues 36
- ☐ An Overview of the Schedules 37
- ☐ Net Worth Statement 38
- ☐ Inventory Your Assets 42
- ☐ List Your Liabilities 65
- ☐ Determine Your Net Worth & Track Your Progress 72
- ☐ **Action Items**: Review The Principles & Your Personal Plan. . . . 75

CHAPTER 3: Cash Flow - Gain Control 77
- ☐ Finding the Balance That Works for You 77
- ☐ Common Mistakes to Avoid 78
- ☐ A Preview of What You Will Be Doing 78
- ☐ Cash Flow Management System 78
- ☐ Ways to Increase Savings 82
- ☐ Debt Reduction Strategies 87
- ☐ Create & track Your Cash Flow Plan 87
- ☐ Create a System for Handling Your Money 90
- ☐ Introduce Your Children to Personal Finance 92
- ☐ **Action Items:** Review The Principles & Your Personal Plan. . . . 94

CHAPTER 4: Employment Benefits - Make the Most of Yours. 95
- ☐ Maximizing What Your Employer Offers 97
- ☐ Common Mistakes to Avoid 98
- ☐ A Preview of What You Will Be Doing 98
- ☐ Summarize Your Employment Benefits 98
- ☐ Tax Treatment of Benefits 98
- ☐ **Action Items:** Review The Principles & Your Personal Plan. . . 103

Part I Getting Organized Overview 104

Part II — Financial Planning 107
- ☐ The Whole Picture 109
- ☐ Why Develop a Financial Plan? 110
- ☐ Why Do People Avoid Financial, Estate & Gift Planning? 111
- ☐ Procrastination 111
- ☐ Understand the *financial* PARTNER Planning System 112

CHAPTER 5: Goal Setting 115
- Let Yourself Be Guided by Goals 115
- Common Mistakes to Avoid 116
- A Preview of What You Will Be Doing 116
- What Really Matters to YOU? 116
- It's Your Dream 112
- Can Beliefs Keep YOU from Reaching YOUR Goals? 117
- **Action Items:** Review The Principles & Your Personal Plan. . . 119

CHAPTER 6: Financial Independence/Retirement Planning 121
- Approach Your FIR 121
- Common Mistakes to Avoid in Retirement Planning 122
- A Preview of What You Will Be Doing 122
- Secrets of Compounding and Time Value of Money 122
- Going Through the Six-Steps 125
- Financial Independence/Retirement Savings Projections 128
- **Action Items:** Review The Principles & Your Personal Plan. . . 132

CHAPTER 7: Major Expenditure Planning 135
- Plan Ahead for Your Major Expenditures 135
- Common Mistakes to Avoid with Major Expenditures 136
- A Preview of What You Will Be Doing 136
- Major Expenditure Prioritizer 137
- Going Through the Six-Steps 138
- **Action Items:** Review The Principles & Your Personal Plan. . . 139

CHAPTER 8: Investment Planning 141
- Begin Your Investment Planning Now 141
- Common Mistakes to Avoid in Investment Planning 142
- A Preview of What You Will Be Doing 142
- Understanding Investing 143
- Assessing Your Risk Tolerance 147
- Asset Allocation 150
- What Investments Are Best for You? 154
- Going Through the Six-Steps 157
- Investment Policy Statement & Plan 158
- **Action Items:** Review The Principles & Your Personal Plan . . 160

CHAPTER 9: Tax Planning 161
- Reduce Your Taxes 161
- Common Mistakes to Avoid in Tax Planning 162
- A Preview of What You Will Be Doing 162
- Lower Income Taxes 163
- Going Through the Six-Steps 165
- Tax Planner 166
- **Action Items:** Review The Principles & Your Personal Plan. . . 169

CHAPTER 10: Insurance / Risk Mgt Planning 171
- Why Insurance / Risk Management? 171
- Common Mistakes to Avoid in Insurance / Risk Mgt. Planning 172
- A Preview of What You Will Be Doing 172
- Two Kinds of Insurance Classification 173
- Going Through the Six-Steps 175
- Insurance Policies Summary 177
- Life Insurance, Disability & Long-Term Care Needs 178
- Protect Your Identity. 181
- **Action Items:** Review The Principles & Your Personal Plan. . . 182

CHAPTER 11: Estate & Gift Planning 183
- Addressing Your Estate & Gift Plan 183
- Common Mistakes to Avoid in Estate & Gift Planning 184
- A Preview of What You Will Be Doing 184
- Learning the Basics–An Estate & Gift Planning Overview . . . 187
- Going Through the Six-Steps 190
- Estate & Gift Plan Goals & Documents Outline 192
- Estate & Gift Planning Location Sheet 194
- **Action Items:** Review The Principles & Your Personal Plan. . . 196

Part II Overview & Summary 197
Celebrate Your Accomplishments 195
Glossary . . . . . G 1
International Appendix AI-1
Donor Contribution Form D-4

Your *financial*PARTNER includes a series of forms and worksheets to assist you in organizing and managing your finances. The following forms directory also serves as an Action Checklist for tracking your progress as you take charge of your financial future.

Your *financial*PARTNER Action Forms Directory



Part I — Getting Organized

CHAPTER 1: Paperwork

- ☐ Things to Do List 17
- ☐ Primary Documents Checklist 18
- ☐ Safe-Deposit Box Checklist 19
- ☐ Personal Files Checklist 21
- ☐ Financial Planning Calendar 22
- ☐ Background & Personal Information 25
- ☐ Family & Friends 25
- ☐ Family Advisors 25
- ☐ Home Maintenance Specialists 25
- ☐ Financial Advisors 25
- ☐ Security Codes 25
- ☐ Website & Software Passwords. 25
- ☐ Family Tree 26

CHAPTER 2: Net Worth

- ☐ Net Worth Statement . . . . . 39 & 72
- ☐ Cash & Cash Equivalents — Schedule 1 42
- ☐ Stocks & Stock Mutual Funds — Schedule 2 44
- ☐ Bonds & Bond Mutual Funds — Schedule 3 46
- ☐ Stock Options — Schedule 4 48
- ☐ Retirement Plans — Schedule 5 50
- ☐ Notes Receivable — Schedule 6 52
- ☐ Real Estate — Schedule 7 53
- ☐ Partnerships — Schedule 8 55
- ☐ Business Interests — Schedule 9 57
- ☐ Annuities — Schedule 10 58
- ☐ Life Insurance — Schedule 11 60
- ☐ Personal Property — Schedule 12 62
- ☐ Other Investment Property — Schedule 13 64
- ☐ Loans — Schedule 14 66
- ☐ Credit Cards — Schedule 15 68
- ☐ Other Debts — Schedule 16 70
- ☐ Additional Net Worth Information 71
- ☐ Historical Net Worth - Comparison 72

CHAPTER 3: Cash Flow

- ☐ Cash Flow Planner 79
- ☐ The Decision Maker™ 86
- ☐ Projected Monthly Cash Flow 88
- ☐ Actual Monthly Cash Flow 89
- ☐ The Money Manager™ 90

CHAPTER 4: Employment Benefits

- ☐ Employment Benefits Summary 98

Part II — Financial Planning

- ☐ Financial Planning Steps . . 113, 126, 138, 147, 157, 165, 175, 190

CHAPTER 5: Goal Setting

- ☐ Lifestyle Goals 118

CHAPTER 6: Financial Independence & Retirement Planning

- ☐ FIR Savings Projection Worksheet 128

CHAPTER 7: Major Expenditure Planning

- ☐ Major Expenditure Prioritizer 137

CHAPTER 8: Investment Planning

- ☐ Investment Policy Statement & Plan 158, 159

CHAPTER 9: Tax Planning

- ☐ Tax Planner 167
- ☐ Charitable Income Tax Deduction Record 168

CHAPTER 10: Insurance / Risk Management Planning

- ☐ Financial Insurance Summary 176
- ☐ Property & Casualty Insurance Summary 176
- ☐ Life Insurance, Disability & Long-Term Care Needs Worksheet . 178

CHAPTER 11: Estate & Gift Planning

- ☐ Estate & Gift Plan Goals & Documents Outline 192
- ☐ Estate & Gift Planning Location Sheets 194

INTERNATIONAL APPENDIX

- ☐ International Appendix IA-1
- ☐ Donor Contribution Form D-4



For & Thanks to YOU

Chris
Christina
Carisa
Justin
Logan
Ken
Marie
Pierce
Ron
Gregg
William
Josh
Colleen
Patrick
Peter
Benjamin
Daniel
Frank
Enoch

Joseph
Prof Daniel
Theophilus
Anita
Mimi
Gilbert
Doris
Michael
Patrick
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Hellen
Gloria
Darlene
Joyce
Ammex
Viktor
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Dr. Manu
Pamela
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Taurai
Hellen
Hélio
Kwame
Libuseng
Dr. Chris
Edward
Asme
Beata
Pyoka
Mwanaidi
Nelson
Diana
&
all the

WE THE PEOPLE

"Look at a day when you are supremely satisfied at the end. It's not a day when you lounge around doing nothing; it's a day you've had everything to do and you've done it."

MARGARET THATCHER



Preface

If you've ever wanted to have more control over your finances, to feel more secure about your economic future, to make the most of the income and assets you have, you now have the tools to accomplish all that right here in your hands.

Using *financial*PARTNER could change your life. Why? Because *financial*PARTNER is much more than just another source of financial advice. It is a complete personal financial management system, a clear, step-by-step process designed so that you can put all the essential principles of smart money management into action, immediately.

Managing your personal finances today is more complicated—and also more important—than ever before. We are living longer, but saving proportionately less. Many of us feel less secure in our jobs and homes than our parents did. We watch our money being drained by the high cost of housing, taxes, education, and health care. And we worry about the future, or simply try not to think about it!

These days, sound financial management means much more than budgeting and putting money away for retirement. It means being equipped to handle a lifetime of financial needs and changes, figuring out how to build assets and stay ahead of inflation, and choosing from a constantly widening field of savings, investment, and insurance options. When it comes to finances, people are now faced with more pressure and more possibilities than ever before.

The good news is that, as complex as today's financial world may be, there's no real mystery to personal money management. Nor do you necessarily need a finance or accounting degree to get ahead of the game. What you do need are some solid, basic principles of organization and decision making plus the willingness to put them into action.

If you supply the motivation, your *financial*PARTNER can supply the rest so you'll never have to hunt for a birth certificate, product warrantee, or insurance policy again! *financial*PARTNER is a comprehensive management system that strengthens and builds on whatever approach you've used so far.

Perhaps you've already made a serious effort at money management, but wonder if there's something missing. Maybe you have a good system for handling bills, but haven't had much chance to think ahead. Or maybe financial management is something you're just starting to think about. Almost everyone, no matter what their age, income, or level of financial sophistication, can do more to define and help realize their financial goals.

With *financial*PARTNER, you can end the worry and indecision, and start having more control of your financial environment. When you begin working with *financial*PARTNER, you're taking an important step toward your stability, security, and success.



What is your level of financial awareness & financial literacy? Managing your personal finances today is more complicated—and more important—than ever before. To help determine your financial awareness and financial literacy answer the following 'Yes' & 'No' questions. Then total your 'Yes' answers below and turn the page and see how you did. To select the 'yes' you must agree to all the content for that question.

Some Questions to Ponder

	YES	NO
1. **PAPERWORK** In an emergency, could someone in your family quickly find all your important papers— such as birth certificate, ID Card, medical records, bank account records, health care directive, insurance policies, investment records,& property documents, will, etc.?. . . .	☐	☐
2. **NET WORTH** Do you have a current inventory of what your own and owe? (net worth) and how you hold title to your various assets?	☐	☐
3. **CASH FLOW MANAGEMENT** Do you have enough cash available (in bank accounts or easily cashed securities) to cover yourself and your family for at least six months of no work?	☐	☐
4. **BUDGET** Do you have a written monthly budget?.	☐	☐
5. **EXPENSES** Do you think you'll be able to pay 'all your bills' on time every month for the next 12 months without a paycheck?.	☐	☐
6. **EMPLOYMENT BENEFITS** Do you understand and, if appropriate, utilize all your employment benefits to your advantage?	☐	☐
7. **GOALS** Do you know what is really important to you; have you written your personal and financial goals for yourself and your family? . . .	☐	☐
8. **FINANCIAL INDEPENDENCE/RETIREMENT** Do you know when you expect to be able to retire / become financially independent? . . .	☐	☐
9. **FINANCIAL INDEPENDENCE/RETIREMENT** Do you know how much income & assets you will need to enjoy your retirement years; to live a quality life, including any special gifts or bequests to family, friends and nonprofits?	☐	☐
10. **FINANCIAL INDEPENDENCE/RETIREMENT** Have you calculated the amount of money required to reach your financial goals?	☐	☐
11. **MAJOR EXPENDITURES** Have you thought about and made a list of major expenditures you can expect over the next five years and where the money will come from to pay for them?	☐	☐
12. **INVESTMENTS** Do you think your current investment plan(s) will meet your financial independence/retirement needs?	☐	☐
13. **TAX DEFERRAL** Do you think you are making the best use of tax-deferred investment plans for retirement?	☐	☐
14. **TAXES** Do you know your income tax rates on your last earned dollar?	☐	☐
15. **INSURANCE / RISK MANAGEMENT** Do you think you have the right amount of insurance for your situation — such as life, health, disability, long-term-care, auto, home/renter's, fire/flood/earthquake, liability, etc.—not too little, but not too much?	☐	☐
16. **ESTATE & GIFT PLANS** Do you and your family have current wills?.	☐	☐
17. **POWER OF ATTORNEY** Do you and your family have a current Power of Attorney?	☐	☐
18. **ADVANCE HEALTH CARE DIRECTIVE** Do you and your family have a current Advance Health Care Directive?	☐	☐
19. **CHARITABLE GIVING** Are your favorite causes or nonprofits included within your estate & gift plans for a bequest, planned gift, or as a primary or alternate beneficiary for life insurance or retirement plans?	☐	☐
20. **TRUSTS** Do you know the advantages and disadvantages of using trusts?.	☐	☐
TOTAL	____	____

How Did You Do?

For questions 1 to 20 on the previous page, count up the number of "yes" answers.

16–20 Financially astute

11–15 Financially aware

6–10 Not current with your finances

0–5 Finances are managing you

Most people score in the 7–9 range! How did you do?



TIPS & IDEAS

- ☐ Over 50% of the adult population of the USA does not have a current or up-to-date financial, estate & gift plans, nor understand why it is important to have them to protect themselves and their family's assets; that's half your family, friends, and associates. Worldwide this percentage is much higher!
- ☐ We have enter into the greatest wealth transfer in history. An estimated $59 trillion - divided among heirs, charities, estate taxes and estate closing costs - will be transferred from 116 million American households from 2007 to 2061; globally this is off the charts. Without some financial and estate planning a significant amount of these assets will be wasted; much of the remaining assets may not go to the right person(s) or organization(s), and or may not be used as intended. (USA) Worldwide???
- ☐ Get and keep your financial, estate and gift plans up-to-date; encourage your family and friends to do the same.

We believe having better personal finance knowledge changes your world and the world around you… FOREVER!

"Essential Principles of Smart Money Management: A collection of financial doctrines that pertain to the eleven components of personal financial management – the foundation to personal finance knowledge: paperwork, net worth, cash flow, employment benefits, personal & family goals, financial independence / retirement planning, major expenditures planning, investment planning, tax planning, insurance planning / risk management, estate and gift planning.

Learning, understanding, and using the Essential Principles of Smart Money Management are very important as they provide you with the tools to address everyday money decisions in a more informed manner - and provide you with the best probability to live happier, productive and fulfilling lives."

Your *financial* PARTNER



"People are always blaming their circumstances for what they are . . . The people who get on in this world are the people who get up and look for the circumstances they want, and, if they can't find them, make them."

GEORGE BERNARD SHAW

Welcome to Your *financial* PARTNER™

You don't need any special talents or skills to manage your finances. Anyone with a basic education and the desire to handle their money wisely can do so. But effective financial management does involve certain procedures that you don't automatically learn from your parents or associates—and are seldom taught in school. It's not even a matter of gathering enough information. In fact, for many people, the constant bombardment of economic news, financial advice columns, and investment product advertisements is part of the problem. Information overload can be a major obstacle to sorting out choices and making wise decisions.

Above all, financial management is a process, and giving you the keys to that process is what *financial* PARTNER is all about. As you go through the steps outlined here, you'll see that they are straightforward and easy to put into action. They center on learning the essential principles of smart financial management, staying aware of money issues, getting and staying organized, and on making deliberate choices about the ways you spend, save, and invest instead of following your emotions or simply "going with the flow." *financial* PARTNER will show you how you achieve a whole new level of financial control and do it painlessly.

Do I Need a Lot Of Money to Make Financial Planning Worthwhile?

Many people think that financial management and planning should wait until they have "enough money." But good financial management is necessary to anyone who cares about their economic survival and security.

If you have a modest income or a small or nonexistent nest egg, you need strategies for steadily building your assets, so that you won't have to risk outliving your money. With limited financial resources, having the know-how to avoid costly mistakes is especially critical. If you have more to work with, you also have potentially more to gain; even small improvements in your money management can translate into substantial dollar amounts in savings or investment return. And if you have amassed assets, you have an even wider array of issues and choices to consider.

As *financial*PARTNER will show you, it is both possible and essential for all of us, regardless of income level, to organize, plan, and manage our money effectively.

What About the Things I'm Already Doing?

If you've got parts of a financial management system in place, good for you! You're just that much further ahead. *financial*PARTNER can complement the steps you're already taking, helping you to see which bases you've covered and where there might be gaps in your approach. It will also help you learn how to leverage and add value to your current efforts. For example, if you handle your bills and checking account with software, you can use that data to build cash flow projections.

*financial*PARTNER is not a substitute for personal consultation and advice from professionals such as accountants, attorneys, insurance agents, stockbrokers, and financial planners. But if you have professional advisors or decide to retain them in the future, *financial*PARTNER will help you work with them more effectively. This system will equip you to ask the right questions, prepare you with the right information, and allow you to evaluate the service you're getting. Consequently, you will save significant time and money when employing professional advisors.

"Whether you think you can, or you think you can't--
you're right."

- HENRY FORD

Getting Acquainted

financial PARTNER is a Personal Financial Management System with several components:

1. This Guidebook is the key to the process, leading you through a series of actions that will help you strengthen your financial position and learn new management skills. The Guidebook is divided into two parts: Part I. Getting Organized and Part II. Financial Planning. Within the Guidebook you will find:

- The essential principles of smart financial management
- Useful financial strategies and tips
- Tools to get and stay financially organized
- An introduction to the financial planning process
- Sample forms and worksheets with step-by-step instructions
- A glossary of financial terms

The Table of Contents also serves as an action checklist where you can mark off completed actions, record the progress you're making, and quickly find the next items on your agenda.

Throughout the Guidebook you'll find numerous tips and ideas, checklists and information. This valuable data is often accompanied with a check box, like this ☐, for you to check if it's applicable to you.

2. A collection of forms and worksheets are included, some of which apply to your current financial circumstances. Those forms not currently used should be retained for possible future use. You will find directions for filling out the forms on the forms or in your Guidebook, including partially completed samples of many of the forms. Optional-suggest you keep these in a 3 hole-punch binder. For easy reference, see the Action Forms Directory following the Table of Contents.

3. Your **Financial Organizer** is a portfolio specially designed and indexed to hold your most important personal and financial documents and forms. Optional - use your creative juices to create one for you and your family.

How Do I Begin?

You do not need any special knowledge of accounting or financial planning to use this system. Your *financial* PARTNER will show you what steps to take, guiding you through the financial world with ease while teaching you the *financial* PARTNER planning process along the way.

Unlike with many financial planning programs, you do not need to know how to use a computer or even have access to one.









Optional

Look for *financial*PARTNER Icons

As the action steps guide you through the various tasks outlined in your Guidebook, look for the following icons, or graphic symbols, which point out additional kinds of information included.

Forms: Your *financial*PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances. Here you will find step-by-step instructions in the text explain exactly how to fill out the forms.

Glossary Terms: Key terms are defined briefly the first time they are used in the text. Full definitions appear in the Glossary at the end of the book.

Key Essential Principles: This icon designates the end of a section and notes the **Essential Principles of Smart Money Management** that you should have received from this section. These are VERY important as they are the foundation to personal finance knowledge. They are also recapped for your viewing convenience in the Part II Overview.

FP System: The *financial*PARTNER six-step process for doing financial planning is outlined.

Tips & Ideas: Financial planning tips and ideas help improve your finances.

Common Mistakes to Avoid: These are items that can cause you big financial problems.

How Is *financial*PARTNER Organized?

The *financial*PARTNER Personal Financial Management System is divided into two parts: Getting Organized and an introduction to Financial Planning. The diagram shown below is a representation of the *financial*PARTNER system.



Part I — Getting Organized

Represented by the circle on the left in the diagram above, Part I guides you through four primary activities to prepare you for the financial planning process:

CHAPTER 1: Paperwork - Organizing is Important — Everyone has documents, paperwork, bank statements, digital files and notes. This information is often disorganized, and seldom is it processed together. This chapter shows you how you can organize your paperwork using a set of user-friendly forms or software, along with the **Financial Organizer** and your own easy-to-use **Personal Filing System.**

CHAPTER 2: Net Worth - Know Where You Stand — Here, you will inventory what you own and what you owe, and create your own personal Net Worth Statement.

CHAPTER 3: Cash Flow - Gain Control — Managing your money is a way to gain power over your life. This chapter provides you with helpful tools for tracking what you earn and spend, along with money-saving and money-making techniques.

CHAPTER 4: Employment Benefits - Make the Most of Yours — Taking full advantage of your employment benefits is an important part of managing your cash flow. Any amount your employer contributes toward your health insurance, life insurance, retirement, and other benefits is money you may not need to spend on yourself or family. This chapter helps you record, track, and make the most of your benefits.

Part II — FINANCIAL PLANNING

Represented by the circle on the right in the diagram on the previous page, Part II addresses each of the six major areas of personal finance, as shown. But before you explore these topics, the Introduction to Part II will show you the simple but powerful *financial*PARTNER six-step process that will help you approach financial planning in a systematic way.



The chapters in Part II cover each of the following financial planning topics in detail:

CHAPTER 5: Goal Setting — Before you begin the financial planning process, you will be asked to record both your personal and financial life goals. Don't skip this key element of financial planning, as it affects all your decisions and choices. Then, as the first step in the *financial*PARTNER six-step process, you will review your goals in each financial planning area.

CHAPTER 6: Financial Independence & Retirement Planning — A comfortable retirement, perhaps at an early age, is one of the most common reasons people become interested in financial planning. This chapter shows you how to plan for your future years, including how to achieve and maintain a level of financial independence.

CHAPTER 7: Major Expenditures Planning — A home, a car, your child's college education - these are all "big ticket" items that are best planned for before you have to pay the bill. This chapter shows you how financial planning can ensure that you achieve your biggest objectives.

CHAPTER 8: Investment Planning — For most of us, wise investing is the key to achieving financial independence, as well as our other financial goals. This chapter shows you how to establish your investment goals, assess your risk tolerance, and select an asset allocation model that best fits your style.

CHAPTER 9: Tax Planning — Your financial planning should include tax considerations, regardless of your level of wealth. Opportunities for minimizing tax obligations are available to anyone willing to take advantage of them, as this chapter will show.

CHAPTER 10: Insurance / Risk Management Planning — This chapter helps you understand how financial insurance and property and casualty insurance can protect your family and your assets.

CHAPTER 11: Estate & Gift Planning — If you, or your spouse or partner gets very sick or injured or die without an estate and gift plan, the management and distribution of assets can become a time-consuming and costly problem for family and survivors. This chapter provides you with the core principles of estate and gift planning, how to minimize costs and possible taxes, while you pass on your values, knowledge and assets to future generations, and your charitable causes, to help make this a better world.



Planning for Life

You will notice that the *financial*PARTNER diagram is an "infinity" symbol, representing a continuous cycle. This is to emphasize that financial planning is a lifelong process.

Once you've completed your *financial*PARTNER, you will have your Personal Financial, Estate & Gift Plan It will be simply a matter of reviewing your financial information on a regular basis and updating items that may have changed. In this way, you'll have a clear picture of your financial well-being at your fingertips.

An Answer, and a Beginning

*financial*PARTNER is designed to provide you with a complete Personal Financial Management System. Further it provides you with a Comprehensive Personal Financial, Estate & Gift Plan to serve as your road map to a successful career and life. When you've gone through the *financial*PARTNER process, you will find yourself at a new beginning — the start of a learning process which can lead you as far and in as many different directions as you want.

To help keep you current with financial planning information, on the following page you will find a simple registration form to fill out and send to us, or you can complete it and make it into a PDF and email it to us at

admin@TheFinancialAwarenessFoundation.org

"Be careful what you water your dreams with. Water them with worry and fear and you will produce weeds that choke the life from your dream. Water them with optimism and solutions and you will cultivate success."

LAO TZU (600 BC-531 BC), PHILOSOPHER

Register today to receive these additional benefits

financial PARTNER update notices

Information on new financial planning products & services

Complete and return this registration today

By mail to:

The Financial Awareness Foundation
959 Golf Course Drive #273
Rohnert Park, Sonoma County, CA 94928

By fax to:

+1.707.586.8620

Name (please print): First _____ Last _____

Occupation _____ Age _____

Marital Status _____ Number of Children _____

Address _____

City _____ State _____ Zip _____

Phone (day) (___) _____ (evening) (___) _____

Fax (___) _____ Email _____

How did you learn about *financial* PARTNER®? _____

From whom did you obtain *financial* PARTNER®? _____

☐ I would be interested in receiving a periodic financial newsletter offering current information on changes in tax laws, the latest in investment options, recent market trends, and answers to some of today's most challenging financial questions, as well as special offers on in-person and online seminars, and software.

☐ Please send me information on new products/services related to:

- ☐ Getting Organized
- ☐ Financial Independence & Retirement Planning
- ☐ Major Expenditures Planning
- ☐ Investment Planning
- ☐ Tax Planning
- ☐ Insurance / Risk Management Planning
- ☐ Estate & Gift Planning
- ☐ Life Events
- ☐ Shopping for Financial Products & Services
- ☐ Other _____

☐ What are your expectations from the *financial* PARTNER *Personal Financial Management System*?

_____

_____

☐ I subscribe to the following online services:

_____

_____

☐ I am interested in, but have been unable to find, personal finance information on

_____

User Profile

(Optional)

Number of members in family _____

Family Income:

☐ Under $40,000 ☐ $40,000-$75,000 ☐ Over $75,000

Family Net Worth:

☐ Under $100,000 ☐ $100,000-$500,000 ☐ Over $500,000

Retirement Plan:

☐ Have not begun a plan ☐ Do not need to plan ☐ Have a plan

Investments Owned:

☐ Stocks ☐ Bonds ☐ Mutual Funds
☐ Real Estate ☐ Annuities ☐ Business

Tax Return Preparation:

☐ Use paid preparer ☐ Use software ☐ Do manually

Insurance Owned:

☐ Life ☐ Disability ☐ Medical ☐ Long-term Care
☐ Vehicle ☐ Homeowner's ☐ Liability Umbrella

Estate Planning — I/We have current up-to-date:

☐ Wills ☐ Trusts ☐ Powers of Attorney
☐ Health Care Directive

You can email your registration to

admin@TheFinancialAwarenessFoundation.org

PLACE
STAMP
HERE

THE FINANCIAL AWARENESS FOUNDATION
959 GOLF COURSE DRIVE #273
ROHNERT PARK, CA 94928

financial PARTNER



Registration Form

FOLD AND TAPE FOR MAILING

The Future Starts Right Now

No matter what your financial situation is today, you can improve your financial future by taking action now.

Your *financial* PARTNER is here to guide you and help keep you in control of your finances. With its help, you will learn a complete personal financial management system—a clear, step-by-step process designed to enable you to put all the essential principles of smart financial management into action for you.

"Destiny is not a matter of change, it is a matter of choice; it is not a thing to be waited for, it is a thing to be achieved."

WILLIAM JENNINGS BRYANT

You will learn the key essential principles of smart money management and to coordinate all the major components of your comprehensive, personal financial management system.

- Organize your paperwork
- Keep an updated Things to Do List
- Keep a financial calendar for action dates
- Get an accurate picture of your net worth
- Use a workable cash flow management system
- Save money with cost-cutting and money-making strategies
- Learn how to make the most of your employment benefits
- Understand the financial planning process
- Define what really matters to you
- Begin investing for Financial Independence/Retirement (FIR) and for major expenditures
- Begin planning for major expenditures
- Find the right investments for you
- Implement your tax-reduction plan
- Purchase only the insurance you and your family need
- Create and keep your estate and gift plan current
- Track and monitor your financial, estate and gift plans

Turn the page and enter a whole new phase of your financial life.

"Early in my career I felt that organization would destroy my creativity.

Whereas now, I feel the opposite.

Discipline is the concrete that allows me to be creative."

VERNA GIBSON

Part I

Getting Organized



"One of the advantages of being disorderly is that one is constantly making exciting discoveries."

A. A. MILNE

"What Creates Clutter? ... my perception is that at a basic level, there is really just one flaw: a failure to systematize common decisions. Whenever I leave things lying out, it's because I'm not ready to decide what to do with them yet. So the process of organizing really comes down to having a system for automating decisions about where everything goes.

Disorganized people have few or no systems, so they must make every decision on a case by case basis. Eventually this becomes overwhelming, and clutter begins to pile up. Organized people will make far fewer decisions in the long run.

It takes far more time to be disorganized than it does to be organized because disorganized people lose so much time to inefficiency."

STEVE A. PAVLINA

Getting Organized

To get and keep your financial house in order is an important ongoing household task, but in these changing financial times it's particularly important. With all the financial uncertainties you want your important paperwork and digital files readily accessible.

Good organization is the foundation for making wise fiscal decisions. Even with the help of technology, we still have to deal with a rising mound of personal and financial paperwork.

Paperwork starts with our birth certificate and keeps getting bigger and more complex with each coming year. Bills, statements, medical records, taxes, kids' school scores, warranties and receipts — the flow of information can easily seem overwhelming, especially when scattered files or critical pieces of paper go astray.

And who has time for long-term planning when there are bills to pay and last year's tax records to get ready for the tax preparer?

Investing a little time now to set up or fine-tune a system that works for you will simplify your record-keeping and financial management forever.

Think of organizing your finances in four general areas:

1. Paperwork. This is all about managing information, both digital and paper documents. We all have birth records, school records, health records, insurance policies, tax records, bank statements, paid bills, correspondence.

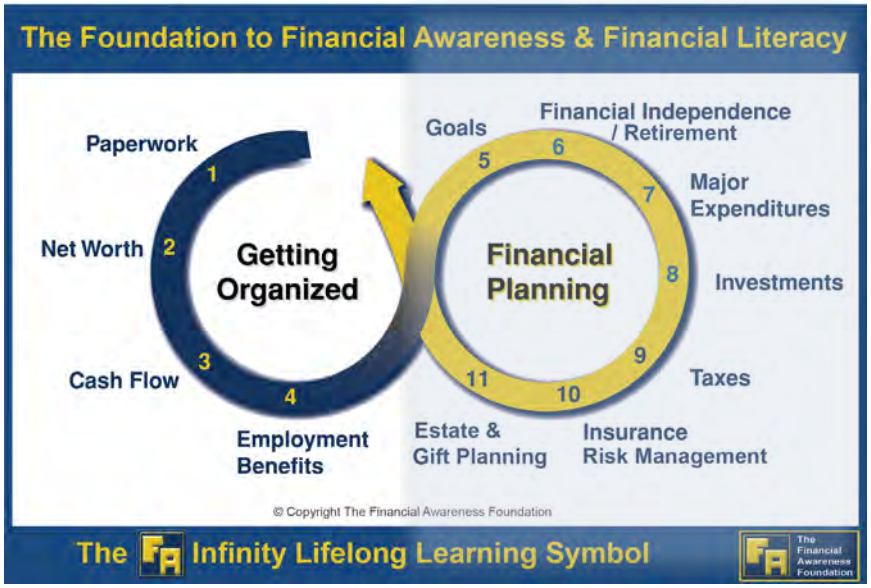
This information is commonly disorganized and difficult to access quickly. The key here is to give yourself some flexibility by setting up and using a filing system that meets your needs.

2. Net Worth. Once a year it's a good idea to inventory what you own and what you owe, and create your own personal net worth statement. Compare it to last year's statement and see if you are improving your financial position.

3. Cash Flow. This involves more than just creating a budget. Understanding what you earn and how you are using your money gives you more power over your life. Managing your money wisely, not emotionally, is the key to gaining control over your financial life and giving you the best chance of reaching and maintaining your lifelong goals.

4. Employment Benefits. For millions of workers and small-business owners, employment benefits are a hidden paycheck. Any amount your employer contributes to your insurance — health, vision, dental, disability, automobile, long-term care and life — future retirement, financial planning and other benefits is money you don't need to spend with your after-tax dollars.

Your *financial*PARTNER will now provide you with information and planning tips to help you get and stay better organized. The objective here is help you get and stay organized and to familiarize yourself with essential principles of smart financial management and processes so that you can begin creating or solidifying your personal financial plan.



"Organizing is what you do before you do something, so that when you do it, it is not all mixed up."

A. A. MILNE

"Use Warren Buffett's 5 / 25 exercise to help get and keep focused. If you really want to get ahead and achieve your goals start by listing your 25 top goals. Then circle your top 5. Then commit only to these top 5 and TOTALLY ignore all the rest until you've accomplished the top 5."

WARREN BUFFETT "

CHAPTER 1

Paperwork - Organizing Is Important





"Getting your house in order and reducing the confusion gives you more control over your life."

LARRY KING

Moving Past the Paperwork

Quick! Where's your life insurance policy? How about your home loan documents, or your ownership title to your vehicle, or last year's retirement plan statement? How long would it take you to document an and income tax deduction questioned by your tax authority? When is your next property tax payment due?

We all have to deal with a rising tide of personal and financial paperwork. It starts with your birth certificate and just keeps getting bigger and more complex over time. Bills, statements, records, receipts; the flow of information can easily seem overwhelming, especially when scattered files or critical pieces of paper and digital files go astray. And who has time for long-term thinking, when there are this month's bills and this year's tax returns with which to cope?

That's why organizing your paperwork, which now includes digital files, is the first and most fundamental step in financial management. If you invest the time to set up a system that works, it will simplify your record keeping and financial management forever. You'll also:

- Save time whenever you pay bills, make financial decisions, or work on income tax returns.
- Eliminate stressful last-minute searches for information or documents.
- Ensure that in a family emergency, critical documents and information are easily accessible.
- Keep from overlooking expense reimbursements or tax deductions to which you're entitled.
- Avoid paying penalties because of missed or late payments, or being caught short of funds when large obligations unexpectedly come due.

To add a bit more of a challenge to the tasks at hand, we are no longer just dealing with just hard copy and physical paperwork, we also must address digital files that are considered original documents, logins and passwords, credit reports, identity thefts, and so much more.

All it takes to organize your paperwork, both paper and digital, is a Financial Organizer, a flash drive or DVD, a few file folders, some time, and follow-through. If you want to strengthen your financial management, getting your paperwork organized is the place to begin. The time invested today will pay off in the future by saving you money, time, and stress.

Common Mistakes to Avoid

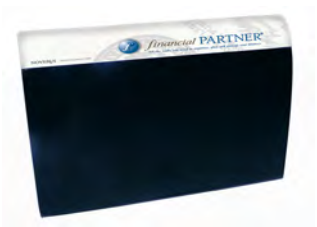
- ☐ 1. Being disorganized
- ☐ 2. Maintaining multiple To-Do Lists
- ☐ 3. Not storing primary documents in a central location, making it difficult for you or someone else to locate them during emergencies
- ☐ 4. Failing to build and track your social capital
- ☐ 5. Not utilizing financial advisors and product providers effectively
- ☐ 6. Neglecting to seek a second opinion on significant transactions
- ☐ 7. Not regularly checking your credit report and score
- ☐ 8. Failing to protect your confidential information and identity
- ☐ 9. Procrastination.

Preview of What You Will Be Doing

Here's an overview of the actions to take to organize your paperwork:

- ☐ 1. Use your Things to Do List as a reminder to prevent important tasks from "slipping through the cracks." As you determine what needs to be done, record each task on your Things to Do List.
- ☐ 2. Gather and centralize your most important money-related documents by filing them into your Financial Organizer, a pouch to hold your primary documents, and / or a flash drive or DVD or secured cloud or website to hold a digital version of them.
- ☐ 3. Set up your Personal Filing System to hold all your other financial documents. The Personal Filing System can be the start of an overall household filing system or augment one you already have.
- ☐ 4. Keep up with key financial dates, such as income tax filing or auto registration deadlines, using your own Financial Planning Calendar.
- ☐ 5. Organize your personal and family background information and data on the *financial*PARTNER Fact Sheets.
- ☐ 6. Building and tacking your social capital.
- ☐ 7. Select financial advisors and financial product providers to assist you in making important decisions and implementing your financial plans.
- ☐ 8. Obtain a copy of your credit report and score, not simply as a matter of record, but also to ensure that the information is accurate to save you money.
- ☐ 9. Protect your identity and those of your family members.
- ☐ 10. Add your competed forms into your FP Forms Binder.

When you have completed these steps, not only will your paperwork be organized, you'll have a flexible system you can use for life. You will also have at your fingertips the information base you need to make important informed financial decisions.

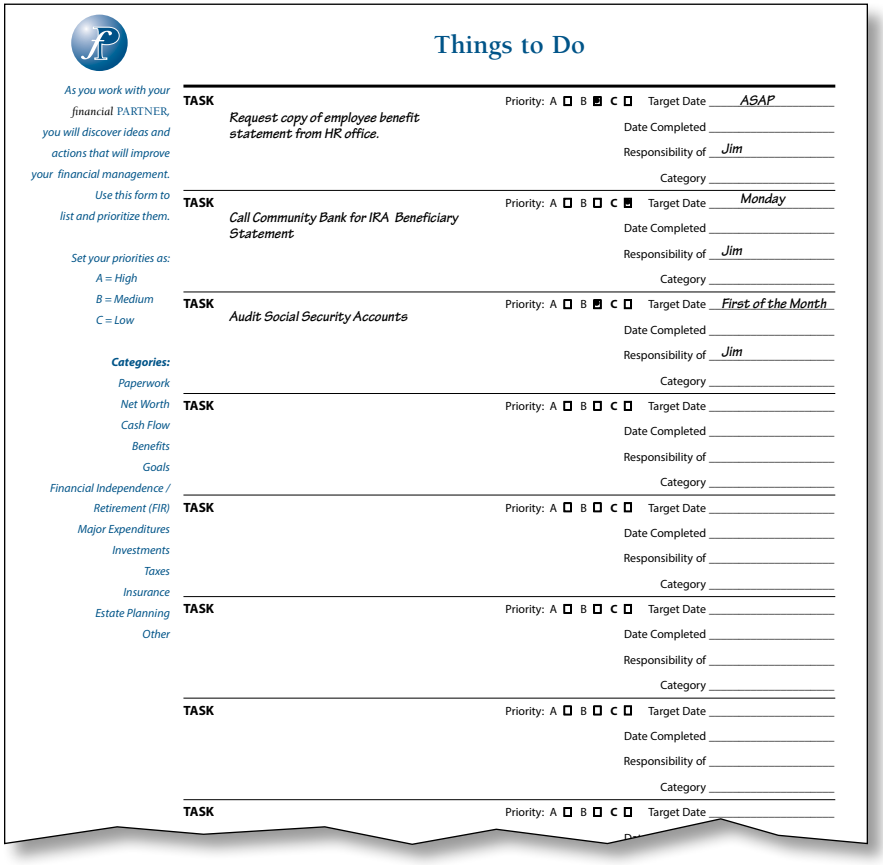






Start Your Things to Do List

As you set up your *Financial Organizer,* you will become aware of things you need to do or issues to consider in order to reach and maintain your goals. For example, you might need to locate a birth certificate or call your insurance broker for updates on a policy. While you are working with the *financial* PARTNER system, keep a copy of your **Things to Do** list near you to note the tasks you need to finish. This way, you won't forget or postpone them.



Things to Do

As you work with your financial PARTNER, you will discover ideas and actions that will improve your financial management. Use this form to list and prioritize them.

Set your priorities as:
A = High
B = Medium
C = Low

Categories:
Paperwork
Net Worth
Cash Flow
Benefits
Goals
Financial Independence / Retirement (FIR)
Major Expenditures
Investments
Taxes
Insurance
Estate Planning
Other

TASK	*Request copy of employee benefit statement from HR office.*	Priority: A ☐ B ☐ C ☑	Target Date: *ASAP* Date Completed: Responsibility of: *Jim* Category:
TASK	*Call Community Bank for IRA Beneficiary Statement*	Priority: A ☐ B ☐ C ☑	Target Date: *Monday* Date Completed: Responsibility of: *Jim* Category:
TASK	*Audit Social Security Accounts*	Priority: A ☐ B ☑ C ☐	Target Date: *First of the Month* Date Completed: Responsibility of: *Jim* Category:
TASK		Priority: A ☐ B ☐ C ☐	Target Date: Date Completed: Responsibility of: Category:
TASK		Priority: A ☐ B ☐ C ☐	Target Date: Date Completed: Responsibility of: Category:
TASK		Priority: A ☐ B ☐ C ☐	Target Date: Date Completed: Responsibility of: Category:
TASK		Priority: A ☐ B ☐ C ☐	Target Date: Date Completed: Responsibility of: Category:
TASK		Priority: A ☐ B ☐ C ☐	Target Date: Date Completed: Responsibility of: Category:
TASK		Priority: A ☐ B ☐ C ☐	Target Date:

Instructions: *Things to Do List*

1. **Make extra copies of this form before you get started.**
2. **Fill in the task you need to accomplish:**
   Be sure to write in any information that will help you finish the task: name of contact person, phone numbers, account numbers, etc.
3. **Prioritize and date:**
   Set a priority for each of your tasks:
   - **A - high priority**
   - **B - medium priority**
   - **C - low-priority**

   Decide when you need to complete each one. Write in your target date to prioritize the task. This will remind you of what is coming up for you to do and when. You can always change your mind and schedule a new date.

TIPS & IDEAS

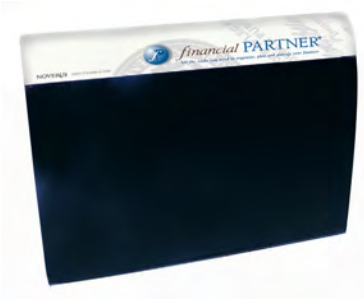
☐ Store your *Things to Do* list in a pending file, forms binder or where you normally pay your bills or make your phone calls, like your home office or the kitchen. The important thing is to have it accessible to review and update regularly.

Gather Primary Documents

Your **Financial Organizer** can be a simple portfolio pouch to store your primary documents, including birth certificates, prenuptial agreements, year-end statements, stock certificates, deeds, insurance policies, wills and trusts, and completed *financial* PARTNER forms in a three-hole binder. This can be acquired at a stationary store, online, or your make one from leather or materials. You can also use a flash drive, DVD, or secured website/cloud to capture a digital version of your primary documents. Use the **Primary Documents Checklist** included with your forms to guide you.

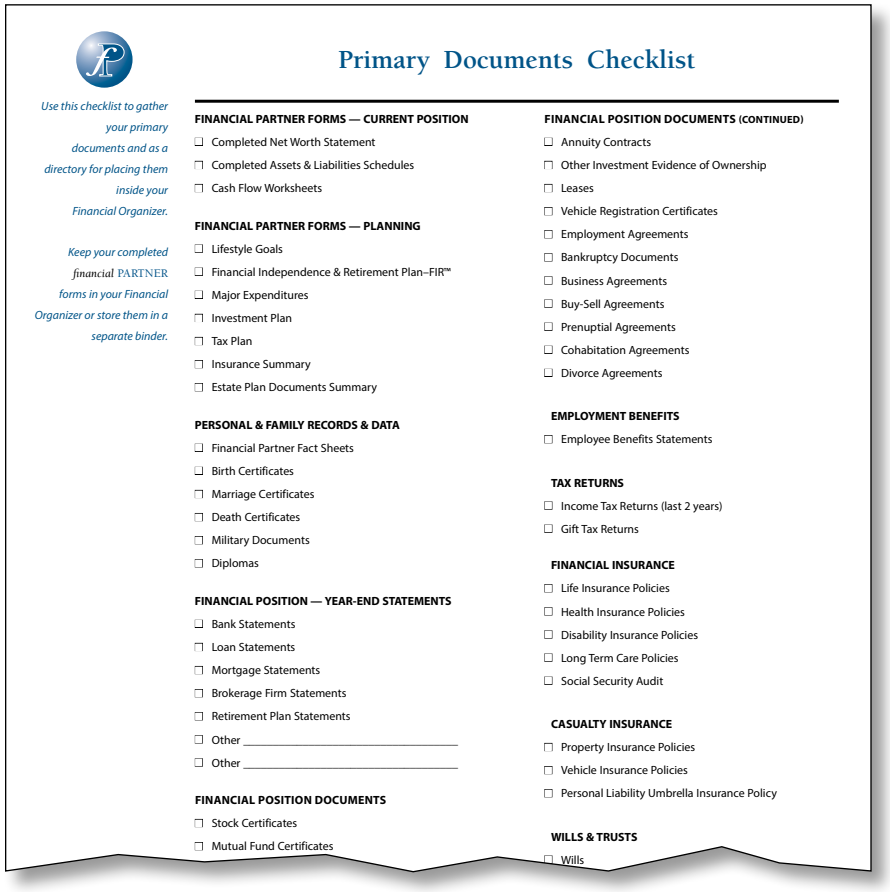
Having your documents available at your fingertips can save you real time when completing loan applications, insurance applications, and getting an accurate picture of your current financial situation. It can also save you — and your heirs — money. By organizing your primary financial documents in a centralized location, your key information will be available when you meet with financial advisors, if you become ill and someone needs to assist you with your finances, or when you pass away.





Instructions: *Primary Documents Checklist*

1. **Gather primary documents using the** Primary Documents Checklist **as a guide.** Gather and check off the documents that are easily accessible. If certain documents are not readily available, jot them down on your **Things to Do List** to remind you to add them to your ***Financial Organizer,*** and your flash drive or DVD or secured off sit cloud/website. As you complete the *financial* PARTNER forms and worksheets, store them in your Personal Financial Plan Binder with your **Financial Organizer**, and include a digital version on a flash drive or DVD.
2. **File all primary documents in your** Financial Organizer. Notice that you can label your organizer separators to correspond with the headings on the **Primary Documents Checklist** and can serve as a directory for your folders on your flash drive, DVD, or secured website. However, feel free to customize your own labels if that works better for you.



Use this checklist to gather your primary documents and as a directory for placing them inside your Financial Organizer.

Keep your completed financial PARTNER forms in your Financial Organizer or store them in a separate binder.

Primary Documents Checklist

FINANCIAL PARTNER FORMS — CURRENT POSITION
- ☐ Completed Net Worth Statement
- ☐ Completed Assets & Liabilities Schedules
- ☐ Cash Flow Worksheets

FINANCIAL PARTNER FORMS — PLANNING
- ☐ Lifestyle Goals
- ☐ Financial Independence & Retirement Plan–FIR™
- ☐ Major Expenditures
- ☐ Investment Plan
- ☐ Tax Plan
- ☐ Insurance Summary
- ☐ Estate Plan Documents Summary

PERSONAL & FAMILY RECORDS & DATA
- ☐ Financial Partner Fact Sheets
- ☐ Birth Certificates
- ☐ Marriage Certificates
- ☐ Death Certificates
- ☐ Military Documents
- ☐ Diplomas

FINANCIAL POSITION — YEAR-END STATEMENTS
- ☐ Bank Statements
- ☐ Loan Statements
- ☐ Mortgage Statements
- ☐ Brokerage Firm Statements
- ☐ Retirement Plan Statements
- ☐ Other _____
- ☐ Other _____

FINANCIAL POSITION DOCUMENTS
- ☐ Stock Certificates
- ☐ Mutual Fund Certificates

FINANCIAL POSITION DOCUMENTS (CONTINUED)
- ☐ Annuity Contracts
- ☐ Other Investment Evidence of Ownership
- ☐ Leases
- ☐ Vehicle Registration Certificates
- ☐ Employment Agreements
- ☐ Bankruptcy Documents
- ☐ Business Agreements
- ☐ Buy-Sell Agreements
- ☐ Prenuptial Agreements
- ☐ Cohabitation Agreements
- ☐ Divorce Agreements

EMPLOYMENT BENEFITS
- ☐ Employee Benefits Statements

TAX RETURNS
- ☐ Income Tax Returns (last 2 years)
- ☐ Gift Tax Returns

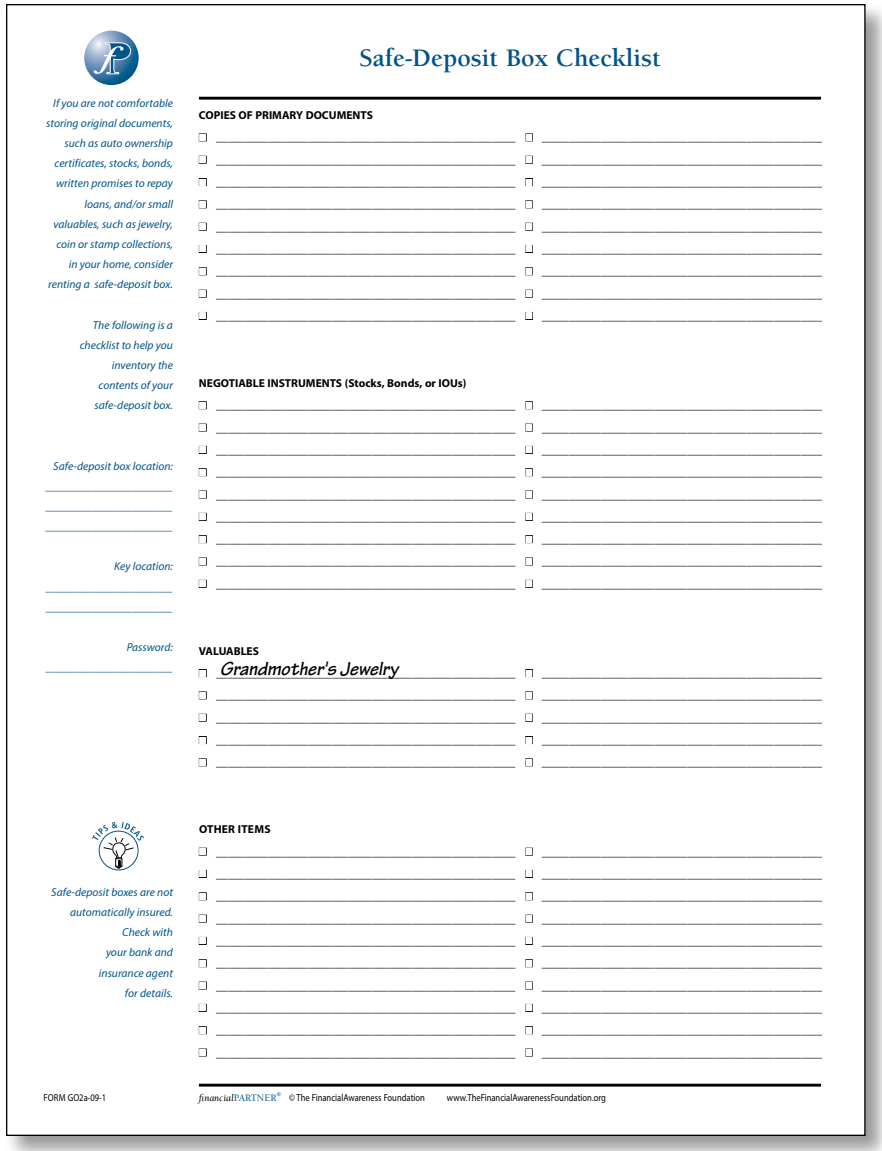
FINANCIAL INSURANCE
- ☐ Life Insurance Policies
- ☐ Health Insurance Policies
- ☐ Disability Insurance Policies
- ☐ Long Term Care Policies
- ☐ Social Security Audit

CASUALTY INSURANCE
- ☐ Property Insurance Policies
- ☐ Vehicle Insurance Policies
- ☐ Personal Liability Umbrella Insurance Policy

WILLS & TRUSTS
- ☐ Wills

3. **Duplicate critical documents and store originals in a safe-deposit box.** If you have one-of-a-kind documents, such as evidence of automobile ownership (title papers), or negotiable instruments, such as stock or bond certificates, make copies to be placed in your **Financial Organizer,** and keep the originals in a safe-deposit box. (Keeping originals in your **Financial Organizer** in a safe or box at home may be adequate for you, providing it is safe from fire and theft.) For documents that are easily replaced, such as insurance policies, employment benefit statements, and mutual fund statements, the cover page and other key pages can be copied and placed in the safe-deposit box. Valuable items such as jewelry, rare gems, coins, and stamps should always be stored in a secured safe place or in a bank safe-deposit box. Check with the financial institution that houses your safe-deposit box to be sure that the contents are insured. If they are not, check with your insurance agent regarding cost of coverage. A **Safe-Deposit Box Checklist** is provided in your packet of forms to inventory your safe-deposit box contents.
4. **After you have filed a document in your** Financial Organizer, **check it off your list.**
5. **Store your** Financial Organizer **and flash drive / DVD or secured website access information in a fireproof safe/ box in your home.** Be sure all adult members of your household know its location in case of an emergency. Do not keep your **Financial Organizer** in a safe-deposit box, since it is important that your primary documents be easily accessible in case of an emergency, when the banks may be closed. Also, certain states prohibit access to safe-deposit boxes upon the death of the owners without court supervision.

Now that all your primary documents are organized, safe, and easy to access, the next step is to organize your other financial information, correspondence, records, and other paperwork.



Safe-Deposit Box Checklist

If you are not comfortable storing original documents, such as auto ownership certificates, stocks, bonds, written promises to repay loans, and/or small valuables, such as jewelry, coin or stamp collections, in your home, consider renting a safe-deposit box.

The following is a checklist to help you inventory the contents of your safe-deposit box.

Safe-deposit box location:

Key location:

Password:

COPIES OF PRIMARY DOCUMENTS

NEGOTIABLE INSTRUMENTS (Stocks, Bonds, or IOUs)

VALUABLES

Grandmother's Jewelry

OTHER ITEMS

TIPS & IDEAS

Safe-deposit boxes are not automatically insured. Check with your bank and insurance agent for details.

FORM GO2a-09-1

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Set Up Your Personal Filing System

A **Personal Filing System** will contain information that supports your primary documents, e.g., correspondence, worksheets, insurance claims, etc., as well as other miscellaneous paperwork. The purpose of this system is to provide easy access to documents and information that could be needed in the future. If you do not have a **Personal Filing System** in place, or if your system could be improved, the *financial*PARTNER provides the following guidelines.

What You'll Need

The *financial*PARTNER **Personal Filing System** is set up using manila file folders which can be stored in a file box, desk drawer, regular or fireproof file cabinet, or storage boxes. Depending on the complexity of your current financial situation, you will need a minimum of 12 dividers and 25 manila file folders. This same methodology can be use or modified for your digital files.



Instructions: *Personal Files Checklist*

1. **Set up your Action Files — Ready Access Items.** Label the first divider "Action File" for organizing your most frequently used files. Set up the following Action Files:

    1. **Bills to Be Paid**
    2. **Paid Bills, Current Year**
    3. **Current Year Tax File**
    4. **Invoices/Credit Card Receipts**
    5. **Monthly Statements**
    6. **Pending Items**
    7. **Coming Events**
    8. **To Be Filed**

    If there are other frequently used files, include them in the Action File category. Number or color-code them for easy access and filing, and keep them in a readily accessible file box, desk drawer, or file cabinet. Review your Action Files each time you pay your bills.



☐ Keep all warranties in a single location. To save time and hardship keep your warranty cards with their purchase receipts for your key purchases in a centralized location. Store them in a permanent file called "Warranties" that can be kept with your other asset and liability files within your filing system.

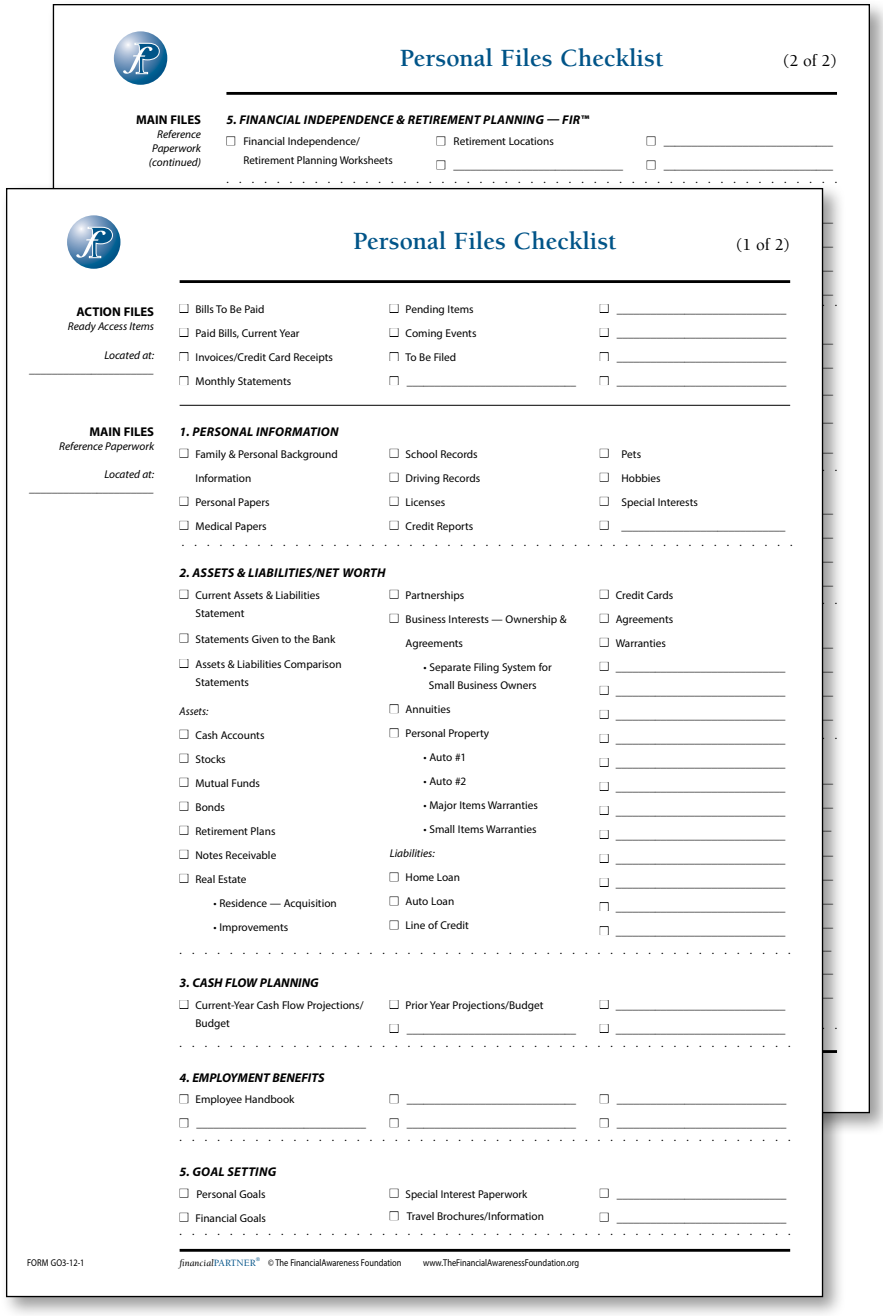
2. **Set up your Main Files — Reference Paperwork.** The remaining 11 dividers organize the heart of your *Personal Filing System*. This is where you store the paperwork you may need sometime in the future. Label these dividers as follows:

    1. **Personal Information**
    2. **Assets & Liabilities/Net Worth**
    3. **Cash Flow Planning**
    4. **Employment Benefits**
    5. **Goal Setting**
    6. **Financial Independence & Retirement Planning**
    7. **Major Expenditures**
    8. **Investment Planning**
    9. **Tax Planning**
    10. **Insurance Planning**
    11. **Estate & Gift Planning**

See the Main Files checklist for suggested labels for your manila file folders.

3. **Set up your Historical Files.** This is where you keep old, bulky paperwork, such as your last two years' tax return support documents, and old insurance policies. To conserve work space, these infrequently used files can be kept in clearly labeled file boxes stored in the attic, basement, or other safe out-of-the-way location.
4. **Set up your Family Memorabilia/Projects file.** This is where you keep those hard-to-file but important special projects, such as children's school papers, landscaping and remodeling plans. This information can be kept in clearly labeled file boxes in the attic, basement, or other safe, out-of-the-way location.

Now that your financial documents are organized, you can move on to the Financial Planning Calendar.



Personal Files Checklist (2 of 2)

MAIN FILES
Reference Paperwork (continued)

5. FINANCIAL INDEPENDENCE & RETIREMENT PLANNING — FIR™

- ☐ Financial Independence/ Retirement Planning Worksheets
- ☐ Retirement Locations
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

Personal Files Checklist (1 of 2)

ACTION FILES
Ready Access Items
Located at: _____

- ☐ Bills To Be Paid
- ☐ Paid Bills, Current Year
- ☐ Invoices/Credit Card Receipts
- ☐ Monthly Statements
- ☐ Pending Items
- ☐ Coming Events
- ☐ To Be Filed
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

MAIN FILES
Reference Paperwork
Located at: _____

1. PERSONAL INFORMATION

- ☐ Family & Personal Background Information
- ☐ Personal Papers
- ☐ Medical Papers
- ☐ School Records
- ☐ Driving Records
- ☐ Licenses
- ☐ Credit Reports
- ☐ Pets
- ☐ Hobbies
- ☐ Special Interests
- ☐ _____

2. ASSETS & LIABILITIES/NET WORTH

- ☐ Current Assets & Liabilities Statement
- ☐ Statements Given to the Bank
- ☐ Assets & Liabilities Comparison Statements

Assets:

- ☐ Cash Accounts
- ☐ Stocks
- ☐ Mutual Funds
- ☐ Bonds
- ☐ Retirement Plans
- ☐ Notes Receivable
- ☐ Real Estate
    - Residence — Acquisition
    - Improvements
- ☐ Partnerships
- ☐ Business Interests — Ownership & Agreements
    - Separate Filing System for Small Business Owners
- ☐ Annuities
- ☐ Personal Property
    - Auto #1
    - Auto #2
    - Major Items Warranties
    - Small Items Warranties

Liabilities:

- ☐ Home Loan
- ☐ Auto Loan
- ☐ Line of Credit
- ☐ Credit Cards
- ☐ Agreements
- ☐ Warranties
- ☐ _____

3. CASH FLOW PLANNING

- ☐ Current-Year Cash Flow Projections/ Budget
- ☐ Prior Year Projections/Budget
- ☐ _____

4. EMPLOYMENT BENEFITS

- ☐ Employee Handbook
- ☐ _____

5. GOAL SETTING

- ☐ Personal Goals
- ☐ Financial Goals
- ☐ Special Interest Paperwork
- ☐ Travel Brochures/Information

FORM GO3-12-1

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Fill Out Your Financial Planning Calendar

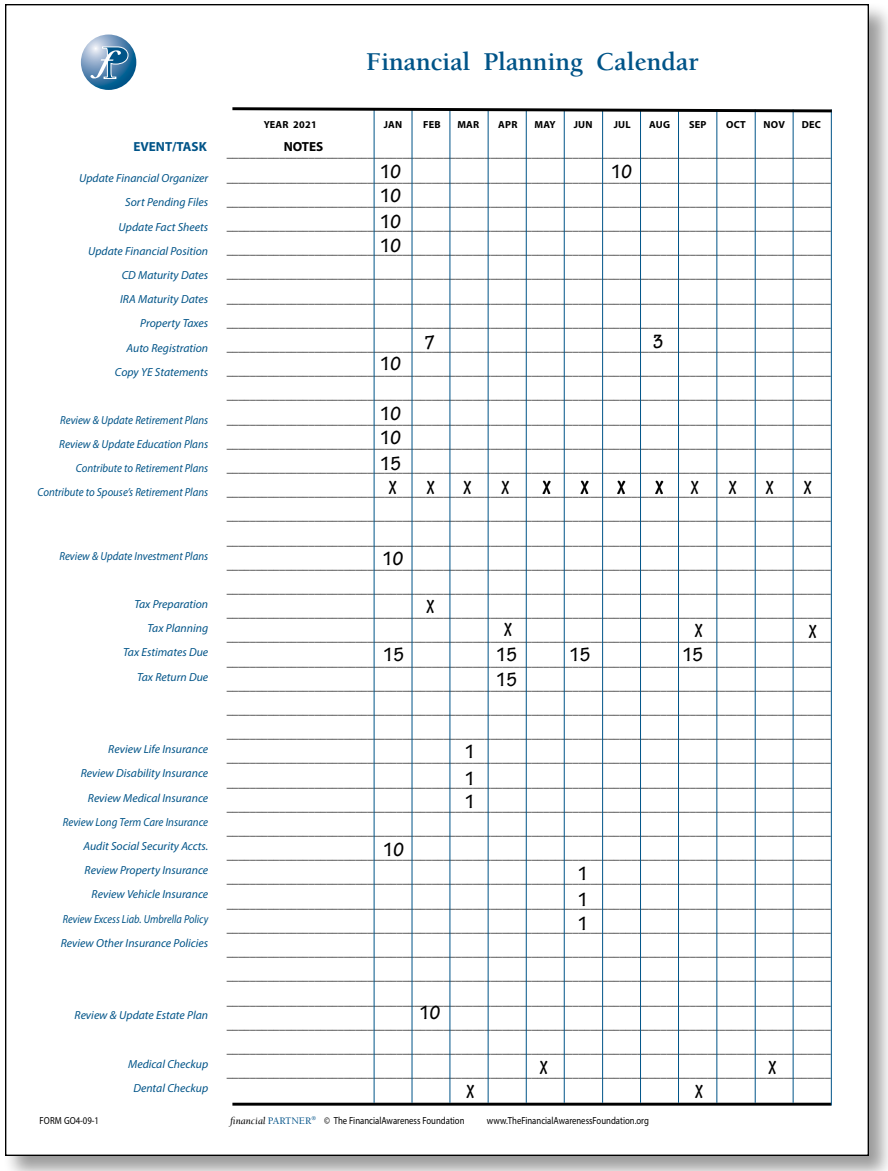
Many financial obligations occur on a regular schedule. Still, annual events like renewals of insurance policies, certificates of deposit maturities, or property tax deadlines can catch you by surprise. Use the **Financial Planning Calendar** to manage important financial dates and take the weight of your financial schedule off your mind. You will find two "year-at-a-glance" **Financial Planning Calendars** in your packet of forms:

- ☐ The first calendar has regular predefined events to remind you of key financial dates, such as income tax filing or auto registration renewal.
- ☐ The second calendar is blank so you can customize it to your particular financial dates or event. These may include annual shareholder meetings, real estate review, and lease renewal dates.

If you use a digital calendering system you can easily incorporate this methodology into it.

"Great things are not done by impulse, but by a series of small things brought together"

VINCENT VAN GOGH



Financial Planning Calendar

EVENT/TASK	YEAR 2021 NOTES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Update Financial Organizer		10						10					
Sort Pending Files		10											
Update Fact Sheets		10											
Update Financial Position		10											
CD Maturity Dates													
IRA Maturity Dates													
Property Taxes													
Auto Registration			7						3				
Copy YE Statements		10											
Review & Update Retirement Plans		10											
Review & Update Education Plans		10											
Contribute to Retirement Plans		15											
Contribute to Spouse's Retirement Plans		X	X	X	X	X	X	X	X	X	X	X	X
Review & Update Investment Plans		10											
Tax Preparation			X										
Tax Planning					X					X			X
Tax Estimates Due		15			15		15			15			
Tax Return Due					15								
Review Life Insurance				1									
Review Disability Insurance				1									
Review Medical Insurance				1									
Review Long Term Care Insurance													
Audit Social Security Accts.		10											
Review Property Insurance							1						
Review Vehicle Insurance							1						
Review Excess Liab. Umbrella Policy							1						
Review Other Insurance Policies													
Review & Update Estate Plan			10										
Medical Checkup						X						X	
Dental Checkup				X						X			

FORM GO4-09-1

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Instructions: *Financial Planning Calendar*

1. **Preview the** Financial Planning Calendar. Enter the dates you already know on your **Financial Planning Calendar.** Note any dates that you need to look up on your **Things to Do List** to remind you to add them to your **Financial Planning Calendar.**
2. **Mark financial dates on your** Financial Planning Calendar. Note the activity or task, then mark the date in the column to the right under the appropriate month, day and year. Also mark these dates on your personal time management calendar, if you keep one.
3. **Keep your** Financial Planning Calendar **handy.** Store it in your forms binder or in your **Financial Organizer**.
4. **Review your** Financial Planning Calendar **monthly.** Check your calendar each month to see what's coming up. A good time to do this is when you are paying bills. Review the current and next two months so you can plan your cash flow accordingly, without surprises. Transfer these tasks, such as property tax payments, quarterly income tax payments, and auto registration to your personal calendar or planner in red ink so you do not miss them.



TIPS & IDEAS

☐ Plan ahead. Allow yourself plenty of lead time to accomplish tasks related to dates that you mark on your Financial Planning Calendar. For example, give yourself at least a week or two before you have to reinvest your certificate of deposit or renew your insurance policy. This additional time will give you a chance to identify and evaluate your choices. If you wait until the last minute, odds are you will automatically renew without considering new options.

Personal finance doesn't have to be daunting or overwhelming; try the TFAF-12 Month Financial Fitness Plan.

http://www.thefinancialawarenessfoundation.org/pdf/TFAF-12MonthFinFitnessCalendar.pdf

Organize Your Personal & Family Data

The next step in organizing your financial affairs is to fill out a series of **Fact Sheets** that keep key personal and family data. This information will then be readily available to you and others who deal with your finances. These **Fact Sheets** will be used for financial applications, advisor interviews, tax return preparation, and family matters.



Instructions: *Personal & Family Fact Sheets*

1. **Gather all personal documents or information needed to complete the forms, such as:**

   - ☐ Birth Dates / Birth Certificates
   - ☐ Phone & Fax Numbers, Email Addresses
   - ☐ Employment History & Resumés, References
   - ☐ Family & Friends: Names, Addresses, and Phone Numbers
   - ☐ Education: Diplomas, Transcripts and Certificates
   - ☐ Military History: Discharge Papers, Veterans Administration Documents
   - ☐ Marital Status / Dates
   - ☐ Custody and Support Agreements
   - ☐ Social Security Numbers and Audits
   - ☐ Immigration Certificates
   - ☐ Driver's License Numbers
   - ☐ Blood Type and Major Illnesses
   - ☐ Professional License Numbers
   - ☐ Passport Number
   - ☐ Safe-Deposit Box Number and Bank
   - ☐ Advisors: Names, Addresses, and Phone Numbers
   - ☐ ATM and Other PIN Numbers

2. **Fill out all** Fact Sheets.

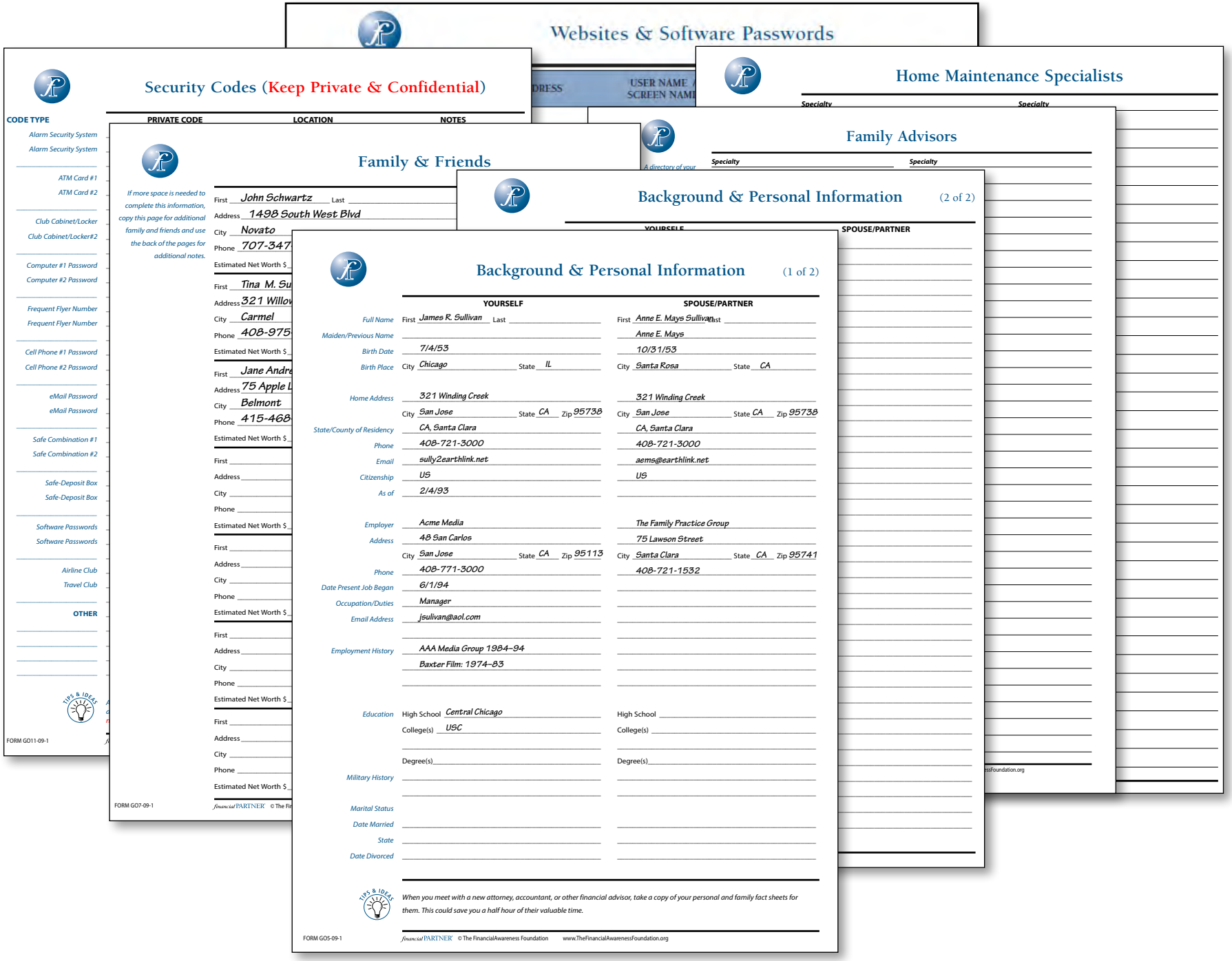
   - ☐ Personal Information
   - ☐ Family & Friends
   - ☐ Family Advisors
   - ☐ Home Maintenance Specialists
   - ☐ Financial Advisors
   - ☐ Security Codes / Passwords - Caution - keep this confidential
   - ☐ Websites & Software Passwords

   If you require more space to complete your personal and family information, use additional copies.

3. **Return personal records to your** Financial Organizer.
4. **File your completed personal and** Family Fact Sheets **in the** Personal & Family Records and Data **section of your** Financial Organizer **or forms binder.**
5. **Add a reminder on your** Financial Planning Calendar **to periodically review and update your** Fact Sheets.



☐ When you meet with a new attorney, accountant, or other financial advisor, take a copy of your personal and family Fact Sheets for them. This could save you a half hour of their time. At $100 to over $450 an hour, that can be serious money!



Websites & Software Passwords

USER NAME / SCREEN NAME

Security Codes (Keep Private & Confidential)

CODE TYPE	PRIVATE CODE	LOCATION	NOTES
Alarm Security System			
Alarm Security System			
ATM Card #1			
ATM Card #2			
Club Cabinet/Locker			
Club Cabinet/Locker#2			
Computer #1 Password			
Computer #2 Password			
Frequent Flyer Number			
Frequent Flyer Number			
Cell Phone #1 Password			
Cell Phone #2 Password			
eMail Password			
eMail Password			
Safe Combination #1			
Safe Combination #2			
Safe-Deposit Box			
Safe-Deposit Box			
Software Passwords			
Software Passwords			
Airline Club			
Travel Club			
OTHER			

FORM GO11-09-1

Home Maintenance Specialists

Specialty | Specialty

Family Advisors

Specialty | Specialty

A directory of your

Family & Friends

If more space is needed to complete this information, copy this page for additional family and friends and use the back of the pages for additional notes.

First John Schwartz Last
Address 1498 South West Blvd
City Novato
Phone 707-347
Estimated Net Worth $

First Tina M. Su
Address 321 Willow
City Carmel
Phone 408-975
Estimated Net Worth $

First Jane Andre
Address 75 Apple L
City Belmont
Phone 415-468
Estimated Net Worth $

First
Address
City
Phone
Estimated Net Worth $

First
Address
City
Phone
Estimated Net Worth $

First
Address
City
Phone
Estimated Net Worth $

First
Address
City
Phone
Estimated Net Worth $

FORM GO7-09-1 financialPARTNER © The Fi

Background & Personal Information (2 of 2)

	YOURSELF	SPOUSE/PARTNER
Full Name	First James R. Sullivan Last	First Anne E. Mays Sullivan Last
Maiden/Previous Name		Anne E. Mays
Birth Date	7/4/53	10/31/53
Birth Place	City Chicago State IL	City Santa Rosa State CA
Home Address	321 Winding Creek	321 Winding Creek
	City San Jose State CA Zip 95738	City San Jose State CA Zip 95738
State/County of Residency	CA, Santa Clara	CA, Santa Clara
Phone	408-721-3000	408-721-3000
Email	sully2earthlink.net	aems@earthlink.net
Citizenship	US	US
As of	2/4/93	
Employer	Acme Media	The Family Practice Group
Address	48 San Carlos	75 Lawson Street
	City San Jose State CA Zip 95113	City Santa Clara State CA Zip 95741
Phone	408-771-3000	408-721-1532
Date Present Job Began	6/1/94	
Occupation/Duties	Manager	
Email Address	jsulivan@aol.com	
Employment History	AAA Media Group 1984–94	
	Baxter Film: 1974–83	
Education	High School Central Chicago	High School
	College(s) USC	College(s)
	Degree(s)	Degree(s)
Military History		
Marital Status		
Date Married		
State		
Date Divorced		

Background & Personal Information (1 of 2)

	YOURSELF	SPOUSE/PARTNER
Full Name	First James R. Sullivan Last	First Anne E. Mays Sullivan Last
Maiden/Previous Name		Anne E. Mays
Birth Date	7/4/53	10/31/53
Birth Place	City Chicago State IL	City Santa Rosa State CA
Home Address	321 Winding Creek	321 Winding Creek
	City San Jose State CA Zip 95738	City San Jose State CA Zip 95738
State/County of Residency	CA, Santa Clara	CA, Santa Clara
Phone	408-721-3000	408-721-3000
Email	sully2earthlink.net	aems@earthlink.net
Citizenship	US	US
As of	2/4/93	
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Education	High School Central Chicago	High School
	College(s) USC	College(s)
	Degree(s)	Degree(s)
Military History		
Marital Status		
Date Married		
State		
Date Divorced		

When you meet with a new attorney, accountant, or other financial advisor, take a copy of your personal and family fact sheets for them. This could save you a half hour of their valuable time.

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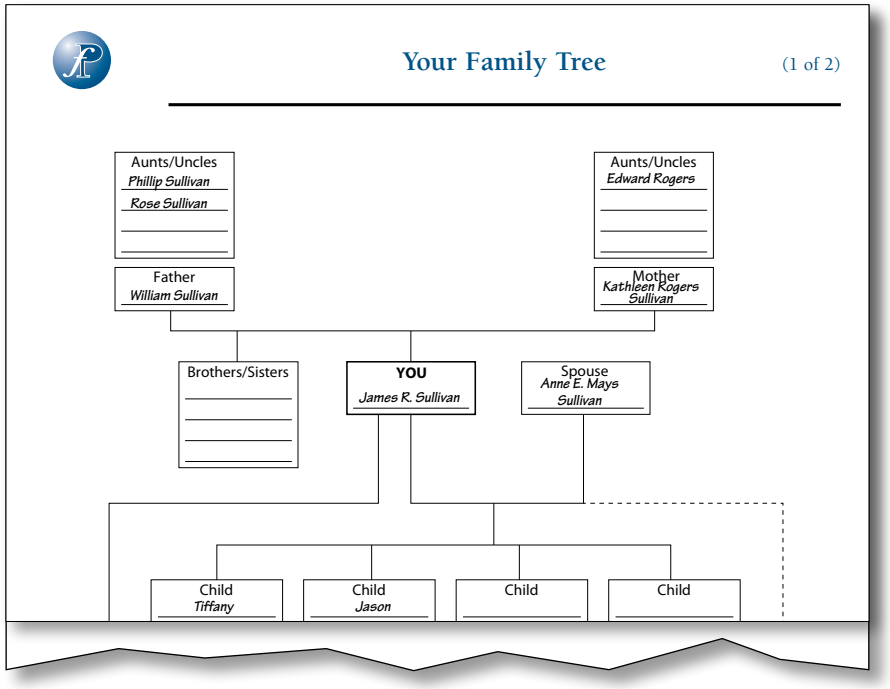
Outline Your Family Tree

The next step is to fill out your family tree. This will give you and your advisors a quick view of your linear family relationships that can assist with estate and gift planning.

For many people this becomes a wonderful way to learn about your heritage and discover distant relatives.

Instructions: *Your Family Tree Form*

1. **Identify your siblings, your parents, their siblings**
2. **Children of your current or any prior marriages or relationships**
3. **Children of your children—your grandchildren**
4. **Do the same for your spouse or life partner**



Building & Tracking Your Social Capital

SOCIAL CAPITAL: Connections, networks and relationships amongst people your meet.

Building social capital takes time and is not built overnight. It starts with family, then close friends and quickly expands with ones community involvements, schooling, sports, employment and further interactions with people. In recent time social media has greatly expanded possibilities to connect with people. Building a strong your Social Capital base does not require money, especially within our expanding digitally connected world to build.

Social capital can be a very important element of our futures. If we assemble, grow, and manage it effectively it can make a powerful difference in our quality of life by saving us time and money, finding better products and services, securing better employment and advancing within an organization, and just make life more enjoyable and productive.

In the olden days, we did this by meeting people and collecting and managing our relationships manually through business cards and Rolodex, mailing lists, and address books. Today we have tools like CRMs, LinkedIn, Google Contacts; learn to use them wisely and effectively as they can help make a world of difference in your life and the lives around you.

"To love someone deeply gives you strength. Being loved by someone deeply gives you courage."

LAO-TZU (CA. 600 B.C.), PHILOSOPHER

Selecting Financial Advisors & Product Providers

Financial service advisors and financial product providers can assist you in making important decisions, helping you avoid big financial mistakes, and implementing your financial, estate and gift plans. They can be an invaluable resource over your lifetime. However, due to the complexities of today's financial environment, it is very important that you carefully select your qualified advisors and product providers.

Choosing a financial advisor and service provider is not unlike choosing a doctor, dentist, or other professional and requires careful screening. They can assist with many financial matters and help guide you when your situation or laws change or emergencies occur. Their services, used properly, should save you both time and money. The responsibility of selecting financial service providers is yours. This section will guide you in locating, selecting, and evaluating your financial advisors and financial product providers.



If your require the services of particular financial service professional and don't have what's needed start by asking your current professional contacts and your peers for referrals. If you do not get satisfactory input, check with professional organizations and associations for advisor referrals such as these from the USA:

- AEP® (Accredited Estate Planner®)—National Association of Estate Planners and Councils, 866.226.2224, www.NAEPC.org/
- Attorney (Lawyer)—State Bar Association: www.abanet.org
- CAP® (Chartered Advisor in Philanthropy®)—The American College of Financial Services, 888.263.7265, www.theamericancollege.edu/
- CEBS® (Certified Employee Benefit Specialist®)—International Foundation of Employee Benefit Plans, 888.334.3327, www.ifebp.org
- CFA (Chartered Financial Analyst)—CFA Institute, 800.247.8132, www.VFAInstitute.org
- CFP® (Certified Financial Planner®)—Board of Standard Financial Planning Association, 800.487.1497, www.CFP.net
- ChFC® (Chartered Financial Consultant®)—The American College of Financial Services, 888.263.7265, www.theamericancollege.edu/, Society of Financial Service Professionals™, 888.243.2258, www.financialpro.org
- CLU® (Chartered Life Underwriter®)—The American College of Financial Services, 888.263.7265, www.theamericancollege.edu/, Society of Financial Service Professionals™, 888.243.2258, www.financialpro.org
- CPA (Certified Public Accountant)—American Institute of Certified Public Accountants, 888.777.7077, www.aicpa.org
- CPA/PFS (Certified Public Accountant/Personal Financial Specialist)—American Institute of Certified Public Accountants, 888.777.7077, www.aicpa.org
- CPCU (Chartered Property Casualty Underwriter), 800.932.2728, www.cpcusociety.org
- CTFA (Certified Trust & Financial Advisor)—American Bankers Association, 800.226-5377, www.aba.com/About+ABA/abainfo.htm
- FPA (Financial Planning Association), 800.322.4237, www.financialplanningassociation.org/
- NAPFA (National Association of Personal Financial Advisors), 888.333.6659, www.napfa.org
- NAEPC (National Association of Estate Planners and Councils), 866.226.2224, www.NAEPC.org
- Private Fiduciary —check your state or contact The Professional Fiduciary Association of California for assistance, 949.681.8046, wwwpfac.org
- Real estate agents and brokers—your local Board of Realtors or the National Association of REALTORS®, www.realtor.com
- RIA (Registered Investment Advisor)—State Department of Corporations; and Financial Industry Regulatory Authority 301.590.6500, www.finra.org
- Stockbrokers and Registered Representatives—Financial Industry Regulatory Authority 301.590.6500, www.finra.org. Here is a link to check out a broker https://brokercheck.finra.org/

Be advised, financial advisors and financial product providers are usually compensated differently.

- ☐ Commission-based financial product providers—These providers do not charge any direct fees, provided that you buy your financial products through them. The advantage is that you do not pay directly for services. The disadvantage is that they might lose their objectivity or provide you with financial products that have excessive commissions or are not right for you. Commission-based providers are usually found through brokerage houses, insurance companies, and financial planning firms.
- ☐ Fee-based advisors—These advisors charge you for their time. They work on an hourly or project basis or charge a fee based on a percentage of your assets. The advantage of this type of arrangement is maintaining the advisors' objectivity and independence. The fee advisor may direct you to no-commission or low-commission products. The disadvantage is that you pay direct fees even if you do not follow their advice. If there are financial products involved, you may end up paying commissions along with the fees. Fee-based advisors are usually found through accounting firms, law firms, and financial planning practices.

Financial Advisors & Product Providers Role

Financial advisors and financial product providers you might use in your financial, estate and gift planning may include: attorneys, accountants, financial planners, investment advisors, money managers, stockbrokers, real estate brokers, life insurance agents, property/casualty insurance agents and brokers, trustees and trust officers, private fiduciaries, and bankers, and maybe others.

Many financial advisors and financial product providers may provide more than one service. For example, some law firms provide tax preparation services, as well as functioning as financial advisors and wealth managers. Accounting firms may function beyond the scope of tax preparers and serve as financial advisors and wealth managers. A number of life insurance agents and stockbrokers are qualified as financial planners.

It is also common to have more than one advisor to assist you on a given assignment. For example you may retain a 'fee-only' financial planner to review your finances and draft a comprehensive financial plan for you. This may be a CFP (Certified Financial Planner), or CPA/PFS (Certified Public Accountant/Personal Financial Specialist) or ChFC (Chartered Financial Consultant).

To implement your plan you may require the services of a CPA (Certified Public Accountant) to deal with tax returns and tax questions, an estate planning attorney to draft your estate plan documents, RIA (Registered Investment Advisor), register representative (stockbroker), trust company or wealth manager to manage your equity portfolio, a realtor to buy and sell real estate, and a CLU (Chartered Life Underwriter), CPCU (Chartered Property Casualty Underwriter), or an insurance agent to buy your insurance policies.

This chart illustrates how various financial advisors and product providers may participate in several key areas of comprehensive financial planning and implementation.

Red denotes possible lead advisor in the subject area
Green denotes possible lead product provider in the subject area
Black denotes possible support in the subject area

Comprehensive Financial Plans & Planning	Estate & Gift Plan Documents	Investment Management & Sales	Tax Prep IRS-Court	Insurance-Financial Property & Casualty Purchase
Attorney	Attorney – Specializing in Estate Planning	Attorney	Attorney – Specializing in Tax	Attorney
CFP- Certified Financial Planner	CFP- Certified Financial Planner	CFP- Certified Financial Planner	CFP - Certified Financial Planner	CFP- Certified Financial Planner
ChFC - Chartered Financial Consultant	ChFC - Chartered Financial Consultant	ChFC - Chartered Financial Consultant	ChFC - Chartered Financial Consultant	ChFC - Chartered Financial Consultant
CLU - Chartered Life Underwriter	CLU - Chartered Life Underwriter	CLU - Chartered Life Underwriter	CLU - Chartered Life Underwriter	CLU - Chartered Life Underwriter
CPA - Certified Public Accountant	CPA - Certified Public Accountant	CPA - Certified Public Accountant	CPA - Certified Public Accountant	CPA - Certified Public Accountant
CTFA - Certified Trust & Financial Advisors	CTFA - Certified Trust & Financial Advisors	CTFA - Certified Trust & Financial Advisors	CTFA - Certified Trust & Financial Advisors	CTFA - Certified Trust & Financial Advisors
Private Fiduciary	Private Fiduciary	Private Fiduciary	Private Fiduciary	Private Fiduciary
		CFA - Chartered Financial Analysis		CPCU -Chartered Property Casualty Underwriter
		Registered Rep		PC – Ins Agents Property & Casualty Agents
		RIA - Registered Investment Advisor		Financial – Ins Agents

If your require the services of particular financial advisor and financial product provider and don't have what's needed start by asking your current professional contacts and your peers for referrals. Are they aware of any? If there situation is similar, who presently represents them? If you do not get satisfactory input, check with professional organizations and associations like those listed of the previous page.

Define Your Needs

Before contacting and meeting with a prospective financial advisor, outline your particular needs. For example:

- ☐ For a small-business owner in need of an accountant: We're looking for a CPA to do tax planning, tax return preparation, financial statements for management purposes, accounting systems, audits, and bank-required financial statements.
- ☐ For a family that wants a 'fee-based' comprehensive financial planner: We are looking for a 'fee-based' CFP, CPA/PFS, of ChFC to review our current financial position and develop a comprehensive financial plan and advise us in implementing it based on hourly rates. The areas we want addressed are: our short and long term goals, net worth, cash flow, employment benefits, retirement/financial independence, plans for major expenditures, investments, taxes, risk management/insurance, and estate and plans.
- ☐ For a family that needs an estate planning attorney: We're looking for an experienced estate planning attorney to review and discuss of estate planning package and draft appropriate documents that may include wills, powers of attorney for financial management and healthcare, and trusts as appropriate, along with related estate planning work.

Important Criteria for Selecting Advisors & Providers

When interviewing financial advisors, here are some criteria to help evaluate them on as they pertain to your needs:

- ☐ Personal compatibility
- ☐ Reputation / Size of firm or practice
- ☐ Ability to understand your needs
- ☐ Expertise and experience / Degrees and certifications
- ☐ Fee structure
- ☐ Referrals and professional references

Questions to Ask a Prospective Advisor & Provider

To assist you in evaluating a prospective advisor, prior to or at your initial meeting consider asking questions such as

- ☐ What is your background and your firm's background?
- ☐ What is your area of specialization? Your firm's?
- ☐ Do you have experience in ... (specific to your needs)?
- ☐ Will you be working on my account, or will your staff? If staff, will a specific staff person be assigned to me?
- ☐ What is your staff turnover rate?
- ☐ How do you get paid: fixed-fee, hourly, or commission? How much will I be charged?
- ☐ Will you quote a fixed fee per assignment?
- ☐ Will you provide a letter outlining our relationship?
- ☐ How many of your clients have situations similar to mine?
- ☐ Have you ever been sued for professional reasons? If so, why? What was the outcome?
- ☐ Which professional organizations do you belong to?
- ☐ Do you have experience in working with local, state, or federal government agencies?
- ☐ Which banks do you work with frequently?
- ☐ Will you provide a list of professional references and current clients?

Working with Financial Advisors & Product Providers

It's not uncommon to require input from your trusted accountant on tax matters, your insurance agent or broker on insurance issues, and your CFP®, ChFC®, or CTFA on financial and investment issues.

On important financial matters and transaction be sure to get a second opinion before the transaction closes.

In some situations, it makes good sense to bring your entire professional team together for a brief joint conference call or for complex matters an in person meeting. Using your various professional expertise, along with their unique understanding of you, your business, your family and your situation, they may be able to move more quickly together than independently to solve a tricky problem or work out a complicated matter.

Evaluating Existing Financial Advisors & Providers

The following are questions to consider after working with an advisor:

- ☐ Has your advisor completed the tasks requested in a timely manner?
- ☐ Did the advisor work within the fees quoted?
- ☐ Did you feel the value obtained for these services was worth the fee?
- ☐ How comfortable were you in working with the advisor?
- ☐ Did your advisor return your calls promptly and provide you with sound financial advice?

Over the years, financial advisors and their firms will play an important role in assisting you to reach your goals in each of the areas of your financial planning. If you are not satisfied with an advisor's performance, discuss your concerns with the advisor, as it is important for you to give your advisors feedback so they can best serve you. If you remain dissatisfied with an advisor's attitude or services, it may be time to find another advisor.

By following the above guidelines you will improve your chances of selecting and successfully working with your advisors and provider.

Obtain Your Credit Report & Score

A good credit rating can be a powerful financial tool and save you 1000's of dollars from higher interest rates. You may not realize how important your good rating is until you have lost it. Once your creditability is damaged, reestablishing a good rating may be a difficult, time-consuming project. Negative information, assuming it's correct, can be held in your credit file for seven years, a bankruptcy even longer.

It's important to obtain a copy of your credit report and score, not simply as a matter of record, but also to ensure that the information is accurate. Ask the consumer credit department of your local bank for assistance or you can order your free annual credit report online at www.annualcreditreport.com or by calling 877.322.8228. Federal law allows you to a free copy of your credit report each 12 months for each credit reporting company. However, your free annual credit report may not include your credit score, but might be available for a fee. (USA)

There are several different credit scoring systems and a number of credit bureaus including these three major ones. (USA)

- ☐ Equifax Information Service Center, 800.685.1111, www.equifax.com
- ☐ Experian National Consumer Assistance Center, 888.397.3742, www.experian.com/consumer
- ☐ TransUnion LLC, Consumer Disclosure Center, 800.888.4213, www.transunion.com



- ☐ Paying your bills on time, keeping your balances low on credit cards and other "revolving credit", and paying off debt rather than moving it around can improve your credit score. The most effective way to improve your credit scores in this area is by paying down your revolving (credit cards) debt.

Each major credit bureaus has their unique scoring system, ranges and categories for credit rating. Below is the Vantage Score Ranges the was developed by the three major credit bureaus.

General Category	Range	Impact & Notes
Excellent	750-850	Most likely to get best rates & terms
Good	700-749	Approval likely - competitive rates
Fair	650-699	Approval likely - higher rates
Poor	550-649	Maybe approved - higher rates & terms
Poor	Below 549	Not likely to be approved

www.experian.com/blogs/ask-experian/credit-education

A Good Credit Score Can Be Worth $1000's to You

When you have a good credit score you have great benefits that can be worth a lot of money to you currently and over time. Here are some that might interest you:

- ☐ Better car insurance rates.
- ☐ Better negotiating power to get higher loans amounts at better rates.
- ☐ Lower rates on mortgages, credit cards and other loans.
- ☐ Easier approvals on rental houses and apartment rentals.
- ☐ Avoid some security deposits.

How to Get and Keep a Good Credit Score

The various credit scoring systems rate activities differently; the following actions make good personal financial management sense.

- ☐ Avoid late payment fees; always pay your bills before their due dates.
- ☐ Don't over use your credit; particularly important - keep your balances low on your credit cards, especially ones that charge high interest..
- ☐ Keep your total monthly housing expenses (including mortgages and secured lines of credit principal and interest payments, homeowners insurance, property taxes, condo fees) should not exceed 28 percent of your gross monthly income. Your total debt service, including your house payments plus all other debt payments, should not exceed 36 percent of your gross monthly income. These percentages may be adjusted some according to the costs of living and real estate prices where you live.
- ☐ Pay off your debt rather than moving it around.
- ☐ Don't open new credit cards just to increase your available credit.

"Imagination is more important than knowledge. Knowledge is limited. Imagination encircles the world."

ALBERT EINSTEIN

Protect Your Identity

As online activities continue to grow, cyber crimes and identity thief can happen to anyone. This can happen when someone steals your personal information to commit fraud. The thief may use your personal information to apply for credit, get medical services, file fraudulent tax returns and other acts that can cost you time and money.

Here are some ways to protect you and family members from identity thief:

- ☐ Don't carry or give out your personal identification number - Social Security Number (SSN) (USA) - unless it is absolutely necessary.
- ☐ Keep your personal and financial information private and secure.
- ☐ Don't let others have access to your hardcopy or digital mail.
- ☐ Review your credit and debit card, bank, credit union and brokerage statements regularly and make sure you approve or made ALL transactions.
- ☐ Safely store your personal and financial information, and shred all discarded financial paperwork.
- ☐ On your digital devices use complex passwords, firewalls and secured connections at all times; refresh key passwords regularly.
- ☐ Annual check your credit report and score.
- ☐ Consider subscribing to a credit monitoring service.
- ☐ If you are a victim of an identity theft, immediately report it to the Federal Trade Commission (FTC) 877-438-4338. (USA)

If your personal information has been exposed by thief's you may want to consider placing a fraud alert or freeze on your credit reports, and keep an eye out for unauthorized spending within your bank accounts and credit cards.

If Identity Thief happens to you, you may or may not be covered by any of your insurances, or financial institutions. Check with your representative and financial institutions to see how they address this and what are your options.

Action Items - Review The Principles

Here are the essential principles to organizing paperwork

- ☐ **1. Start and maintain only one Things to Do List.**
- ☐ **2. Organize your primary documents in a central location for easy access during emergencies.**
- ☐ **3. Keep your filing system up-to-date.**
- ☐ **4. Maintain a Financial Planning Calendar.**
- ☐ **5. Keep your Personal and Family Fact Sheets current.**
- ☐ **6. Effectively build and track your social capital.**
- ☐ **7. Wisely select and utilize advisors and product providers.**
- ☐ **8. Always seek a second opinion on important transactions.**
- ☐ **9. Annually review and check your credit report and credit scores.**
- ☐ **10. Safeguard your confidential information and identity for you and your family.**
- ☐ **11. Share these essential principles with family and friends.**
- ☐ **12. Avoid Common Mistakes When Organizing Paperwork.**
- ☐ **13. Commit to getting and staying organized.**

Your Personal Financial Plan



Forms: Your *financial*PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.

Action Items: **- 1 out of 11**

☐ Check the Forms used below and place them in your forms binder.

☐ Update them annually or as your situation changes.

CHAPTER 1: Paperwork Forms - Page # from Forms Set

- ☐ Things to Do List 17
- ☐ Primary Documents Checklist 18
- ☐ Safe-Deposit Box Checklist 19
- ☐ Personal Files Checklist 20
- ☐ Financial Planning Calendar 22
- ☐ Background & Personal Information 24
- ☐ Family & Friends 24
- ☐ Family Advisors 24
- ☐ Home Maintenance Specialists 24
- ☐ Financial Advisors 24
- ☐ Security Codes 24
- ☐ Website & Software Passwords. 24
- ☐ Family Tree 26

Congratulations! You have established a sound system for all of your financial information. Now let's go on to determine your financial position.

"Start where you are. Use what you have. Do what you can."

- ARTHUR ASHE

"Live is a journey, not a destination. The doing is often more important than the outcome."

- ARTHUR ASHE

"Organizing is what you do before you do something, so that when you do it, it is not all mixed up."

A. A. MILNE

"Use Warren Buffett's 5 / 25 exercise to help get and keep focused. If you really want to get ahead and achieve your goals start by listing your 25 top goals. Then circle your top 5. Then commit only to these top 5 and TOTALLY ignore all the rest until you've accomplished the top 5."

WARREN BUFFETT "

CHAPTER 2

Net Worth

Knowing Where You Stand





"Your net worth to the world is usually determined by what remains after your bad habits are subtracted from your good ones."

BENJAMIN FRANKLIN

The Journey Begins Where You Are

It is a fact of life: you must know where you are before you can make plans to go somewhere else. Developing a detailed description of your financial position is more than an accounting exercise, it is an important life skill. A complete statement of your financial position starts by

- Listing what you own, called Assets
- Listing what you owe, called Liabilities
- Determining your Net Worth, Assets less Liabilities

Plus, where your money comes from and where it goes, called Cash Flow, which will be addressed in the next chapter. This information is essential in making wise financial decisions, and doing future planning.

This chapter will focus on assessing your Net Worth, and it involves more than arriving at a dollar figure. It is important to understand what kinds of assets and liabilities underlie your numbers and how they affect your overall financial picture. When it comes to assets, liquidity is a key consideration. In other words, how readily can you convert an asset into cash? Someone with a portfolio of various short-term cash accounts and publicly traded stocks and bonds that can be sold quickly, is in a much different financial position than someone whose only asset a house or building or land that might take months to sell. On the liability or debt side, similar distinctions come into play. The issues and choices raised by credit card debt or an impending balloon payment on a car or home loan are much different from those connected with a balance on your fixed-rate term loan.

Inventorying your Assets (what you own) and Liabilities (what you owe) – to determine your Net Worth is a key starting point to managing personal finances and making informed everyday financial decisions. This is also one of the first steps in the process of seeing how all of the pieces of your financial life are interconnected.

This process helps you to better understand your overall financial picture, and will either reassure that you are under financial control and you are on the road to success, or it will bring to your attention financial problems that need addressing. Either way, you will know your status and be in a position to take control of your situation.



Common Mistakes to Avoid

- ☐ **1. Failing to list and analyze what you own and owe annually.**
- ☐ **2. Not comprehending your assets and liabilities.**
- ☐ **3. Accumulating debt due to overspending.**
- ☐ **4. Taking on high-interest debt without immediate repayment plans.**
- ☐ **5. Neglecting to update asset titles in line with your estate plans.**
- ☐ **6. Failing to keep beneficiary selections current.**
- ☐ **7. Lacking sufficient cash reserves or a backup line of credit.**
- ☐ **8. Procrastination.**

Preview of What You Will Be Doing

- ☐ **1. Learn about Asset and Liabilities**
- ☐ **2. Learn about holding title and beneficiary selections**
- ☐ **3. Inventory what you own and owe**
- ☐ **4. Determine your Net Worth**
- ☐ **5. Track your progress**
- ☐ **6. Add your completed forms into your FP Forms Binder.**

Getting to the Big Issues

The first step is to determine your net worth. To simplify this, your *financial*PARTNER provides a series of schedules and forms to help guide you. If your financial affairs are relatively simple, you won't be using many of the *financial*PARTNER forms. If you find yourself filling out numerous forms, that means you have extensive or diverse assets to manage, making it even more important to have an accurate overview of what you own and what you owe.

When you have finished cataloging your assets and liabilities and pinpointing your net worth, you'll be better positioned to understand some of life's biggest financial issues. The following are some general issues that you should begin thinking about:

- **How much money should I put aside for my future?** At your current rate of savings and with reasonable expectations of long-range investment returns, will you be able to maintain your standard of living in the future? As life expectancy increases, more and more people face the possibility that they'll outlive their money. If you haven't been on a fast enough savings track, can you really afford to divert retirement funds for a new car or private college for your children?

- **Does my mix of investments fit my needs?** Are you getting enough return over a five-to-ten-year period to grow your assets and maintain their purchasing power? Or are you invested so conservatively that the real value of your assets is being eroded by inflation? Or, on the other hand, is a big chunk of your portfolio in high-performance, high-risk investments that look great now but could significantly decline when market cycles change? Are your investments diversified among several investment vehicles and areas? Or are you betting too much on one type of investment, one industry, or one economic trend?

- **How prepared am I to handle a period of unemployment or other financial emergency?** If your job and income are quite secure, *financial*PARTNER recommends as a goal that you have enough money in non-retirement interest-bearing cash accounts to cover at least four months' worth of personal and household living expenses. If your job or income prospects are less certain, it's suggested that you make it a priority to build up cash accounts to at least one year's worth of living expenses (not including income taxes). If you have that amount in liquid securities such as stocks and mutual funds that are not part of a tax-deferred retirement plan, you can get by with cash accounts of four months' worth of living expenses for your emergency cash reserve.

- **How much life insurance do I have and how much do I really need?** Looking at the death benefit provided by your current coverage, how far will it go in the event that it is needed? Do you need more to adequately provide for your family?
- **Should I think about restructuring my debt to reduce interest expenses?** If you're paying high interest rates on short-term debt, consider paying off those debts with lower rate loans or surplus cash. It's also important to think about how much credit you can access in case you really need it.

These are just a few of the big-picture issues that will come into sharper focus once you have determined your financial position. At the same time, having a detailed listing of your assets and liabilities will help you work with financial advisors, save you time and money at tax time, and make your financial choices clearer. The details of your financial position will also be essential information for anyone else who needs to deal with your financial affairs in the event of your illness, absence, or death.

Along with the instructions for completing the forms, *financial* PARTNER also gives you tips and ideas for making even better use of your money. While you're documenting your financial position, these tips will start you thinking about ways to strengthen it.

An Overview of the Schedules

As you work with the *financial* PARTNER, you will fill out schedules regarding the different aspects of your financial life and transfer the totals to your **Net Worth Statement**. Most of the information needed to complete these schedules can be found in your **Financial Organizer** and within the **Personal Filing System** you have already established. If a schedule does not apply to your situation, skip it. However, you may want to read the Tips & Ideas.

The schedules pertaining to assets include:

- ☐ Cash & Cash Equivalents — Schedule 1
- ☐ Stocks & Stock Mutual Funds — Schedule 2
- ☐ Bonds & Bond Mutual Funds — Schedule 3
- ☐ Stock Options — Schedule 4
- ☐ Retirement Plans — Schedule 5
- ☐ Notes Receivable — Schedule 6
- ☐ Real Estate — Schedule 7
- ☐ Partnerships — Schedule 8
- ☐ Business Interests — Schedule 9
- ☐ Annuities — Schedule 10
- ☐ Life Insurance — Schedule 11
- ☐ Personal Property — Schedule 12
- ☐ Other Investment Property — Schedule 13

The schedules pertaining to liabilities include:

- ☐ Loans — Schedule 14
- ☐ Credit Cards — Schedule 15
- ☐ Other Debts — Schedule 16

The remaining schedules are used to document information not included in your other schedules and track your progress.

- ☐ Additional Net Worth Information
- ☐ Net Worth Comparison

Net Worth Statement



ASSETS: What you own

LIABILITIES: What you owe

NET WORTH: Total assets minus total liabilities





Your Financial Position: A Key to Managing Money

☐ Your financial position is a picture at any given point in time of your assets, your liabilities, and your cash flow. This includes how much and where your money comes from, and how much and where your money goes. Be sure to update your overall financial position each year and track your progress.

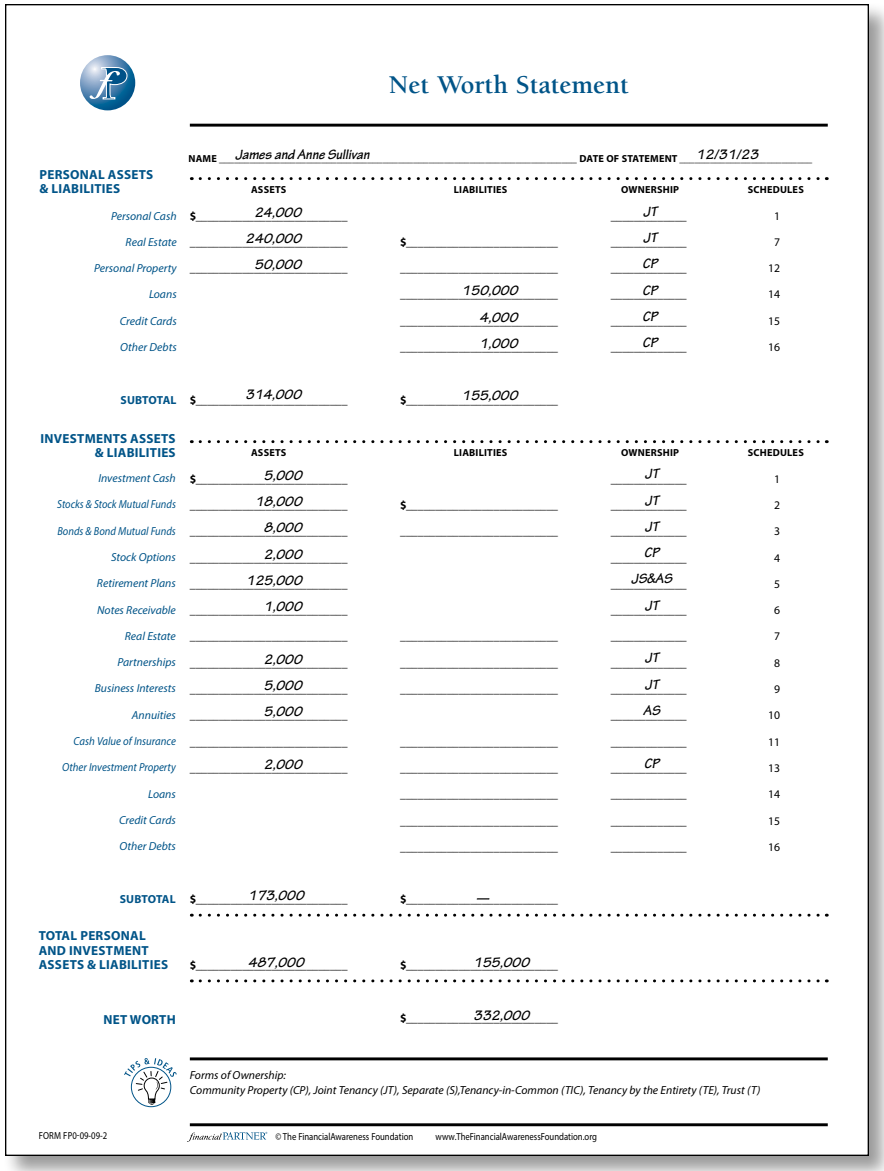


Instructions: *Net Worth Statement*

The following will help you prepare for determining your net worth.

1. **Review the Net Worth Statement form.** Take a moment to examine the example of a completed **Net Worth Statement**.
2. **Note that the form is divided into sections:** "Personal Assets & Liabilities" **and** "Investment Assets & Liabilities." This distinction separates holdings that maintain your standard of living (personal) from those that are working for your future (investment). For example, your personal property, home, and car are "personal" assets; your stocks, mutual funds, and retirement plans are "investment" assets. Your *financial*PARTNER will help you determine which assets are "personal" and which are "investment," as you go through the process of getting organized.
3. **Review the spaces on the form where you will list the value of your different types of assets and liabilities.** You will be transferring final figures from the various schedules to these spaces.
4. **Sort through the schedules, and pull out those that do not apply to your financial position.** (For instance, if you do not own any stock options, you may set aside "Stock Options — Schedule 4.") Store the schedules you will not be using in your filing system for possible future use.

Now you should have in front of you only the schedules dealing with assets or liabilities that are relevant to your financial situation.



Net Worth Statement

NAME James and Anne Sullivan DATE OF STATEMENT 12/31/23

PERSONAL ASSETS & LIABILITIES	ASSETS	LIABILITIES	OWNERSHIP	SCHEDULES
Personal Cash	$ 24,000		JT	1
Real Estate	240,000	$	JT	7
Personal Property	50,000		CP	12
Loans		150,000	CP	14
Credit Cards		4,000	CP	15
Other Debts		1,000	CP	16
SUBTOTAL	$ 314,000	$ 155,000		

INVESTMENTS ASSETS & LIABILITIES	ASSETS	LIABILITIES	OWNERSHIP	SCHEDULES
Investment Cash	$ 5,000		JT	1
Stocks & Stock Mutual Funds	18,000	$	JT	2
Bonds & Bond Mutual Funds	8,000		JT	3
Stock Options	2,000		CP	4
Retirement Plans	125,000		JS&AS	5
Notes Receivable	1,000		JT	6
Real Estate				7
Partnerships	2,000		JT	8
Business Interests	5,000		JT	9
Annuities	5,000		AS	10
Cash Value of Insurance				11
Other Investment Property	2,000		CP	13
Loans				14
Credit Cards				15
Other Debts				16
SUBTOTAL	$ 173,000	$ —		

TOTAL PERSONAL AND INVESTMENT ASSETS & LIABILITIES	$ 487,000	$ 155,000
NET WORTH		$ 332,000

TIPS & IDEAS

Forms of Ownership:
Community Property (CP), Joint Tenancy (JT), Separate (S),Tenancy-in-Common (TIC), Tenancy by the Entirety (TE), Trust (T)

FORM FP0-09-09-2 financial PARTNER © The FinancialAwareness Foundation www.TheFinancialAwarenessFoundation.org

Financial Terms You'll Need to Know

Before you begin filling out the schedules, take a moment to consider some fundamental issues. You will need to be clear about these if you want your financial statements to be accurate.

Determining Current Value

GLOSSARY

CURRENT VALUE: The fair market value of real estate, financial investments, or personal property, which is the price a willing buyer will pay a willing seller in a non-distressed sale environment.

As you fill out the schedules, you will be asked to identify the current, or "market" value, of your holdings. In some cases, you may have financial statements that give you the current value of an asset (for example, a bank account or mutual fund shares). If not, you may need to get the current value from another source or conduct your own evaluation, consulting financial references, advisors, or experts.

TIPS & IDEAS

☐ It's both important and easier to use the same statement date for each schedule. If your statements have different dates, contact your financial institutions and ask them to adjust the dates to either the first or last day of the month.

How You Own Your Assets

The term "holding title" refers to the legal manner by which you and your name are associated with asset ownership. You can hold title to property in your name as your sole and separate property, or in one of the following ways; these may vary depending on your state or country.



COMMUNITY PROPERTY (CP): Property held equally (in community) by husband and wife, which has accumulated during marriage (except through inheritance or gift). Community property laws are in effect in nine states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. (USA)

COMMUNITY PROPERTY WITH RIGHTS OF SURVIVORSHIP (CPRS): Property held equally (in community) by husband and wife, which has accumulated during marriage (except through inheritance or gift). If one person dies, his or her share automatically transfers to the survivor. (USA)

JOINT TENANCY WITH RIGHTS OF SURVIVORSHIP (JT): A method of ownership in which two or more persons can hold equal or unequal percentages in real estate, financial investments, or personal property. If one person dies, his or her share automatically transfers to the survivors, even if a will specifies otherwise. (USA)

TENANCY BY THE ENTIRETY (TE): Ownership of property by a husband and wife together that includes a right of survivorship. Neither spouse can encumber or dispose of the property without the other's permission. This way of holding title is not recognized in all states.(USA)

TENANT-IN-COMMON (TIC): Two or more holders of equal or unequal shares of property which carries no rights of survivorship. (USA)

TRUST (T): An arrangement set up by a legal agreement designed to manage and control certain assets, usually held by one person or persons for the benefit of others. (USA)

In your schedules, you need to identify the form of ownership for each asset you own. This is easy to overlook, but can become a major issue if the way you actually hold title doesn't fit your true intentions for disposition. To determine how your ownership is titled for a particular asset, such as a bank account, check your application or account opening forms. Your monthly statements may not be sufficient, as they may not state the actual way by the financial institution holds title for you. If you can't find your application forms, request a copy.

Cost Basis



COST BASIS: The price you paid for an asset, plus or minus any tax adjustments, commissions, or fees. In the case of stocks or mutual funds, your cost basis would be what you paid for the shares, plus commissions.

You'll be asked to list the cost basis for your assets as you fill out the *financial*PARTNER schedules. The cost basis question and the date acquired becomes especially important at tax time, since the purchase and sale of assets may create a "taxable event" in the eyes of the IRS. Remember to keep track of your investment confirmations whenever you buy or sell. If you keep your statements of stock purchase and sale on file, you'll be able to specify what you initially paid for them. If you don't or cannot specifically identify the sold shares by date and price, the IRS applies a "First In, First Out" (FIFO) rule, which assumes that the first shares you sell are the first shares you bought. This could be to your disadvantage if you purchased the stock over time and its price has decreased.

If your stock had dividends reinvested, or split, calculating your cost basis can become quite complicated. In this case, having good records is even more critical. You can also call your broker or advisor for assistance.

TIPS & IDEAS

- ☐ Be careful in choosing how you hold title to your various accounts. Make sure the way you hold title does not conflict with your estate plan. For example, if you hold title to a cash account with a parent as a joint tenant and you pass away first, your share will automatically go to your parent, not to your spouse. Make sure this is your intention when you decide on joint tenancy with your parent.
- ☐ If you receive stocks or bonds as a gift, your cost basis is the cost basis of the donor, not the market value at the time of the gift. Ask the person who gifted the stocks or bonds to you for their cost basis information.
- ☐ You may choose to give appreciated assets such as stocks, instead of cash, to charity. Your gift is not only valued at the fair market value of the asset (instead of the cost basis), but you avoid the capital gains tax which would have been due had you sold the asset.

GLOSSARY

Classify Your Investment Holdings

Your *financial* PARTNER classifies investment assets according to the following asset allocation classes;

CASH & CASH EQUIVALENTS: Includes checking and savings accounts, certificates of deposit, money market accounts, savings bonds, money market funds, treasuries with a maturity date of under one year, and cash on hand.

FIXED INCOME: Includes domestic company or domestic government bonds that are issued directly or are part of a mutual fund, and other domestic debt instruments, such as certificates of deposit, deeds of trust, and notes receivable, with a maturity date of over three months.

INTERNATIONAL FIXED INCOME: Includes foreign debt instruments that are issued directly or as part of a mutual fund.

LARGE COMPANY STOCKS: Includes domestic stocks or funds of larger companies (market capital of over $1 billion), equity income, and convertible securities.

SMALL COMPANY STOCKS: Includes domestic stocks or funds of smaller companies (market capital of less than $1 billion (USA)), equity income, and convertible securities.

INTERNATIONAL STOCKS: Includes all foreign company stocks or funds.

REITS: Real Estate Investment Trusts.

OTHER ASSETS: Includes individually owned real estate, hard assets, small businesses, partnerships, life insurance, and venture capital.

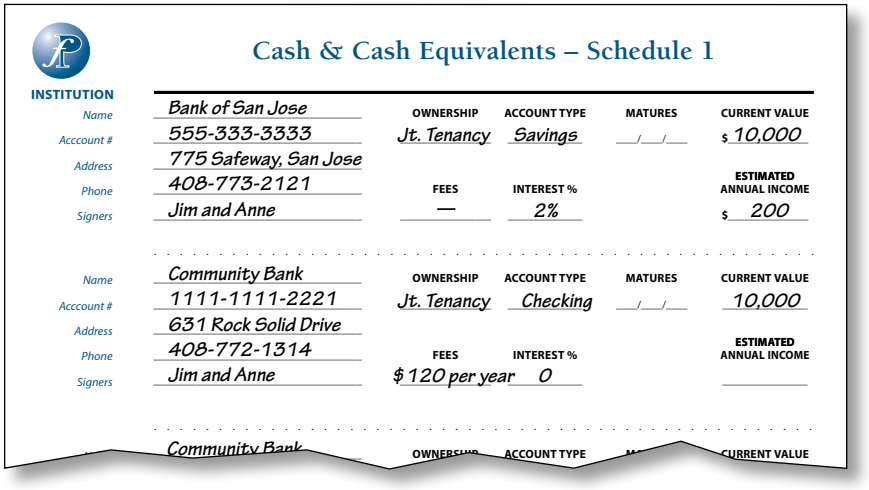
In Schedules 2, 3, 5, and 10, you will be asked to put your stocks, bonds, mutual funds, retirement plans, and annuities into various investment categories. Classifying your assets is an essential step in managing your investments. Investment experts have found that the allocation of investments among various "asset classes" or "investment types" is the single most important factor influencing investment returns. It is dramatically more important than individual security selection or market timing. Understanding your investment mix also helps you determine whether your investments are diverse enough to minimize the risks you are taking with your money.

With this preliminary information in hand, you are now ready to determine exactly where you stand.

Inventory Your Assets

You can now begin filling out the various schedules that apply to the assets portion of your **Net Worth Statement**. Have your calculator, your **Things to Do** list, your **Financial Organizer** and **Personal Filing System** close at hand. If you are not using a digital form, remember to use a pencil — you may want to erase! If you are missing any information, note it on **Things to Do** list as a future reminder.

Cash & Cash Equivalents



Cash & Cash Equivalents – Schedule 1

INSTITUTION					
Name	Bank of San Jose	OWNERSHIP	ACCOUNT TYPE	MATURES	CURRENT VALUE
Account #	555-333-3333	Jt. Tenancy	Savings	__/__/__	$ 10,000
Address	775 Safeway, San Jose				
Phone	408-773-2121	FEES	INTEREST %		ESTIMATED ANNUAL INCOME
Signers	Jim and Anne	—	2%		$ 200
Name	Community Bank	OWNERSHIP	ACCOUNT TYPE	MATURES	CURRENT VALUE
Account #	1111-1111-2221	Jt. Tenancy	Checking	__/__/__	10,000
Address	631 Rock Solid Drive				
Phone	408-772-1314	FEES	INTEREST %		ESTIMATED ANNUAL INCOME
Signers	Jim and Anne	$ 120 per year	0		
	Community Bank	OWNERSHIP	ACCOUNT TYPE		CURRENT VALUE

Schedule 1 is for recording cash and cash equivalents. These are your accounts with banks, savings and loans, credit unions, stockbrokerages, insurance or mutual fund companies that are held outside your retirement plan accounts. They would include checking and savings accounts, short-term certificates of deposit, money market accounts, saving bonds and money market funds, along with U.S. Treasury (T) bills with a maturity date of under one year. Cash which is kept at home or in a safe-deposit box would also be included in this category.



Instructions: *Cash & Cash Equivalents — Schedule 1*

1. **List the name and general information for each account, including other signers on the account, how you hold title, and any fees associated with the account.**
2. **List the type of account (cash, checking, savings, certificate of deposit, money market account, money market fund, savings bond).**
3. **List or estimate the rate of interest you are earning on this account.**
4. **If the account has a maturity date, such as a certificate of deposit, list it here and on your** Financial Planning Calendar.
5. **List the current value of your account and your estimated income for the calendar year.** To estimate the income, multiply the current value by the rate of interest.
6. **Total the current value, then the estimated annual income of all accounts.**
7. **Determine what is personal cash and what is investment cash.** Personal cash is money that is accessible and available to you which you could use for personal living expenses if needed. (See the following planning tips to determine how much personal cash to have on hand). Investment cash is any money exceeding the amount you would need for your personal living expenses.
8. **Total the values on the schedule and enter your Current Value Total on your** Net Worth Statement. This amount may constitute two entries: a Personal Cash total and an Investment Asset Cash total.
9. **File the statements used to complete this schedule in your** Financial Organizer.



Identifying Your Personal & Investment Cash

Your personal circumstances will determine your need for cash. If your total cash position is below the level suggested here, don't panic but begin developing a savings plan to build up your cash position before making any long-term investments. Here are some general guidelines.

If you are

- An employee who is unsure about his/her future job status
- A business owner
- A retiree

It is suggested, as a goal, that you keep one year's living expenditures (not including income taxes) in interest-bearing cash accounts. (Two years is more conservative, and is encouraged for start-ups and small business owners.)

If you have more than two year's living expenditures in securities that are easily convertible to cash (and are not in a tax-deferred retirement plan needed for retirement), then you can reduce your cash reserve to six months' personal living expenses. (12 months is more conservative)

If you are in a very secure job position, a minimum of six months' living expenditures should be your objective for liquidity. (12 months is more conservative)

Consider these funds as a personal asset — they affect your current standard of living.

- If you have an excess of cash over the amount of your "personal living expenditures requirement," consider these excess funds as an Investment Asset — they are working for your future standard of living or retirement.

☐ Be certain your cash accounts are insured. (Under current USA rules, each FDIC-insured institution offers up to $250,000 basic insurance per category of legal ownership, so be sure to title your accounts separately. Rules change so be sure to verify the status of each account whenever one of your accounts exceeds $250,000 in any single institution. If you have non-US cash accounts what are their insured limitation limits? (www.fdic.gov)

☐ If you use several FDIC insured accounts under different titles, make sure that these different titles don't conflict with your estate and gift planning objectives. (USA)

☐ While you are building your cash reserves or as an added safety net you should have line of credit. It's important to establish a line of credit before you need it. Waiting until you really need cash or until an emergency occurs may force you to apply for a loan when your creditworthiness is not at its best. You can obtain a line of credit based on the value of your home or by applying for an unsecured line of credit from your bank. You can also obtain a low-interest credit card to put aside for use only in emergencies.

☐ Do you have too many checking accounts? Determine if you need all your cash accounts and, if not, consolidate them into two or three. Later in the discussion on cash flow management, you will learn the number and types of cash accounts that are necessary and appropriate. .

Stocks & Stock Mutual Funds

GLOSSARY

ASSET ALLOCATION: Diversifying investment dollars among a variety of asset classes, such as cash equivalents, U.S. and international fixed income, U.S. large and small company stocks, international stocks, real estate investment trusts, and other assets.

COMMON STOCK: A share of ownership in a corporation. Common stockholders face greater risk than corporate bondholders or preferred stockholders. In return, common stockholders stand to gain greater rewards in the form of capital appreciation.

MUTUAL FUND: A portfolio of any combination of stocks, bonds, and government securities bought and sold by a money manager.

PREFERRED STOCK: A class of stock that is entitled to preferences over common stockholders.

REAL ESTATE INVESTMENT TRUST (REIT): An unincorporated association that invests in mortgages or real property and sells shares to the public.

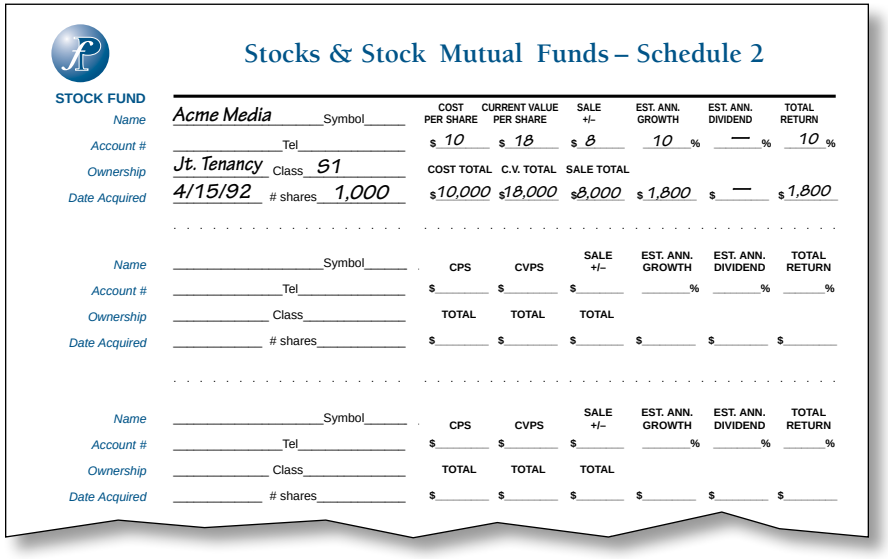
VENTURE CAPITAL: Equity investments in start-up companies that are privately owned and not publicly traded.

Schedule 2 is for information regarding each stock or stock mutual fund you own that is publicly traded on any exchange and is outside your retirement accounts. Do not include stock from a privately held or small business corporation. If you have accounts with brokerage houses or money managers, you may simply list the firm's name and the stock totals. Be sure to list the cash accounts from these statements on your Cash & Cash Equivalents — Schedule 1.

FORMS

Instructions: *Stocks & Stock Mutual Funds — Schedule 2*

1. *List the basic information (name, account number, how you hold title, date acquired, number of shares) for each individual stock and mutual fund.*
2. *In the space marked "Class," describe your holdings according to the asset allocation categories discussed earlier in this section, which are listed on the bottom of Schedule 2.*
3. *Enter the cost per share and current value per share on the top lines. When entering the cost per share, include any fees you paid (your cost basis). If you do not know your cost basis or purchase information, note it on your Things to Do list as an action item to be obtained from your broker.*
4. *Multiply each of the figures in Step 3 by the number of shares you own and enter the respective totals on the bottom lines.*



Stocks & Stock Mutual Funds – Schedule 2

STOCK FUND

Name: Acme Media Symbol:	COST PER SHARE	CURRENT VALUE PER SHARE	SALE +/–	EST. ANN. GROWTH	EST. ANN. DIVIDEND	TOTAL RETURN
Account #: Tel:	$ 10	$ 18	$ 8	10 %	— %	10 %
Ownership: Jt. Tenancy Class: S1	COST TOTAL	C.V. TOTAL	SALE TOTAL			
Date Acquired: 4/15/92 # shares: 1,000	$10,000	$18,000	$8,000	$ 1,800	$ —	$ 1,800
Name: Symbol:	CPS	CVPS	SALE +/–	EST. ANN. GROWTH	EST. ANN. DIVIDEND	TOTAL RETURN
Account #: Tel:	$	$	$	%	%	%
Ownership: Class:	TOTAL	TOTAL	TOTAL			
Date Acquired: # shares:	$	$	$	$	$	$
Name: Symbol:	CPS	CVPS	SALE +/–	EST. ANN. GROWTH	EST. ANN. DIVIDEND	TOTAL RETURN
Account #: Tel:	$	$	$	%	%	%
Ownership: Class:	TOTAL	TOTAL	TOTAL			
Date Acquired: # shares:	$	$	$	$	$	$

5. *Note any gain or loss, if you sell your holding, on the "Sale +/- " line. To determine this figure, subtract your cost from the current value of the stock or fund.*
6. *Multiply your gain or loss by the number of shares, and enter the result on the lower line.*
7. *Optional: Estimate what you believe to be the annual appreciation (growth) and dividends (income) from your stock holdings. Use the top line to list percentages and the bottom line to list the actual appreciation and dividend dollar values. Sometimes brokerage houses put their estimates on the statements. Use their estimates only if you agree with them.*
8. **Complete the rest of the form for each stock holding owned, and total each column at the bottom as indicated.**
9. **Enter the total current value of your stocks on your** Net Worth Statement **as an Investment Asset under the** "Stocks & Stock Mutual Funds" **category.**
10. **File your stock confirmation(s) in your** Financial Organizer.





- ☐ If you are holding stocks in your name, you may have physical possession of stock certificates imprinted with your name. Keep them in your ***Financial Organizer*** only if it is in a safe and fireproof location. Otherwise, keep the originals in a safe-deposit box and a copy in your ***Financial Organizer***. Keep annual reports and other papers in your ***Personal Filing System*** along with all of your secondary financial data.
- ☐ In addition to outright gifts of stock to charity, highly appreciated long-term (held for longer than 12 months) stock can be used to fund a charitable remainder trust. In this arrangement, the stock is placed into a special trust, where it is managed and invested by a trustee, typically a bank or trust company. The trust makes payments to the donor of the stock for a period of years or for life, and then the remainder of the trust assets pass directly to charity. In addition to the income, the donor receives significant income tax, capital gains tax, and estate tax benefits. Consult your financial advisor for details.
- ☐ When you invest in mutual funds, be careful to time your purchase. A mutual fund may have had capital gains earnings during the year from sales of stock that the fund owned. If, after you invest, the fund makes a year-end capital gain distribution, you will have to pay tax on the return of your recently invested money. A sound strategy might be to purchase that particular fund after the capital gains distribution date. This does not apply to funds used for retirement plans.
- ☐ Many charities have a special fund to which you can make gifts of cash or stock. The charity then "pools" all gifts in the fund and invests them, and each year the donors receive their proportionate share of the investment income earned by the fund. Through this pooled income fund, the donors receive, in addition to the annual income, significant income tax, capital gains tax, and estate tax benefits. At the donor's death, the donor's contributions to the fund pass directly to the charity. Consult your financial advisor and charity for details.

Bonds & Bond Mutual Funds

GLOSSARY

BOND: Basically an IOU or promissory note that can be issued by a corporation or a government agency. Bond maturities can vary and may be classified as "short-term" (under 3 years), "intermediate" (3–9 years), or "long-term" (over 9 years).

CORPORATE BONDS: Bonds issued by corporations that are backed by corporate assets. In case of default, the bondholders have a legal claim on these assets. The holder of a corporate bond is a creditor of the corporation, not a part owner as is a shareholder.

FIXED INCOME: Includes company, U.S. government, or foreign bonds that are issued directly or are part of a mutual fund, and other domestic or foreign debt instruments, such as certificates of deposit, deeds of trust, and notes receivable, with a maturity date of over one year.

MUNICIPAL BONDS: A method by which state or local government agencies borrow money. Income from these bonds is exempt from federal INCOME TAXES.

TREASURY BILL: (T-Bill): A money-market security that represents liquid short-term government financing with maturities ranging from 13 weeks to one year. These should be considered cash equivalents and recorded on Schedule 1.

TREASURY BOND: A negotiable debt issued by the federal government with a minimum face value of $1,000 and a maturity of 10 years or longer. Bonds and notes are purchased at auction or from the Federal Reserve Bank, commercial banks, or brokerage firms.

TREASURY NOTES: Similar to treasury bonds, except they mature in two to 10 years.

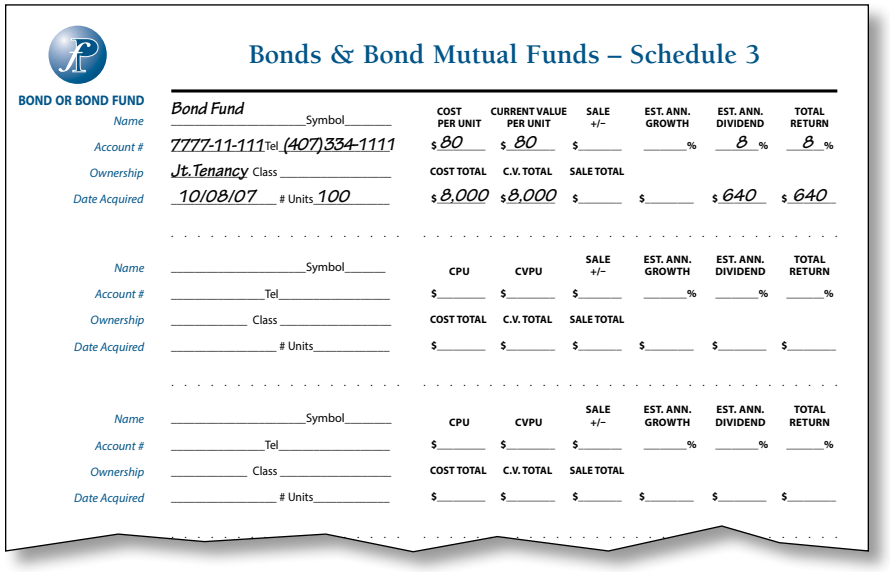
U.S. GOVERNMENT SAVINGS BONDS: Savings certificates issued by the government. They are sold at less than their face value but may be cashed in for their full value after a specified length of time.

Schedule 3 is for information regarding each bond or bond mutual fund that you own outside of your retirement plans. If you have accounts with brokerage houses, you may simply list that company's name and the bond amounts. Be sure to list the cash accounts from your bond or bond mutual fund statements on your **Cash & Cash Equivalents — Schedule 1.**

FORMS

Instructions: *Bonds & Bond Mutual Funds — Schedule 3*

1. **List the basic information (formal name of bond, account number, how you hold title, date acquired, number of bonds or shares) for each individual bond or mutual fund.**
2. **In the space marked "Class," describe your holdings according to the asset allocation categories discussed earlier in this section, which are listed on the bottom of Schedule 3.**



Bonds & Bond Mutual Funds – Schedule 3

BOND OR BOND FUND

Name	Bond Fund Symbol	COST PER UNIT	CURRENT VALUE PER UNIT	SALE +/–	EST. ANN. GROWTH	EST. ANN. DIVIDEND	TOTAL RETURN
Account #	7777-11-111 Tel (407)334-1111	$ 80	$ 80	$	%	8 %	8 %
Ownership	Jt. Tenancy Class	COST TOTAL	C.V. TOTAL	SALE TOTAL			
Date Acquired	10/08/07 # Units 100	$ 8,000	$ 8,000	$	$	$ 640	$ 640
Name	Symbol	CPU	CVPU	SALE +/–	EST. ANN. GROWTH	EST. ANN. DIVIDEND	TOTAL RETURN
Account #	Tel	$	$	$	%	%	%
Ownership	Class	COST TOTAL	C.V. TOTAL	SALE TOTAL			
Date Acquired	# Units	$	$	$	$	$	$
Name	Symbol	CPU	CVPU	SALE +/–	EST. ANN. GROWTH	EST. ANN. DIVIDEND	TOTAL RETURN
Account #	Tel	$	$	$	%	%	%
Ownership	Class	COST TOTAL	C.V. TOTAL	SALE TOTAL			
Date Acquired	# Units	$	$	$	$	$	$

3. **Enter the unit price that you paid for your bond holdings and their current value on the upper lines.** If you have your confirmation, enter your cost basis from it. If you don't have your cost basis or purchase information readily available, note it as an action item on your Things To Do List.
4. **Multiply the figures in Step 3 by the number of bonds or shares you own, and enter the total amounts on the lower lines.**
5. **Note any gain or loss, if you sell your holding, on the "Sale +/-" line.** To determine this figure, subtract your cost from the current value of the bond or fund.
6. **Multiply your gain or loss by the number of bonds or shares, and enter the result on the lower line.**
7. **Estimate what you believe to be the annual appreciation (growth) and interest (income) from your bond holdings.** Use the top line to list percentages and the bottom line to list the actual appreciation and interest dollar values. Sometimes brokerage houses put their estimates on the statements. Use their estimates only if you agree with them.
8. **Complete the rest of the form for each bond and bond mutual fund owned, and total each column at the bottom as indicated.**
9. **Enter the total current value of your bonds on your** Net Worth Statement **as an Investment Asset under the "Bonds & Bond Mutual Funds" category.**
10. **File your bond confirmations in your** Financial Organizer **and the rest of your bond papers in your** Personal Filing System.





Bonds are considered to be a relatively safe form of investment. You invest in a bond, then, at its maturity date, get your money back. During the maturing period or life of the bond, you are paid interest on your money. Beware, however; there are investment risks. If you wish to sell your bond early, fluctuations in interest rates can affect your sale price. Bonds are also subject to the following other types of risks:

- ☐ *Market risk* — Bond values rise as interest rates fall, and they fall as interest rates rise. This market risk will affect the value of your bond, especially if the need arises to sell the bond before its maturity date.
- ☐ *Purchasing power risk* — If the economy experiences high inflation, the buying power of the interest earned from your bond will not be able to compensate for the corresponding increases in the costs of goods and services.
- ☐ *Credit risk* — As a debt obligation of the issuer, a bond is subject to the risk that the bond principal (face amount) cannot be repaid at maturity or that interest payments cannot be met during the life of the bond. The creditworthiness of a bond's issuer can vary greatly. Bonds may be secured by property or be unsecured, and they may be secondary to other loans which must be repaid first. Before investing, consult an appropriate advisor to evaluate both the creditworthiness of the issuer and the terms of a particular bond.

Stock Options

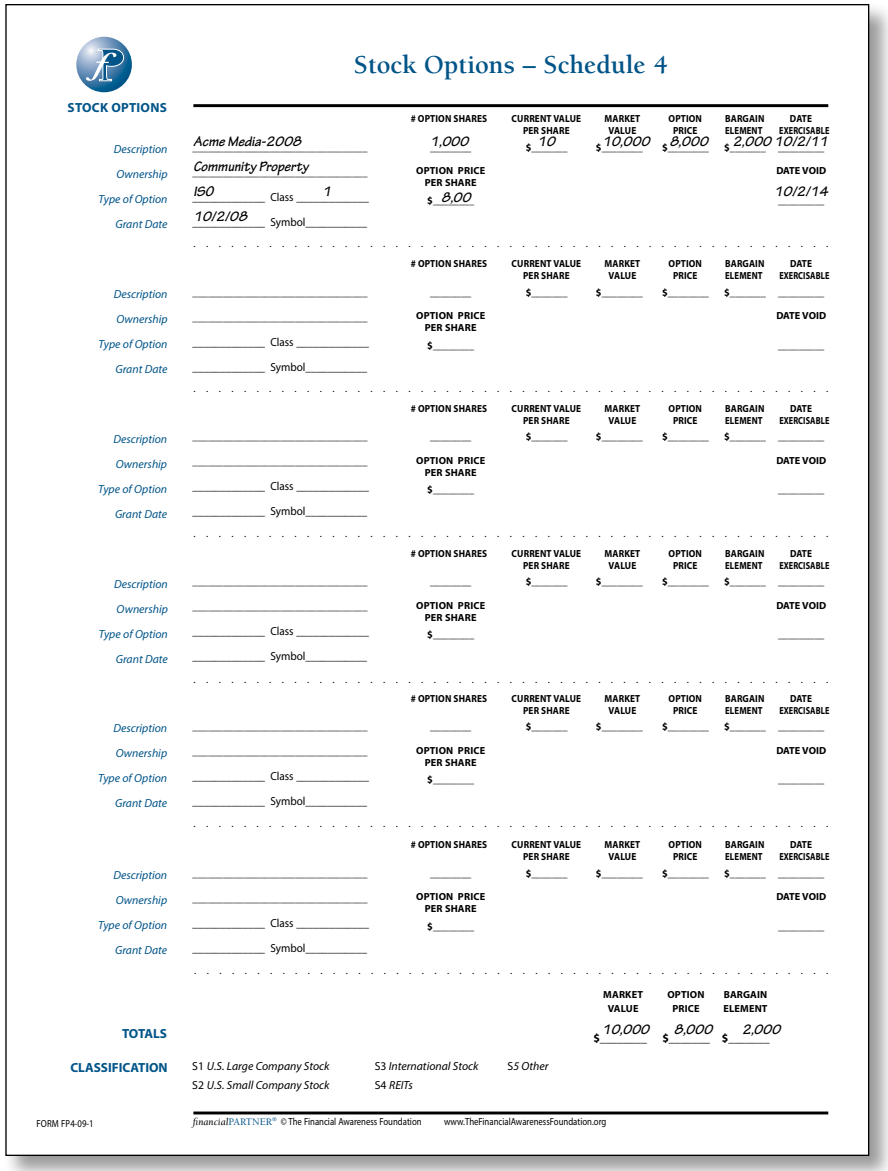
INCENTIVE STOCK OPTIONS (ISOs): An employee stock option plan that grants key employees options to purchase company stock at a predetermined price without incurring a tax liability either at the time the option is granted or when exercised.

INSIDER TRADING RULES: It is against the law to buy or sell stocks in a company about which you have "insider" information that is unavailable to the general public.

NON-QUALIFIED STOCK OPTIONS (NQSOs): (Also referred to as "Regular Stock Options/RSOs) A stock option plan that gives key individuals a right to purchase company stock at a predetermined price. When the option is exercised, the difference between the option price and the fair market value is taxable as compensation. There may be income tax consequences at the time the option is granted if the option price is less than fair market value.

STOCK OPTION: A purchased right to buy or sell a fixed amount of a given stock for a specified amount within a limited period of time; also can be an employee benefit, allowing the employee to purchase stock, usually at below market value.

Schedule 4 is for those who have stock options. These include company-provided stock options as well as an option to buy or sell a particular stock. Complete one line for each stock option you own. Note: Companies often provide summaries that would replace this form and therefore eliminate the need to complete it.



Stock Options – Schedule 4

STOCK OPTIONS

		# OPTION SHARES	CURRENT VALUE PER SHARE	MARKET VALUE	OPTION PRICE	BARGAIN ELEMENT	DATE EXERCISABLE
Description	Acme Media-2008	1,000	$ 10	$ 10,000	$ 8,000	$ 2,000	10/2/11
Ownership	Community Property	OPTION PRICE PER SHARE					DATE VOID
Type of Option	ISO Class 1	$ 8.00					10/2/14
Grant Date	10/2/08 Symbol						

		# OPTION SHARES	CURRENT VALUE PER SHARE	MARKET VALUE	OPTION PRICE	BARGAIN ELEMENT	DATE EXERCISABLE
Description			$	$	$	$	
Ownership		OPTION PRICE PER SHARE					DATE VOID
Type of Option	Class	$					
Grant Date	Symbol						

		# OPTION SHARES	CURRENT VALUE PER SHARE	MARKET VALUE	OPTION PRICE	BARGAIN ELEMENT	DATE EXERCISABLE
Description			$	$	$	$	
Ownership		OPTION PRICE PER SHARE					DATE VOID
Type of Option	Class	$					
Grant Date	Symbol						

		# OPTION SHARES	CURRENT VALUE PER SHARE	MARKET VALUE	OPTION PRICE	BARGAIN ELEMENT	DATE EXERCISABLE
Description			$	$	$	$	
Ownership		OPTION PRICE PER SHARE					DATE VOID
Type of Option	Class	$					
Grant Date	Symbol						

		# OPTION SHARES	CURRENT VALUE PER SHARE	MARKET VALUE	OPTION PRICE	BARGAIN ELEMENT	DATE EXERCISABLE
Description			$	$	$	$	
Ownership		OPTION PRICE PER SHARE					DATE VOID
Type of Option	Class	$					
Grant Date	Symbol						

		# OPTION SHARES	CURRENT VALUE PER SHARE	MARKET VALUE	OPTION PRICE	BARGAIN ELEMENT	DATE EXERCISABLE
Description			$	$	$	$	
Ownership		OPTION PRICE PER SHARE					DATE VOID
Type of Option	Class	$					
Grant Date	Symbol						

	MARKET VALUE	OPTION PRICE	BARGAIN ELEMENT
TOTALS	$ 10,000	$ 8,000	$ 2,000

CLASSIFICATION S1 *U.S. Large Company Stock* S2 *U.S. Small Company Stock* S3 *International Stock* S4 *REITs* S5 *Other*

FORM FP4-09-1

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Instructions: *Stock Options — Schedule 4*

1. **List the formal description and title for each stock option you own.**
2. **Note the type of option (RSO or ISO) and class of stock.**
3. **List the number of stock options you own and the option price per share.**
4. **List the current value per share of the security.** This can be determined from either the various stock market listings in most newspapers or by an estimated value determined by you and your advisors based on personal and professional knowledge of the company.
5. **Calculate the current value of the security by multiplying the current value per share times the number of option shares.**
6. **Calculate the option value by multiplying the option price per share times the number of option shares.**
7. **List the bargain element.** To determine the bargain element, subtract the market value of the security from the option value. If the result is a positive number, you have equity, and should enter that number in the column. If the result is a negative number, you have no equity; consequently place a zero in the column.
8. **List the dates or time period during which the stock options may be exercised and the void date after which the options may no longer be exercised.**
9. **Record these dates in your** Financial Planning Calendar. You don't want to miss these important dates!
10. **Total the bargain element as indicated at the bottom of Schedule 4.** Do not include any values for individual stock options with a negative bargain element.
11. **Enter the bargain element as an Investment Asset on your** Net Worth Statement **under the "Stock Options" category.**
12. **Place your stock option(s) or confirmations in your** Financial Organizer **and the rest of your stock option papers in your** Personal Filing System.





- ☐ Note your stock option dates on your Financial Planning Calendar. If your company has issued you stock options with different purchase and expiration dates, be sure to note both dates so you don't miss your opportunities.
- ☐ If you are an officer or employee of the corporation, and own stock options, be careful not to violate any of the insider trading rules.

Retirement Plans

GLOSSARY

Here is a list of USA based retirement plans. What does you country have?

401(K): An employer-sponsored retirement plan that permits qualified workers to invest a pretax percentage of their gross pay into the plan and avoid current income taxation on that investment. Investment earnings from this plan accumulate tax free until they are withdrawn. (The name comes from the actual US federal tax code.)

DEFERRED COMPENSATION PLAN: A form of retirement plan, generally limited to management personnel, in which both the payment of compensation and the income tax on the compensation can be deferred for a period of years.

IRA (INDIVIDUAL RETIREMENT ACCOUNT-US): A retirement plan account that is available to a qualified worker with income limitations, that you can open and obtain a tax deduction for cash contributions. These funds grow tax deferred, and have special rules upon withdrawal.

KEOGH (USA): A program by which self-employed individuals may make tax-deferred contributions to a retirement plan.

PENSION PLAN: Money set aside to provide income or annuities to retired or disabled employees.

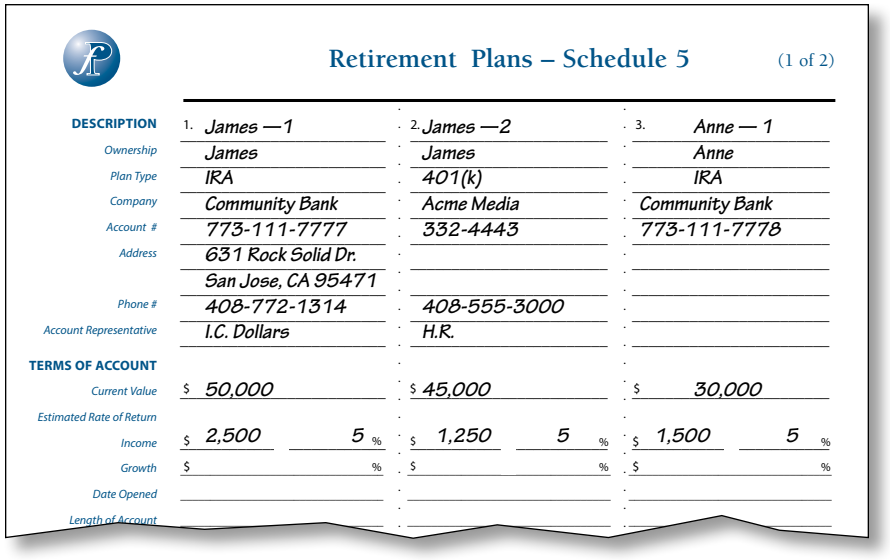
PROFIT-SHARING PLAN: Any plan in which a portion of the profits of a company are set aside for distribution to its employees.

ROTH IRA (ALSO KNOWN AS "BACK-LOADED" IRA - USA): An Individual Retirement Account to which qualified workers may make nondeductible contributions.

SEP (SIMPLIFIED EMPLOYEE PENSION PLAN - USA): A qualified plan which accepts employee and employer contributions to an employee's IRA.

TAX-SHELTERED ANNUITY (TSA) OR 403(B) - (USA): Similar to 401(k) plan, but set up for public employees and employees of nonprofit organizations.

Schedule 5 is to be used to summarize your retirement accounts. Such plans include IRAs or 401(k) plans. Also list company pension plans that eventually will provide a defined or undefined income based on years of service and salary. If you have more retirement plans than the schedules allow for, make extra copies of Schedule 5. (Note: Because of their special provisions, Education IRAs should not be listed here, but instead on the Additional Net Worth Information form addressed later in this chapter.)



Retirement Plans – Schedule 5 (1 of 2)

DESCRIPTION	1. James —1	2. James —2	3. Anne — 1
Ownership	James	James	Anne
Plan Type	IRA	401(k)	IRA
Company	Community Bank	Acme Media	Community Bank
Account #	773-111-7777	332-4443	773-111-7778
Address	631 Rock Solid Dr.		
	San Jose, CA 95471		
Phone #	408-772-1314	408-555-3000	
Account Representative	I.C. Dollars	H.R.	
TERMS OF ACCOUNT			
Current Value	$ 50,000	$ 45,000	$ 30,000
Estimated Rate of Return			
Income	$ 2,500 5 %	$ 1,250 5 %	$ 1,500 5 %
Growth	$ %	$ %	$ %
Date Opened			
Length of Account			



Instructions: *Retirement Plans — Schedule 5*

1. **Enter the title for each account.**
2. **Enter the type of plan (IRA, 401(k), Profit Sharing, etc.).**
3. **Enter the company name and background information.**
4. **Enter the terms of your account, including: the current value of your interest in the retirement plan, the estimated rates of return on your holdings, and other benefits and information.**
5. **Identify your beneficiary selection and distribution options.** This information can be found on forms you filled out when the account was opened or on beneficiary change forms that have been updated. If you do not have the paperwork, make a note on your Things to Do list to request it from your benefits manager or retirement plan custodian.
6. **Identify your investment mix among the security asset allocation categories listed under "Investment Classification."** Enter the current value and total return for each account.
7. **Total the current value for each investment classification and enter this amount on the final line of the schedule.** Repeat this step for your estimated income.
8. **Total the current value for all of your retirement plan accounts and enter this total on your** Net Worth Statement **as an Investment Asset under the "Retirement Plans" category.**
9. **Place retirement plan documents and year-end statements in your** Financial Organizer **and the balance of your papers in your** Personal Filing System.





- ☐ If you need cash for a period of less than 60 days, you can access your IRA funds in the following manner. Through the IRA rollover provisions, you are allowed to remove funds from your IRA every 12 months and place them into a new IRA before the end of 60 days without a penalty. In this way, you can access cash for up to 59 days. But be careful! If you are even a day late, your transaction will be considered an early withdrawal, and you will be taxed and may be penalized. (USA)
- ☐ Have you updated your beneficiary selection since you got married, had children, or got divorced? To avoid inconsistencies in your estate plan, coordinate your beneficiary selections for your retirement plans with your estate plan.
- ☐ To avoid penalties, you must begin taking annual withdrawals call Required Minimum Distributions (RMDs) once your turn age 72. (USA)
- ☐ Tax-deferred retirement plans were created to encourage people to save for retirement, but not as a means of accumulating wealth to be passed on to children or grandchildren. By attempting to pass this asset directly to your heirs through your estate, you may lose up to 80% of the plan assets to taxes. Ask your tax and estate planning advisors about a charitable remainder trust, which not only reduces those taxes significantly, but also provides a generous gift to charity through your estate.

Notes Receivable

GLOSSARY

NOTE RECEIVABLE: A loan for which the borrower gives a written promise to repay the borrowed funds.

Schedule 6 is for listing individuals who owe you money. This includes all promises to repay you money, including mortgages and unwritten loans extended to family and close friends. If you have more notes than the schedule allows for, make extra copies before beginning.



Notes Receivable – Schedule 6

DESCRIPTION	Note 1		
Borrower	Julie Jones		
Relationship	Friend		
Address	435 Home Street		
	San Jose, CA 95115		
Phone #	408-555-4444		
Name of Broker			
Type of Note			
Collateral			
Note #			
Ownership	Joint Tenancy		
Note Date	7/01		
NOTE TERMS	4,000		
Amount Loaned			
Add-on-Financing			
Prepayment Penalty			
Impounds			
	8 %	%	%

FORMS

Instructions: *Notes Receivable — Schedule 6*

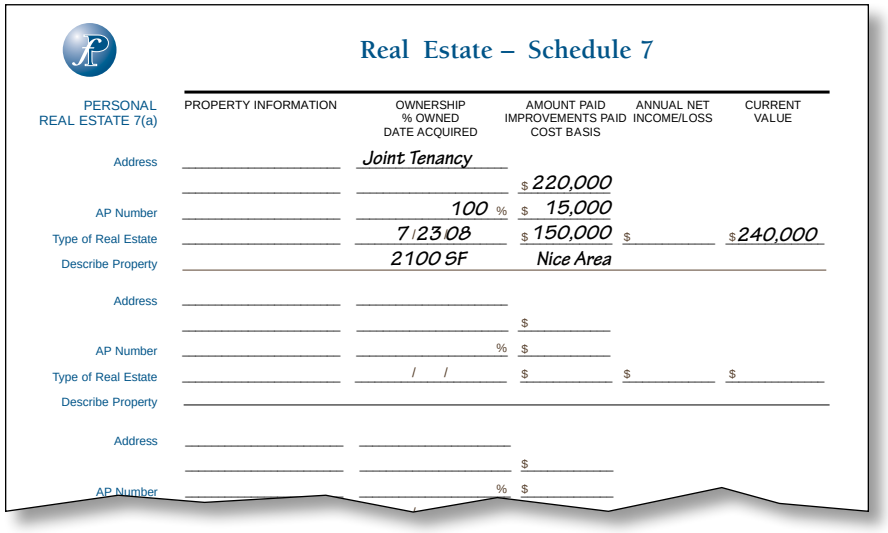
1. **For each note, list the background information of the borrower.**
2. **List the note terms.**
3. **Under "Current Status," enter the balance due and the number of months remaining on the note.**
4. **Total the current value of all your notes receivable.**
5. **Enter the total current value of all notes receivable on your** Net Worth Statement **as an investment asset under "Notes Receivable."**
6. **Place your notes receivable in your** Financial Organizer **and any backup information in your** Personal Filing System**.**

TIPS & IDEAS

- ☐ If you own or are considering investing in notes secured by real estate, be sure the underlying property values are greater than the note. Real estate values in different parts of the country fluctuate continually. To protect your investment, a conservative rule of thumb to follow is to make sure that a loan does not exceed 75% of the appraised value of the property.
- ☐ If you sell your residence or any other asset and lend money to the purchaser, using the sold asset as collateral for the loan, be certain to get the buyer's tax identification number. The IRS requires that tax identification numbers be supplied in conjunction with all sources of income.

Real Estate

Schedule 7 is for listing real estate you own, including homes, rental units, vacant land, or commercial buildings. Also include any fractional share you may have in time-shares or other real estate, unless it is set up as a partnership.



Real Estate – Schedule 7

PERSONAL REAL ESTATE 7(a)	PROPERTY INFORMATION	OWNERSHIP % OWNED DATE ACQUIRED	AMOUNT PAID IMPROVEMENTS PAID COST BASIS	ANNUAL NET INCOME/LOSS	CURRENT VALUE
Address		Joint Tenancy			
			$ 220,000		
AP Number		100 %	$ 15,000		
Type of Real Estate		7/23/08	$ 150,000	$	$ 240,000
Describe Property		2100 SF	Nice Area		
Address					
			$		
AP Number		%	$		
Type of Real Estate		/ /	$	$	$
Describe Property					
Address					
			$		
AP Number		%	$		

Instructions: *Real Estate — Schedule 7*

1. **Determine if the property is personal or investment property.**
   - If the property is your personal residence and you plan to live in it for some time, classify it as personal. If you own a lot and plan to build a first or second home on it, classify it as personal.
   - If you own a lot and plan to hold it for future sale, classify it as investment.
2. **Enter under "Personal" or "Investment" the background information for each parcel or piece of real estate that you own.**
   - Examples of "Type of Real Estate" would include residence, vacant land, condominiums, apartments, commercial buildings, etc.
3. **Enter how you hold title, percentage of ownership, and the date acquired.**
4. **List the amount you paid for the property, cumulative cost of the improvements you have made to the property, and your cost basis.**
   - The cost basis is what you paid for the property, plus improvements, minus tax adjustments. If it is investment property and not just land, review your most recent tax return for improvement, depreciation, and cost basis information.
   - Your purchase price can be found in the closing papers you received when you purchased the property. If you can't find them, ask for a set from your title insurance company.
   - Records of your home improvements should be kept in your Personal Filing System under Financial Position–Residence–Improvements.
5. **List any estimated net income or loss on your investment property for the prior year.**
   - Net income is the difference between property income and expenses.
6. **List the current value for the property.**
   - Determine this by looking at comparable property that is for sale or has recently sold. You may also ask the opinion of a respected residential or commercial real estate agent.
7. **Figure the total current value of your personal and investment real estate,** respectively.
8. **Enter the total current value of your personal real estate on your Net Worth Statement under "Personal Assets Real Estate."**
9. **Enter the total current value of your investment real estate on your Net Worth Statement under "Investment Assets — Real Estate."**
10. **Place your deeds in your Financial Organizer and other related papers in your Personal Filing System.**



- ☐ Set up two files for each piece of real estate that you own. In one, keep all closing documents and financing records. In the other, keep all receipts for improvements to the property. When you sell the property, these receipts will save you significant money by increasing the cost basis of the property and thus reducing your taxable income.
- ☐ Married homeowners can exclude up to $500,000 in gains from the sale of a principal residence ($250,000 for single taxpayers). This tax break is renewable every two years. There are complex rules covering five-year ownership, unforeseen events, percentage of time when the house was used as primary residence, and marital status. (USA)
- ☐ If your property portfolio is growing and you do not have time to manage it, consider hiring a property manager to assist you. If it's not growing consider selling or trading it.
- ☐ .If you are over 62 and have significant equity in your home and are need of increasing your cash flow consider a Reverse Mortgage, also known as a Home Equity Conversion Mortgage (HECM). The reverse mortgage allows the borrower to convert part of their equity in their homes into cash. This can come in the form of a lump sum, equal monthly payments as long as the homeowner lives in the home, equal monthly payments for a fixed period of time, a draw on any amount at any time until the line of credit is exhausted; or any combination. A reverse mortgage does not become due if pay your requirements such as property taxes, homeowners insurance and maintenance, until the borrow no longer occupies the residence. Make sure you check out the fees and costs, and don't hesitate to get professional advice. (USA)

Partnerships



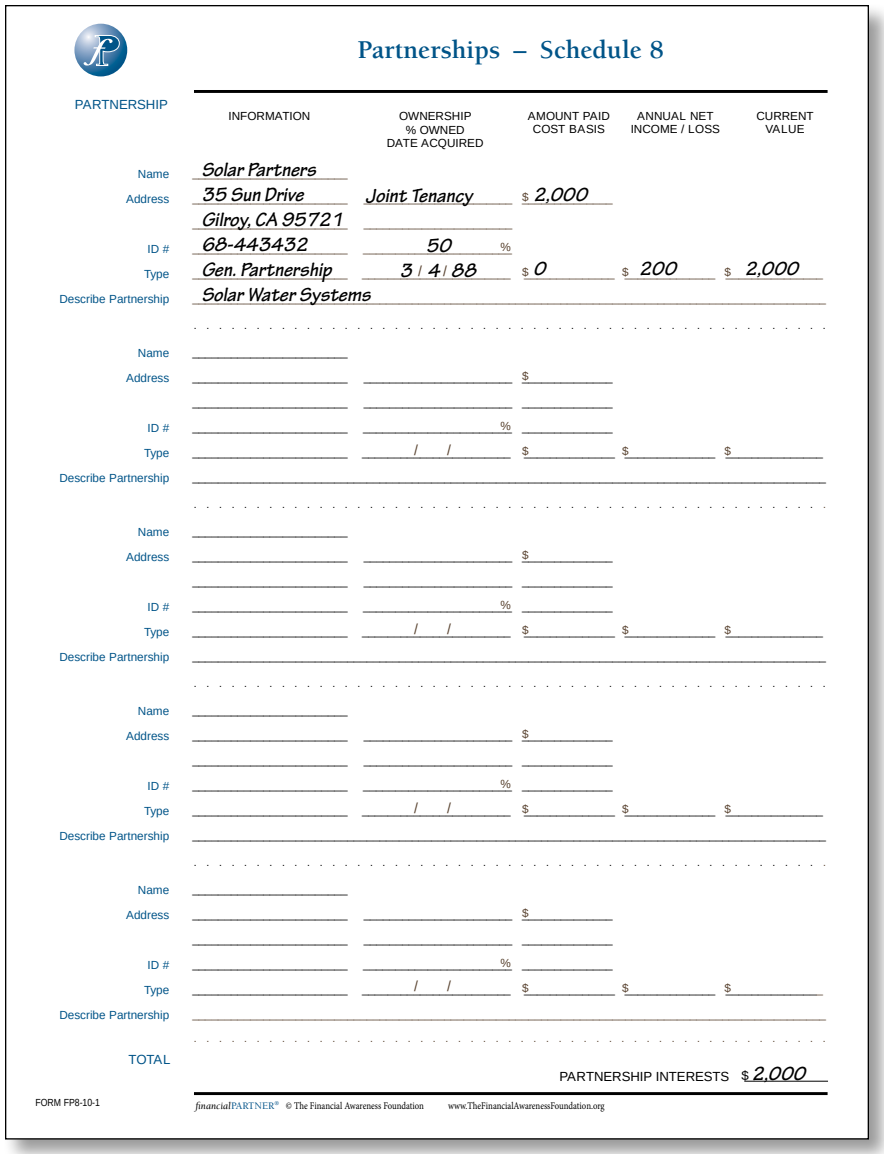
General Partnership: A partnership in which each partner shares in the control and management of the business, and each partner is personally liable for the entire amount of partnership debts.

Joint Venture Company: An organization of two or more persons or companies that is formed for the purpose of working on a project together.

Limited Liability Company (LLC): A LLC is a state-approved hybrid entity where the principal assets of the owners (other than their interest in the LLC) are not subject to the risk of creditor claims for the company's business debt. All owners participate in management, and profits and losses can be shared as agreed upon by the members. Most LLCs are designed to be taxed as a partnership, thereby avoiding the double layer of taxation encountered in a "C" corporation.

Limited Partnership: A partnership in which there must be at least one general partner who is responsible for the management and debts of the company, and one or more limited partners who have no control over management and are liable for indebtedness only to the extent of their investment.

Schedule 8 is for recording your partnership interests. These include joint ventures, general partnerships, and limited partnerships.



Partnerships – Schedule 8

PARTNERSHIP INFORMATION	OWNERSHIP % OWNED DATE ACQUIRED	AMOUNT PAID COST BASIS	ANNUAL NET INCOME / LOSS	CURRENT VALUE
Name: Solar Partners				
Address: 35 Sun Drive Gilroy, CA 95721	Joint Tenancy	$ 2,000		
ID #: 68-443432	50 %			
Type: Gen. Partnership	3 / 4 / 88	$ 0	$ 200	$ 2,000
Describe Partnership: Solar Water Systems				
Name				
Address		$		
ID #	%			
Type	/ /	$	$	$
Describe Partnership				
Name				
Address		$		
ID #	%			
Type	/ /	$	$	$
Describe Partnership				
Name				
Address		$		
ID #	%			
Type	/ /	$	$	$
Describe Partnership				
Name				
Address		$		
ID #	%			
Type	/ /	$	$	$
Describe Partnership				
TOTAL				

PARTNERSHIP INTERESTS $ 2,000

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Instructions: *Partnerships — Schedule 8*

1. **Enter the legal name and federal identification number of each partnership.**
2. **Enter the type and brief description of the partnership.** Types of partnerships include: limited partnership, general partnership, or joint venture.
3. **Enter how you hold title and your percentage of ownership.**
4. **Enter the date acquired or entered into.**
5. **Enter the amount paid for your interest and your cost basis.** Your cost basis can usually be obtained from your Form K-1 issued by the partnership.
6. **Enter your estimated net income or loss.**
7. **Enter the current value of your interest in the partnership.** The current value can be determined from offers to buy, the value of comparable companies, your buy-sell agreement, or your partners' or advisors' opinions.
8. **Total the current value of your partnerships, then enter the total on your** Net Worth Statement **under "Investment Assets—Partnerships."**
9. **Place your certificates of partnership and partnership agreements in your** Financial Organizer **and the rest of your papers in your** Personal Filing System.



- ☐ Evaluating limited partnership units is not an exact science. There isn't a clearly defined secondary market for partnership interests. To assess the value of your units, contact the general partner first and then the broker who sold you your investment for their opinion of value. Don't just use your purchase price.
- ☐ You may find it difficult to sell old partnership units because there is no clearly defined market with centralized trading. First, check with the general partner(s) to see what interest they might have in your units. Then check with the broker who sold you the investment. If you're not satisfied with your findings, consider the informal secondary market where a number of firms provide a "matching" service for buyers and sellers of limited partnership units. If you use these services, check with several for price comparisons. To help you get started, you may wish to contact your investment advisor or brokerage firm for referrals to secondary market makers.
- ☐ Investing in partnership interests can cause extra complexities and delays when doing your income tax returns. If you want to keep your tax returns simple, avoid investing in partnerships.
- ☐ Be careful when entering into a partnership. As a general partner, you are balancing greater control in managing the business against potentially more liabilities. For example, ABC Distributor was a limited partnership. When it went out of business, Mr. Jones, a limited partner, lost only the $2,000 he put into the company. Ms. Smythe, however, who was the general partner, owed creditors over $50,000, even though her investment of $2,000 was the same as her partner's.

Business Interests



"C" CORPORATION: The most common form of corporate structure used by larger companies, although it can be used by a single person. A "C" corporation gives its shareholders liability protection, but can cause double taxation; it taxes the corporation for any profits and then taxes the individual shareholders for their share of the profit that is distributed. Unlike with a partnership, tax losses for the corporation cannot be passed on to individual shareholders. (USA)

LIMITED LIABILITY COMPANY (LLC): An LLC is a state-approved hybrid entity where the principal assets of the owners (other than their interest in the LLC) are not subject to the risk of creditor claims for the company's business debt. All owners participate in management, and profits and losses can be shared as agreed upon by the members. Most LLCs are designed to be taxed as partnerships, thereby avoiding the double layer of taxation encountered in a "C" corporation. (USA)

"S" CORPORATION: Similar to a general partnership, except that it gives shareholders the liability protection of a corporation. (Shareholders may deduct losses from their taxes only to the extent of their equity investment.) "S" corporations are limited to 100 shareholders for tax years beginning after 2004.(USA)

SOLE PROPRIETORSHIP: An incorporated business having only one owner.

Schedule 9 is for individuals who own business interests. Use this form to list businesses other than partnerships in which you are actively involved.



Business Interests – Schedule 9

BUSINESS INTERESTS	INFORMATION	OWNERSHIP % OWNED DATE ACQUIRED	AMOUNT PAID COST BASIS	ANNUAL NET INCOME / LOSS	CURRENT VALUE
Name	Sullivan Sales				
Address	321 Winding Creek	CP	$ 5,000		
	San Jose, CA 95113	100 %			
ID #		1/1/96			
Type	Home Office		$ 5,000	$	$ 5,000
Describe Business	Software Consulting & Sales				
Name					
Address			$		
ID #		%			
Type		/ /	$	$	$
Describe Business					
Name					

TIPS & IDEAS

- ☐ Be sure to coordinate the way you hold title to your business interests with your estate plan.
- ☐ Be careful which form of business organizational structure you choose. Sole proprietorships and partnerships give the small business owner the highest exposure to lawsuits. If you invest in a corporation or a limited liability company, you should have less lawsuit exposure, but you're not immune. Make sure you check with your legal counsel on a regular basis to discuss your liability exposure and ways it can be reduced.

FORMS

Instructions: *Business Interests — Schedule 9*

1. **Enter the legal name and federal identification number of each business interest.**
2. **Enter the type and brief description of business interest (see above definitions).**
3. **Enter how you hold title and what percent of the business you own.**
4. **Enter the date acquired.**
5. **Enter the amount paid for your interest and your cost basis.** Your cost basis can be calculated by what you paid for the business interest plus or minus any tax adjustments.
6. **Enter your estimated net income or loss.**
7. **Enter the current value for your interest in the business as determined from offers to buy, values of comparable companies, or your Board of Directors' or advisors' opinions.**
8. **Total the current value of your business interests and enter the total on your** Net Worth Statement **under "Investments Assets — Business."**
9. **Place your stock or partnership certificates and agreements in your** *Financial Organizer* **and the rest of your partnership papers in your** *Personal Filing System*.

Annuities

ACCUMULATED DEFERRED ANNUITY: An annuity contract which provides that payments to the annuitant be postponed until a specified period of time has elapsed — for example, 10 years or when the annuitant reaches a certain age. It can be purchased in one lump sum or with periodic (after-tax) payments until the withdrawing process begins.

ANNUITY: A contract purchased from an insurance company which stipulates that a certain sum will be paid at regular intervals over a certain period of time, such as a lifetime.

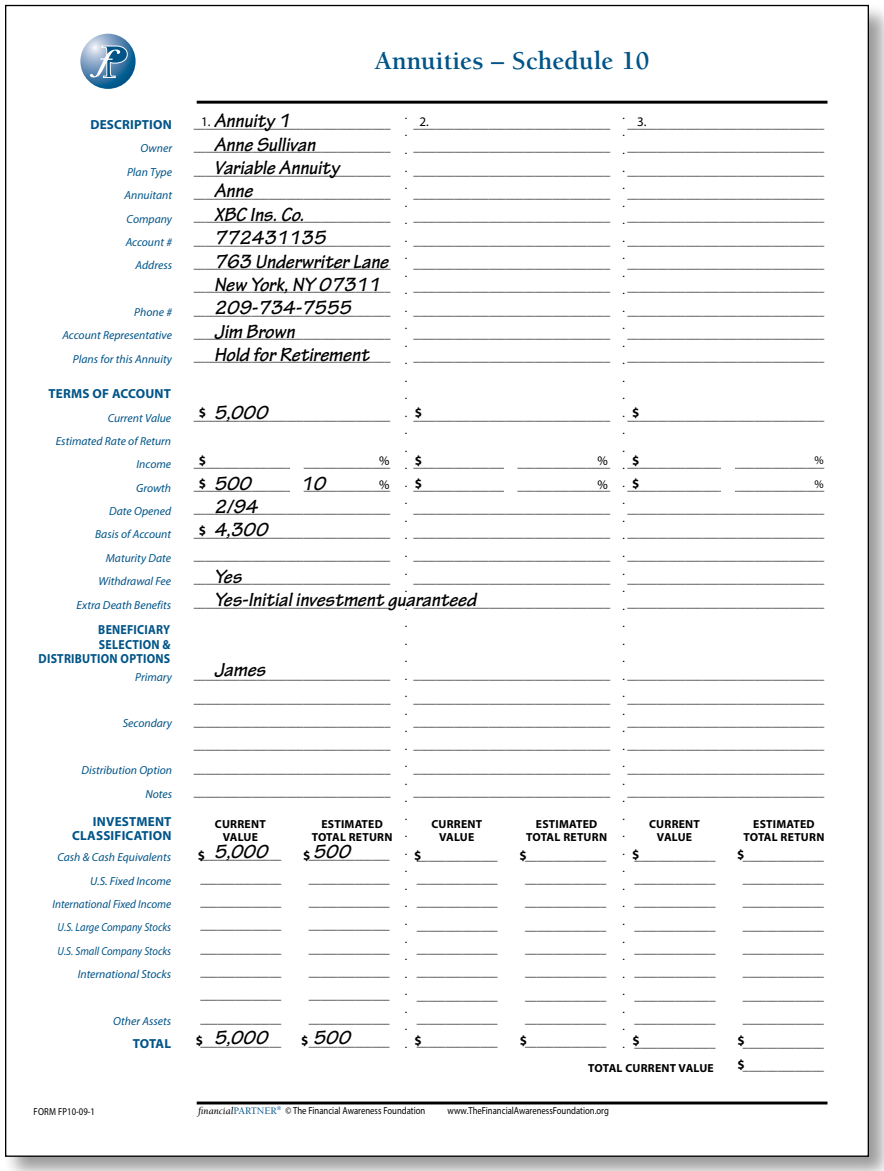
FIXED ANNUITY: Always pays a set amount of income for the life of the contract. The investment risk is borne by the insurance company.

IMMEDIATE FIXED ANNUITY: Begins payments as soon as you purchase the contract, and always pays a set amount of income for the life of the contract. The investment risk is borne by the insurance company.

PRIVATE ANNUITY: An annuity contract that is entered into by private parties, not an insurance company.

VARIABLE ANNUITY: A regular monthly payment that varies in amount based on the performance of the securities held in the insurance company's portfolio. These annuities are covered by insurance company laws that shelter gains from current taxation. They may carry more stock market risk than fixed annuities but have greater potential for appreciation.

Schedule 10 is for individuals who own annuities. These include fixed, variable, accumulated, immediate, and private annuities. Do not include tax-sheltered annuities here; list them on **Retirement Plans—Schedule 5**. If you have more annuities than the schedule allows, make extra copies of *Schedule 10*.



Annuities – Schedule 10

	1.	2.	3.
DESCRIPTION	Annuity 1		
Owner	Anne Sullivan		
Plan Type	Variable Annuity		
Annuitant	Anne		
Company	XBC Ins. Co.		
Account #	772431135		
Address	763 Underwriter Lane New York, NY 07311		
Phone #	209-734-7555		
Account Representative	Jim Brown		
Plans for this Annuity	Hold for Retirement		
TERMS OF ACCOUNT			
Current Value	$ 5,000	$	$
Estimated Rate of Return			
Income	$ %	$ %	$ %
Growth	$ 500 10 %	$ %	$ %
Date Opened	2/94		
Basis of Account	$ 4,300		
Maturity Date			
Withdrawal Fee	Yes		
Extra Death Benefits	Yes-Initial investment guaranteed		
BENEFICIARY SELECTION & DISTRIBUTION OPTIONS			
Primary	James		
Secondary			
Distribution Option			
Notes			

INVESTMENT CLASSIFICATION	CURRENT VALUE	ESTIMATED TOTAL RETURN	CURRENT VALUE	ESTIMATED TOTAL RETURN	CURRENT VALUE	ESTIMATED TOTAL RETURN
Cash & Cash Equivalents	$ 5,000	$ 500	$	$	$	$
U.S. Fixed Income						
International Fixed Income						
U.S. Large Company Stocks						
U.S. Small Company Stocks						
International Stocks						
Other Assets						
TOTAL	$ 5,000	$ 500	$	$	$	$
					TOTAL CURRENT VALUE	$

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Instructions: *Annuities — Schedule 10*

1. **Enter the owner of the annuity.**
2. **Enter the plan type.** Refer to glossary definitions.
3. **Enter the annuitant.** This is the individual who will receive the annuity payments.
4. **Enter the name and background information of the insurance company that is underwriting or providing the annuity.**
5. **Enter a brief outline of your plans for this annuity.**
6. **Enter the estimated rates of returns on the account.**
7. **Enter the account details under "Terms of Account."**
8. **List your primary and secondary beneficiaries for each account and your distribution option.**
9. **Identify your investment mix among the asset allocation categories listed under "Investment Classification."** Enter the current value for each account.
10. **Total the current values of each investment classification and enter this amount on the final line of the schedule.** Repeat this step for your estimated income.
11. **Total the current values of all your annuities and enter this amount on your** Net Worth Statement **as an asset under "Annuities."**
12. **Place your annuity contracts and year-end statements in your** Financial Organizer **and other related papers in your** Personal Filing System.



- ☐ Annuities are not liquid. If you want your money before age 59½, you may incur a 10% early-withdrawal federal tax penalty, plus a possible surrender charge to the insurance company, as well as additional state taxes.
- ☐ Investments in annuities are not federally insured, even if you buy them from your bank. Reduce your risk exposure by diversifying. Invest in several companies instead of putting all your holdings in one large contract.
- ☐ Contact your insurance agent each year to review your options and to gain updated information on the ratings of any insurance companies. Additional sources of information include the annual stockholder reports (if the company is public), or you can contact the following insurance company rating reviewers:
  - A.M. Best, 800. 424.2378, www.ambest.com/
  - Fitch Ratings, 212.908.0500, www.fitchibca.com
  - Moody's Investors Services, 212.553.1653, www.moodys.com
  - Standard & Poor's, 212.438.2400, www.standardandpoors.com/
  - Weiss Ratings, 877-934-7778, www.weissratings.com

  These sources may charge fees so inquire first.
- ☐ You can combine your interests in supporting charity and in receiving annuity income by way of a charitable gift annuity. A gift annuity is a contract between you and the charity in which the charity promises to pay an annuity to you (or a person of your choice) for life, in exchange for your gift. In addition to the lifetime income, gift annuities offer income tax, capital gains tax, and estate tax benefits. Consult your financial advisor and your charity for details.

Life Insurance

GLOSSARY

ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE: An insurance policy that pays a benefit if the insured dies by other than natural causes. It also pays a benefit if the insured loses sight, hearing, speech, or the use of a limb from an accident. (USA)

CASH SURRENDER VALUE: The amount of money a policyholder would receive if the policy were cashed in. This is made up of the policyholder's cash within the policy, plus any unused premiums, plus any dividends, less the principal and interest of any loans against the policy.

IN-FORCE LEDGER ILLUSTRATION: A report prepared by insurance companies to illustrate the current and future values of an existing policy.

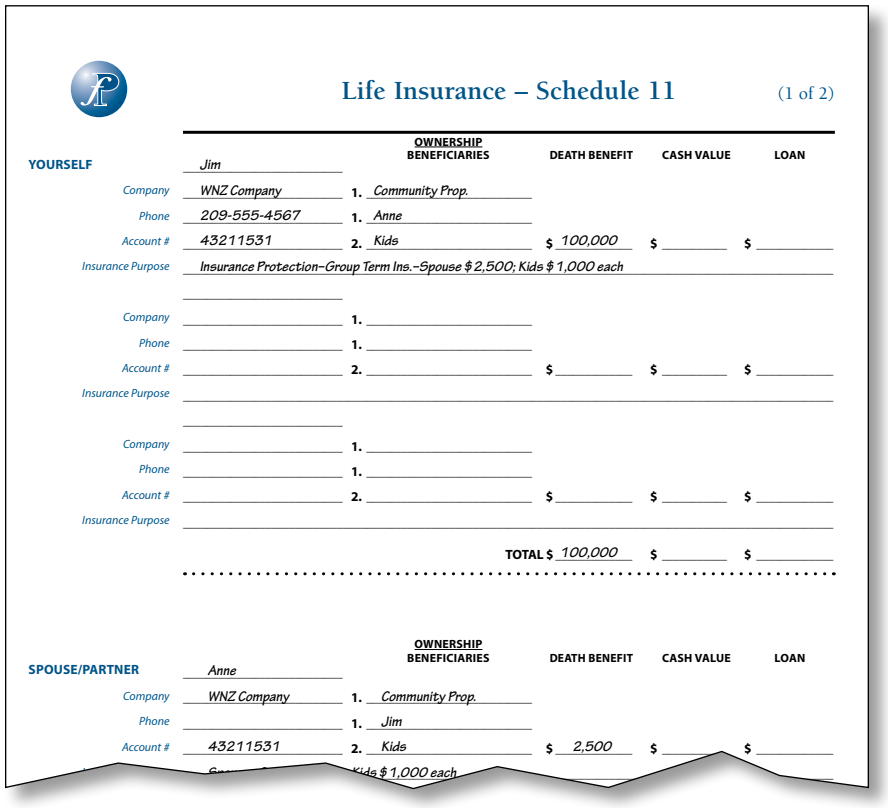
TERM LIFE: Provides a cash benefit if death occurs while the policy is in force. The insurance protection is for a specific limited period of time. Once the period ends there are no death benefits or cash values. This type of life insurance is usually the least expensive on a year-by-year basis, with premiums gradually increasing each year. (USA)

UNIVERSAL LIFE: A policy that combines term and whole life insurance elements. It has a death benefit and cash values. The policy is flexible and allows you to adjust the allocation of premium payments between death benefits and cash value savings. (USA)

VARIABLE LIFE: Also a combination of term and whole life. It has a death benefit and cash values. Like universal life, this policy is flexible and allows you to adjust the allocation of premium payments between the death benefit and the cash values. Variable life policies offer additional flexibility by allowing you to invest cash values in various combinations of money market, stock or bond funds. (USA)

WHOLE LIFE: Also known as "Cash Value Life," this provides life insurance coverage and has a savings element built into the policy. The premiums are higher, but cash values can build inside the policy. If your insurance needs are long-term (10 years or more), a good whole life policy could be less expensive than an annual renewable term policy. (USA)

Schedule 11 is for individuals whose lives are insured through personally owned policies, employee benefits, and accidental death policies.



Life Insurance – Schedule 11 (1 of 2)

		OWNERSHIP BENEFICIARIES	DEATH BENEFIT	CASH VALUE	LOAN
YOURSELF	Jim				
Company	WNZ Company	1. Community Prop.			
Phone	209-555-4567	1. Anne			
Account #	43211531	2. Kids	$ 100,000	$	$
Insurance Purpose	Insurance Protection–Group Term Ins.–Spouse $ 2,500; Kids $ 1,000 each				
Company		1.			
Phone		1.			
Account #		2.	$	$	$
Insurance Purpose					
Company		1.			
Phone		1.			
Account #		2.	$	$	$
Insurance Purpose					
			TOTAL $ 100,000	$	$

		OWNERSHIP BENEFICIARIES	DEATH BENEFIT	CASH VALUE	LOAN
SPOUSE/PARTNER	Anne				
Company	WNZ Company	1. Community Prop.			
Phone		1. Jim			
Account #	43211531	2. Kids	$ 2,500	$	$
		Kids $ 1,000 each			



Instructions: *Life Insurance — Schedule 11*

1. **Enter the name of the insured.** A life insurance policy (contract) may have one or several parties involved:
   - The "Insured" is the party whose life is insured.
   - The "Owner" is the party who owns and usually pays for the policy.
   - The "Beneficiary" is the party who will receive the proceeds upon the death of the insured.
2. **List the insurance company, the account number, and the purpose of the insurance policy.**
3. **Identify the owner, then the primary and secondary beneficiaries.**
4. **List the death benefit.** The death benefit is the amount the insurance company will pay at the time of the insured's death, which is the "face" death benefit, plus any supplemental benefits, minus any current loans against the policy.
5. **Determine and list the cash value for your policies.** The best way to determine these is by contacting your life insurance agent or insurance company. These figures should be verified by comparing them with your most recent policy statement. If the information seems out of balance, ask your company to explain.
6. **Enter the total of all cash values on your** Net Worth Statement **as an asset under "Life Insurance."** If you have any life insurance loans, list them on your **Loans—Schedule 14**.
7. **Place your life insurance contracts and year-end statements in your** Financial Organizer **and other related papers in your** Personal Filing System.



- ☐ Be sure to coordinate ownership and beneficiary selection of your life insurance contracts with your estate plan.
- ☐ Contact your life insurance agent each year and ask for an in-force ledger illustration to review your options. Also obtain updated ratings on your insurance company. If you have borrowed from your cash values and are making interest payments, which are not deductible as consumer interest, ask your agent to discuss other options with you. You may be able to exchange your old policy "tax free" for one that better meets your current needs.
- ☐ You can make a gift to charity of a paid-up life insurance policy and receive an income tax deduction equal to the cash surrender value of the policy. You can also create a new policy and name the charity as the owner and beneficiary of the policy. By doing so, you are entitled to a charitable deduction for each of the premium payments you make on that policy. The charity then receives the face value of the policy upon your death.

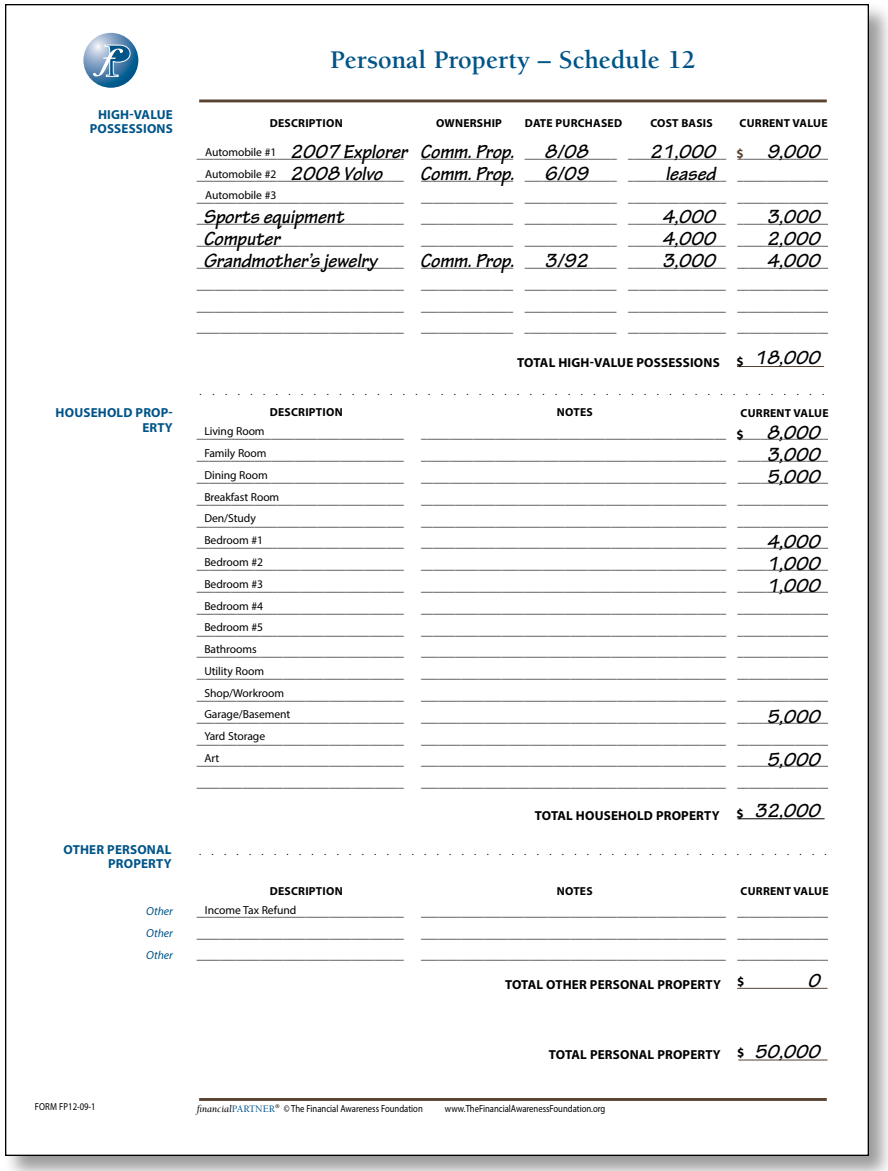
Personal Property

Schedule 12 is for recording personal property not already included in the previous schedules, such as your furniture, appliances, furnishings, jewelry, works of art, sports equipment, and other personal assets. This will give you a broad overview of the personal property you own.

As you enter the current values for your property, be careful not to overvalue items such as automobiles, computer equipment, car phones, and home entertainment items — these may not be worth as much as you think. Estimate a price based on a reasonable fair market value. A review of the classified sections of your local newspaper will provide a good start for determining the value of personal property.

"An investment in knowledge pays the best interest."

- Benjamin Franklin



Personal Property – Schedule 12

HIGH-VALUE POSSESSIONS

	DESCRIPTION	OWNERSHIP	DATE PURCHASED	COST BASIS	CURRENT VALUE
Automobile #1	2007 Explorer	Comm. Prop.	8/08	21,000	$ 9,000
Automobile #2	2008 Volvo	Comm. Prop.	6/09	leased	
Automobile #3					
	Sports equipment			4,000	3,000
	Computer			4,000	2,000
	Grandmother's jewelry	Comm. Prop.	3/92	3,000	4,000

TOTAL HIGH-VALUE POSSESSIONS $ 18,000

HOUSEHOLD PROPERTY

DESCRIPTION	NOTES	CURRENT VALUE
Living Room		$ 8,000
Family Room		3,000
Dining Room		5,000
Breakfast Room		
Den/Study		
Bedroom #1		4,000
Bedroom #2		1,000
Bedroom #3		1,000
Bedroom #4		
Bedroom #5		
Bathrooms		
Utility Room		
Shop/Workroom		
Garage/Basement		5,000
Yard Storage		
Art		5,000

TOTAL HOUSEHOLD PROPERTY $ 32,000

OTHER PERSONAL PROPERTY

	DESCRIPTION	NOTES	CURRENT VALUE
Other	Income Tax Refund		
Other			
Other			

TOTAL OTHER PERSONAL PROPERTY $ 0

TOTAL PERSONAL PROPERTY $ 50,000

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Instructions: *Personal Property — Schedule 12*

1. **Write a brief description of the high-value possessions in each room of your residence.**
2. **Enter how you hold title, if you hold title differently from your name (or names, if you're married).**
3. **Enter the purchase date, your cost basis, and the current value of the property.**
4. **Enter the total current value of all your high-value possessions.**
5. **Estimate the current value included in each of your living areas, less the high-value possessions accounted for above.**
6. **Enter the total current value of your household property.**
7. **Enter under "Other Personal Property" tax refunds, earned but not received income (such as paychecks not yet received for last month), trusts, and other assets that don't fit in any other category.**
8. **Total all personal property and enter that figure on your** Net Worth Statement **as an asset under "Personal Property."**
9. **Place any ownership documents, such as automobile ownership papers and art authenticity certificates, in your** Financial Organizer **and other related papers in your** Personal Filing System.



- ☐ Record a detailed inventory of your personal property and update it annually. Consider photographing or videotaping your possessions and storing the photographs or videotape outside your home or in a fireproof safe or safe-deposit box. This procedure will facilitate making an insurance claim and receiving your entitled benefits, should you ever incur a loss.
- ☐ Contact your insurance agent each year to review your insurance options and to make sure you are adequately insured.
- ☐ Items of personal property can be used as charitable gifts, including jewelry, art, furs, coin collections, antiques, even cars and boats. Items valued at $5,000 or greater must be accompanied by a "qualified appraisal" in order to quality for a charitable deduction. The amount of your deduction may vary depending upon how the item will be used by the charity. Consult your financial advisor regarding these rules.

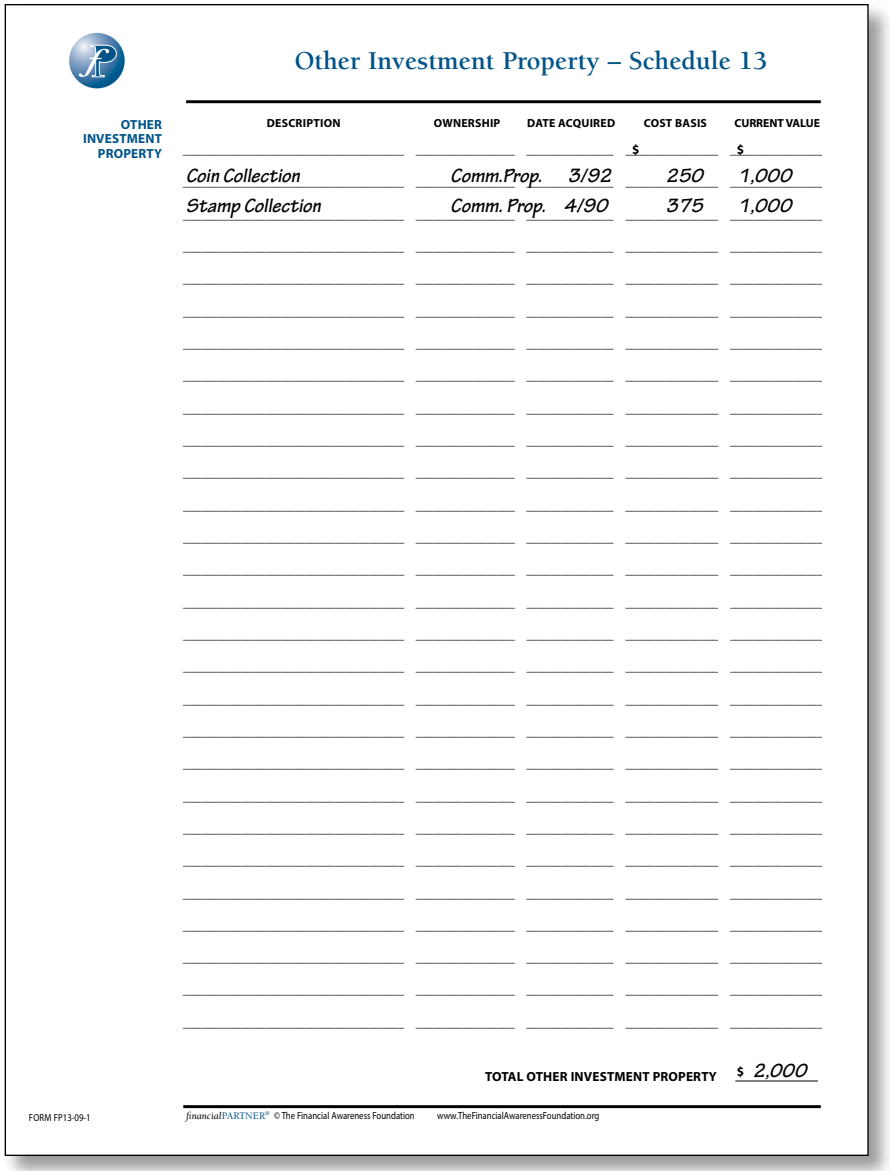
Other Investment Property

Schedule 13 is for recording other investment property, such as art, collectibles, hard money assets (i.e., gold coins and rare stamps), and any other investment property which you have not included in the other schedules. Investment property is considered to be any property you have purchased that may be appreciating in value and which you intend to sell at some time in the future for a profit.



Instructions: *Other Investment Property — Schedule 13*

1. **Write a brief description for each asset you wish to classify separately.**
2. **Enter how you hold title, if you hold title differently from your name (or names, if you're married).**
3. **Enter the date acquired, your cost basis, and the current value as determined by a qualified appraiser, expert, or your "researched opinion" for each item.**
4. **Total the current values from all categories of other investment property.**
5. **Enter the total for other investment property on your** Net Worth Statement **as an asset under "Other Investment Property."**
6. **Place any ownership documents, such as art, stamp, or coin authenticity certificates, in your** Financial Organizer **and other related papers in your** Personal Filing System.



Other Investment Property – Schedule 13

OTHER INVESTMENT PROPERTY

DESCRIPTION	OWNERSHIP	DATE ACQUIRED	COST BASIS	CURRENT VALUE
			$	$
Coin Collection	Comm.Prop.	3/92	250	1,000
Stamp Collection	Comm. Prop.	4/90	375	1,000

TOTAL OTHER INVESTMENT PROPERTY $ 2,000

FORM FP13-09-1

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List Your Liabilities

You have now completed the documentation of your assets. Next, do the same for your liabilities. As soon as you complete the liabilities schedules, you will have all the documentation about your finances that you need to prepare your **Net Worth Statement** later in this section.

As you fill out the liabilities schedules, follow the same procedure as you did for the assets schedules. Simply complete the forms, transfer the totals for each to your **Net Worth Statement**, and file the completed schedules in your **Financial Organizer.**

Some people treat their liabilities like monsters under the bed; the less thought about, the better. Other people are overly casual. Senator Everett Dirksen once said, "**A billion here, a billion there, and pretty soon you're talking about real money!**" Both extremes can lead to problems.

Loans



FIXED OR VARIABLE RATE LOANS: Fixed rate loans charge a set annual interest rate for a specific number of years, for example, 5% interest per year for 15 years. Variable rate loans normally start with a reduced rate for a short period of time, called a "teaser rate," and then adjust to a market rate index. Due to this teaser rate, variable rate loans are usually less expensive in the short term. In the long term, depending on what happens to interest rates, either loan could be better. Variable rate loans have the potential of lower payments if interest rates are stable or go down, but they also have the risk of higher payments if rates go up.

HOME EQUITY LINE OF CREDIT: A line of credit using the equity in your home as collateral.

MORTGAGE: Sometimes called a deed of trust. It is a loan using your property as security for the loan.

REVERSE MORTGAGE: Also known as a Home Equity Conversion Mortgage (HECM) is a loan available to homeowners that are age 62 years or older. The reverse mortgage allows the borrower to convert part of their equity in their homes into cash. This can come in the form of a lump sum, equal monthly payments as long as the homeowner lives in the home, equal monthly payments for a fixed period of time, a draw on any amount at any time until the line of credit is exhausted; or any combination. A reverse mortgage does not become due if pay your requirements such as property taxes, homeowners insurance and maintenance, until the borrow no longer occupies the residence. (USA)

REVOLVING LOAN (CREDIT): A loan that can be paid down or borrowed against, such as a credit card or a line of credit. These are also called open-ended loans.

SECOND MORTGAGE LOAN: A loan secured by property that is secondary to a first mortgage. This is typically a home remodeling loan or a debt consolidation loan. The term is usually from 3 to 15 years.

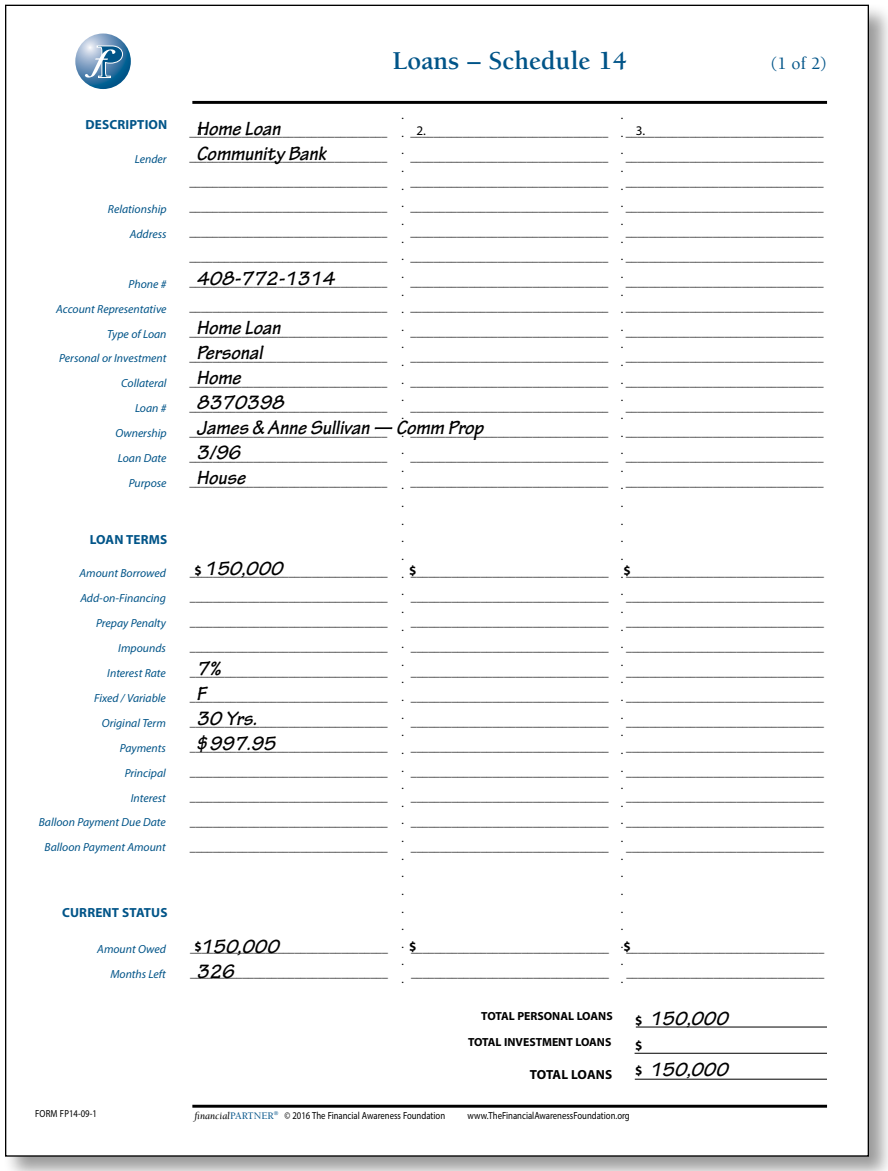
STUDENT LOANS: Special loans designed to help students and families fund the high costs of education. Examples include extra-credit loans, Stafford loans, Sallie Mae loans, and Educational Resources Institute loans. For information regarding these and other loan programs, contact the specific school you are interested in or a specific financial institution that markets such loans.

TERM LOAN (CREDIT): A loan that is repaid over a specified period of time.

Schedule 14 is for recording each of your loans. These include home mortgage, real estate, home equity line of credit, life insurance cash value loan, retirement plan loan, auto loan, student loan, and any other personal or investment loans except credit cards. Do not estimate any unpaid household bills — such as telephone, gas and electric, cable TV — here as they are recorded on Schedule 16. Record any outstanding credit card balances on Schedule 15.

Instructions: *Loans — Schedule 14*

1. **Enter the background information on each lender and loan.**
2. **Note the type of loan and whether it is personal or investment.**
3. **Indicate the purpose of the loan.**
4. **Enter the loan terms.** This can usually be found on the front page of your loan document.
5. **Enter the amount owed and the number of months remaining on your loan.**
6. *This can usually be found on your loan amortization schedule if you were given one, in your last month's statement, or in your loan payment book.*
7. **Total the current amount owed for all personal loans and enter the amount on your** Net Worth Statement **as a liability in the "Loan" section.**
8. **Place your loan documents in your** Financial Organizer **and any support information in your** Personal Filing System.



Loans – Schedule 14 (1 of 2)

	DESCRIPTION	2.	3.
Lender	Community Bank		
Relationship			
Address			
Phone #	408-772-1314		
Account Representative			
Type of Loan	Home Loan		
Personal or Investment	Personal		
Collateral	Home		
Loan #	8370398		
Ownership	James & Anne Sullivan — Comm Prop		
Loan Date	3/96		
Purpose	House		
LOAN TERMS			
Amount Borrowed	$ 150,000	$	$
Add-on-Financing			
Prepay Penalty			
Impounds			
Interest Rate	7%		
Fixed / Variable	F		
Original Term	30 Yrs.		
Payments	$997.95		
Principal			
Interest			
Balloon Payment Due Date			
Balloon Payment Amount			
CURRENT STATUS			
Amount Owed	$150,000	$	$
Months Left	326		

TOTAL PERSONAL LOANS $ 150,000
TOTAL INVESTMENT LOANS $
TOTAL LOANS $ 150,000

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TIPS & IDEAS

Do you know the difference between 'Good Debt vs. Bad Debt'?

- ☐ Be careful that you do not incur debt by over spending.
- ☐ Avoid high interest debt , especially if you might not be able to repay immediately.
- ☐ If interest rates decline, be certain to compare your existing loan rate and terms, especially for home mortgages, with those currently available. You probably will realize substantial savings by refinancing.
- ☐ To determine whether or not refinancing will really save you money, ask a loan officer at your lending institution to provide the following figures:

	Example	Yours
Current monthly payment	$1,500	_____
Proposed monthly payment	$1,200	_____
Estimated monthly savings	$ 300	_____
Total refinancing and closing costs	$3,000	_____
Break-even month ($3,000/$300)	10 months	_____

To find out how many months it will take you to break even, divide the total refinancing/closing costs by your monthly savings. The result will tell you the number of months you must keep your new mortgage before you will begin to realize any monthly payment savings.

- ☐ If your loans are personal and unsecured, consider refinancing them with a secured line of credit against your house. Consumer interest is no longer deductible, unless it is secured against your primary residence and meets certain other criteria.
- ☐ If you buy a home and the seller takes back financing from you, be sure to get the seller's tax identification number. The IRS requires it to substantiate your deductions.
- ☐ Use the seven-year rule of thumb to choose between a variable or fixed rate for your mortgage. If you plan to keep your mortgage for more than seven years, choose a fixed rate mortgage. If you plan to keep your mortgage fewer then seven years, consider a variable rate mortgage.
- ☐ If you own a home and do not have a home equity line of credit, consider getting one as soon as possible — even if you do not need the financing now! They are often free or low in cost, so don't ignore this opportunity. If and when you do need cash, it is possible that your creditworthiness may not be as good as it is today, causing you difficulty and delays in getting a loan. Plan ahead — it's the perfect "insurance policy."
- ☐ If you do not own a home, consider getting an unsecured line of credit. The interest is not deductible as consumer interest but could be deducted as a business expense. The rates are usually a great deal lower than credit cards. Again, such a line of credit also provides you with an "insurance policy" by making a certain amount of cash available in an emergency. You will not have to go "loan shopping" when your financial situation is not at its best.
- ☐ Be careful when looking for an unsecured line of credit. Many lines of credit are "interest only" and have to be paid back at the end of 12 months. Try to find a loan that is long-term interest only and can be converted into a term loan once it matures.
- ☐ Avoid late payment fees; always pay your bills before their due dates.
- ☐ Don't over use your credit; keep your balances low on your credit cards.
- ☐ Keep your total monthly housing expenses (including mortgages and secured lines of credit, principle and interest payments, homeowners insurance, property taxes, condo fees) should not exceed 28 percent of your gross monthly income. Your total debt service, including your house payments plus all other debt payments, should not exceed 36 percent of your gross monthly income. These percentages may be adjusted some according to the costs of living and real estate prices where you live.
- ☐ Pay off your debt rather than moving it around.
- ☐ Don't open new credit cards just to increase your available credit.
- ☐ Learn more about debt reduction strategies in the next chapter

Credit Cards

Schedule 15 is for recording all your credit cards. This schedule will help you inventory all your key credit card information in one location. List all of your cards regardless of their outstanding or zero balances.

Credit Cards – Schedule 15

		OWNERSHIP USE—PERSONAL OR INVEST/BUSINESS	ACCOUNT #	PHONE #	ANNUAL FEE	CREDIT LIMIT	INT. RATE	BALANCE
BANK CARDS								
Name	ABC	Comm. Prop.						
Expiration Date	9/01	Personal	#12345678	800-555-1111	$ 50	$10,000	15 %	$ 1,900
Benefits	Travel miles, rental car discounts							
Name	XYZ	Comm. Prop.						
Expiration Date	2/02	Personal	#83758429	800-777-1111	$ 75	$ 5,000	17 %	$ 1,000
Benefits	1% Rebate							
Name	ABC	Comm. Prop.						
Expiration Date	9/01	Personal	# 7777331	800-444-1111	$ 50	$ 7,000	14 %	$ 1,100
Benefits	Travel discounts, 3.9% till October							
DEPARTMENT STORE CARDS								
Name								
Expiration Date			#		$	$	%	$
Benefits								
Name								
Expiration Date			#		$	$	%	$
Benefits								
Name								
Expiration Date			#		$	$	%	$
Benefits								
GAS CARDS								
Name								
Expiration Date			#		$	$	%	$
Benefits								
Name								
Expiration Date			#		$	$	%	$
Benefits								
OTHER CARDS								
Name	Amer. Express	Comm. Prop.						
Expiration Date	5/02	Personal	#653211153	800-781-1111	$50	$ —	— %	$ —
Benefits	Special programs and discounts							
Name	ABC	Comm. Prop.						
Expiration Date	8/01	Personal	#11343271	800-632-7777	$ —	$ —	— %	$ —
Benefits	Debit card							
Name								
Expiration Date			#		$	$	%	$
Benefits								
TOTALS				TOTAL PERSONAL	$225	$ 22,000		$ 4,000
				TOTAL INVESTMENT	$	$		$

FORM FP-15-10

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Instructions: *Credit Cards — Schedule 15*

1. **Enter the company name for each credit card you possess.**
2. **Enter the expiration date.**
3. **Note the "other benefits" you receive from the card, such as airline miles, department store or automobile purchase discounts.**
4. **Under "Ownership," identify in whose name the card was issued and how the card is used.** Indicate "Personal" for credit cards that are used for or have a balance for personal expenditure. Indicate "Investment/Business" for credit cards that are used for or have a balance for investments, such as real estate or business interests.
5. **Enter the account numbers and phone numbers to call in case of stolen or lost cards.**
6. **Enter the annual fees and credit limits.**
7. **Indicate the interest rate for outstanding balances.**
8. **Enter your total outstanding balance.**
9. **Add up any credit card transactions, an estimate of any interest and charges, and any outstanding balance to estimate your balance due.**
10. **Total the outstanding balances for both personal and investment accounts as of the date of the** Net Worth Statement **you are creating.** Enter the total on your **Net Worth Statement** as a personal or investment liability under "Credit Cards."
11. **Place a list of all credit card numbers and emergency phone numbers in your** Financial Organizer. Place the credit card agreement for each card in your **Personal Filing System.**

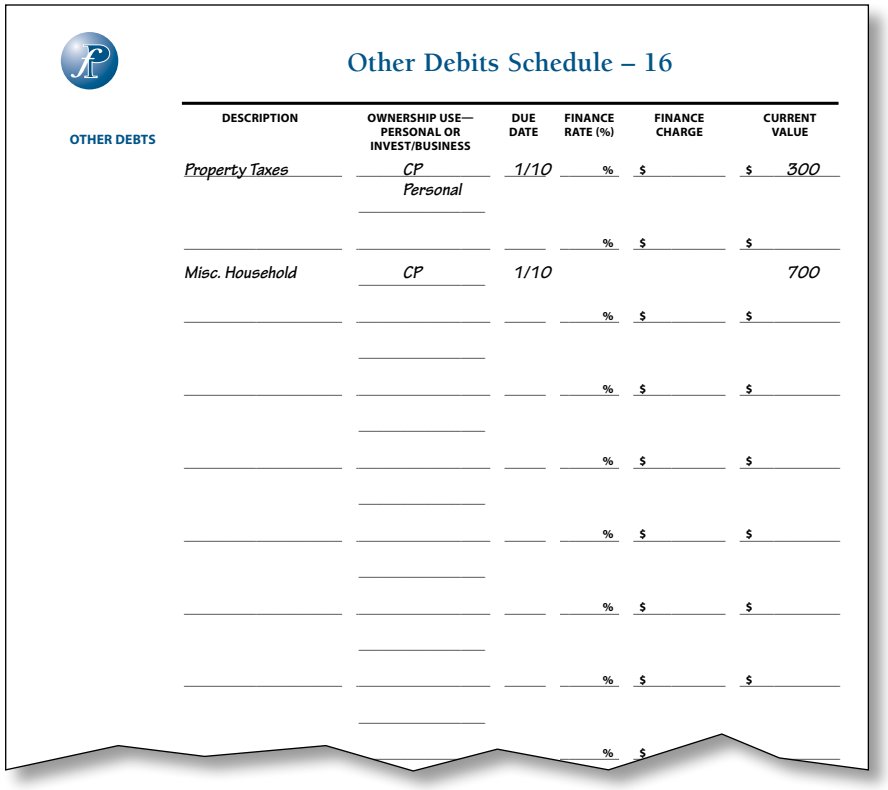


Do you know the difference between 'Good Debt vs. Bad Debt'?

- ☐ If your credit card expenditures or balances are out of control or you are not using them responsibly, lock them up and use cash to pay for all of your expenditures. Then you cannot go further into debt without borrowing.
- ☐ Credit card companies are aggressively competing for your business. If you regularly carry an outstanding balance, take time to determine which companies offer the lowest rates. This could save you a significant amount in interest and fees.
- ☐ Watch your annual fees! Many credit cards start out by offering you an account free of annual fees. Then, they start charging you $25, $50, or $75. By using fewer cards, you can reduce these needless fees. If you are charged a fee, call your credit card company. Tell them you were offered a credit card with no annual fee, and they will probably remove it for you!
- ☐ Pay off your credit card bills each month. The interest charged is quite high and, in most cases, not tax-deductible. If you do not have the cash to pay off the credit cards, consider obtaining or accessing your home equity line of credit, which usually has a much lower interest rate. However after 2017 consumer debt interest is not deductible.
- ☐ If you have a difficult time keeping track of your credit card expenditures and are constantly overspending, consider logging them directly into your check register in a different color ink (or in a separate check register) and subtracting them from your bank balance. This will give you an accurate cash position at all times and help you avoid unwelcome surprises.
- ☐ If you use several store, gas, and other credit cards, consider storing them and using only one low-interest credit card.
- ☐ If you are married and each of you handles a different part of the household finances, then each of you should use a different card.
- ☐ If you own a business, use one card exclusively for the business.
- ☐ If you have credit card debt or must incur it, consider the low-interest- rate introductory offers made by some credit card companies. Pay close attention to those special offers that may be good only for an initial time period, after which new purchases and outstanding balances can be charged at a higher interest rate. Keep track of the length of time of the offer. Transfer your balance to another card before the benefit period runs out. As long as these offers keep coming, and you keep rolling over your balances, this can result in a very low financing cost to you.
- ☐ Do not keep more credit cards than you need. If you have several credit cards that you do not use and you apply for a loan, the lender may reduce the amount of credit for which you currently qualify by considering the credit limits on all your credit cards — used and unused.
- ☐ Starting in 2018 interest is no longer deductible for consumer purchases (past or present) when they are financed by Home Equity Lines of Credit (HELOC) and second mortgages. Homeowners should still be available get an interest deduction if they qualify on two criteria: they use the loan proceeds to make "substantial improvements" to their home, and the combined total of their first mortgage balance and their HELOC or second mortgage does not exceed the new $750,000 limit on mortgage amounts qualified for interest deductions.

Other Debts

Schedule 16 is for recording all other debts not covered on previous forms, such as unpaid utilities, mortgage payments, property and potential capital gains taxes, and other unpaid household bills. To do a true Net Worth Statement, you should determine the built-in gains if you were to sell all your assets, and compute your income tax liability. However, if you are not putting together a Net Worth Statement for an estate or a divorce and these amounts are not material, you may want to skip this schedule.



OTHER DEBTS

Other Debits Schedule – 16

DESCRIPTION	OWNERSHIP USE— PERSONAL OR INVEST/BUSINESS	DUE DATE	FINANCE RATE (%)	FINANCE CHARGE	CURRENT VALUE
Property Taxes	CP Personal	1/10	%	$	$ 300
			%	$	$
Misc. Household	CP	1/10			700
			%	$	$
			%	$	$
			%	$	$
			%	$	$
			%	$	$
			%	$	$
			%	$	

Instructions: *Other Debts — Schedule 16*

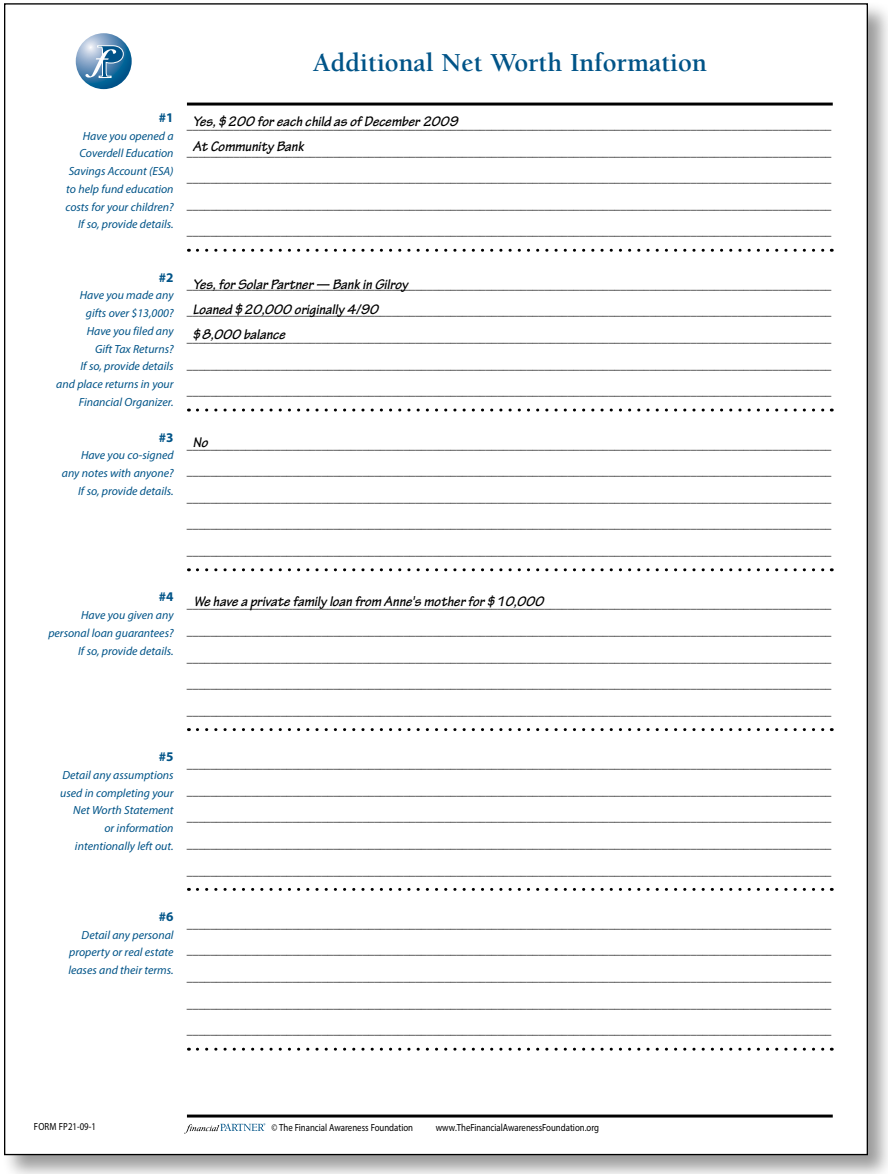
1. Enter a description of each debt.
2. Under "Ownership," identify who incurred the debt and whether the debt is personal or investment/business-related.
3. Enter the due date when each debt must be repaid.
4. Enter the finance rate and, if applicable, the dollar amount of any finance or late charge.
5. Enter the current value (the remaining balance) of each debt.
6. Subtotal all your other personal and investment/business debts and enter the totals on your Net Worth Statement as personal or investment liabilities under "Other Debts."

Additional Net Worth Information

The **Additional Net Worth Information** form accompanies your **Net Worth Statement.** Use it to document any special circumstances or exceptions which are not included in the various schedules but which affect your financial position.

A prime example would be a Coverdell Education Savings Account (ESA) set up to fund your children's education costs. An ESA is an account to which nondeductible annual contributions of up to $2000, per child, may be made until the child turns 18. The funds grow tax free and can be used for the child's qualified higher-education expenses without incurring taxes. There are income earnings limits to qualify for a ESA. (USA)

Also use this form to list any assumptions you made while completing the various schedules.



Additional Net Worth Information

#1 Have you opened a Coverdell Education Savings Account (ESA) to help fund education costs for your children? If so, provide details.
Yes, $ 200 for each child as of December 2009
At Community Bank

#2 Have you made any gifts over $13,000? Have you filed any Gift Tax Returns? If so, provide details and place returns in your Financial Organizer.
Yes, for Solar Partner — Bank in Gilroy
Loaned $ 20,000 originally 4/90
$ 8,000 balance

#3 Have you co-signed any notes with anyone? If so, provide details.
No

#4 Have you given any personal loan guarantees? If so, provide details.
We have a private family loan from Anne's mother for $ 10,000

#5 Detail any assumptions used in completing your Net Worth Statement or information intentionally left out.

#6 Detail any personal property or real estate leases and their terms.

FORM FP21-09-1

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Instructions: *Additional Net Worth Information*

1. *Address the six questions in the schedule.*
2. *List financial details of any agreements you have entered into that affect your current or future financial circumstances; for example, leases, divorce, business agreements, employment agreements.*

Determine Your Net Worth & Track Your Progress

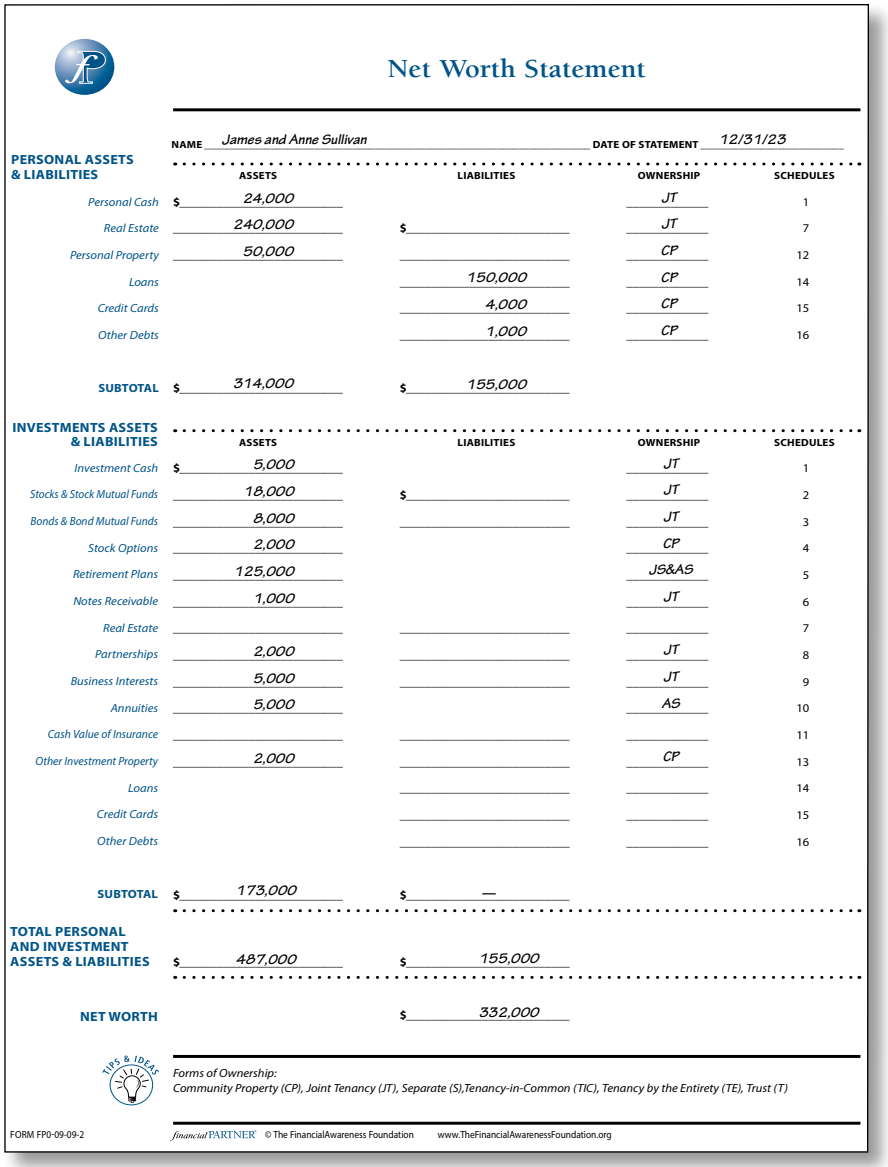
Now that you have completed organizing your assets and liabilities and have transferred totals from the various schedules to your **Net Worth Statement**, it is time to determine your net worth.

This process will either reassure you that financial control and success are within reach, or it may point out problems that need to be addressed. Either way, you will know your status and be in a position to take control and improve your situation.

Instructions: *Net Worth Statement*

1. **Subtotal your Personal Assets and Investment Assets.**
2. **Subtotal your Personal Liabilities and Investment Liabilities.**
3. **Total your Personal Assets and Investment Assets.**
4. **Total your Personal Liabilities and Investment Liabilities.**
5. **Subtract your Personal and Investment Liabilities from your Personal and Investment Assets to determine your personal net worth.**
6. **Store your** Net Worth Statement **and support schedules in your** Financial Organizer **or forms binder.**

Throughout this section, your *financial*PARTNER has given you solid tips and ideas to improve your financial position. Take a moment now to review them and list all appropriate actions on your **Things to Do** list.



Net Worth Statement

NAME James and Anne Sullivan DATE OF STATEMENT 12/31/23

PERSONAL ASSETS & LIABILITIES	ASSETS	LIABILITIES	OWNERSHIP	SCHEDULES
Personal Cash	$ 24,000		JT	1
Real Estate	240,000	$	JT	7
Personal Property	50,000		CP	12
Loans		150,000	CP	14
Credit Cards		4,000	CP	15
Other Debts		1,000	CP	16
SUBTOTAL	$ 314,000	$ 155,000		

INVESTMENTS ASSETS & LIABILITIES	ASSETS	LIABILITIES	OWNERSHIP	SCHEDULES
Investment Cash	$ 5,000		JT	1
Stocks & Stock Mutual Funds	18,000	$	JT	2
Bonds & Bond Mutual Funds	8,000		JT	3
Stock Options	2,000		CP	4
Retirement Plans	125,000		JS&AS	5
Notes Receivable	1,000		JT	6
Real Estate				7
Partnerships	2,000		JT	8
Business Interests	5,000		JT	9
Annuities	5,000		AS	10
Cash Value of Insurance				11
Other Investment Property	2,000		CP	13
Loans				14
Credit Cards				15
Other Debts				16
SUBTOTAL	$ 173,000	$ —		

TOTAL PERSONAL AND INVESTMENT ASSETS & LIABILITIES	$ 487,000	$ 155,000
NET WORTH		$ 332,000

TIPS & IDEAS

Forms of Ownership:
Community Property (CP), Joint Tenancy (JT), Separate (S),Tenancy-in-Common (TIC), Tenancy by the Entirety (TE), Trust (T)

FORM FP0-09-09-2 *financial*PARTNER © The FinancialAwareness Foundation www.TheFinancialAwarenessFoundation.org



- ☐ When you need to submit financial information to a lender, you can quickly complete the loan applications using your *financial* PARTNER forms and support schedules.
- ☐ Always make a copy of any financial information given to a lender. It's essential to have this information in case your lender has questions later. Also, when you need to resubmit financial information, you will know what information you last provided.
- ☐ Keep your *Net Worth Statement* current. You should update it at least once a year, preferably right after the first of the year while you are gathering your tax return information. This helps you track your net worth by giving you a consistent reference point year after year.
- ☐ Make a note now on your *Financial Planning Calendar* to update your *Net Worth Statement* next January.

"The beginner chases the right answers.

The master chases the right questions."

- JAMES CLEAR

Track Your Financial Progress - Net Worth Comparison

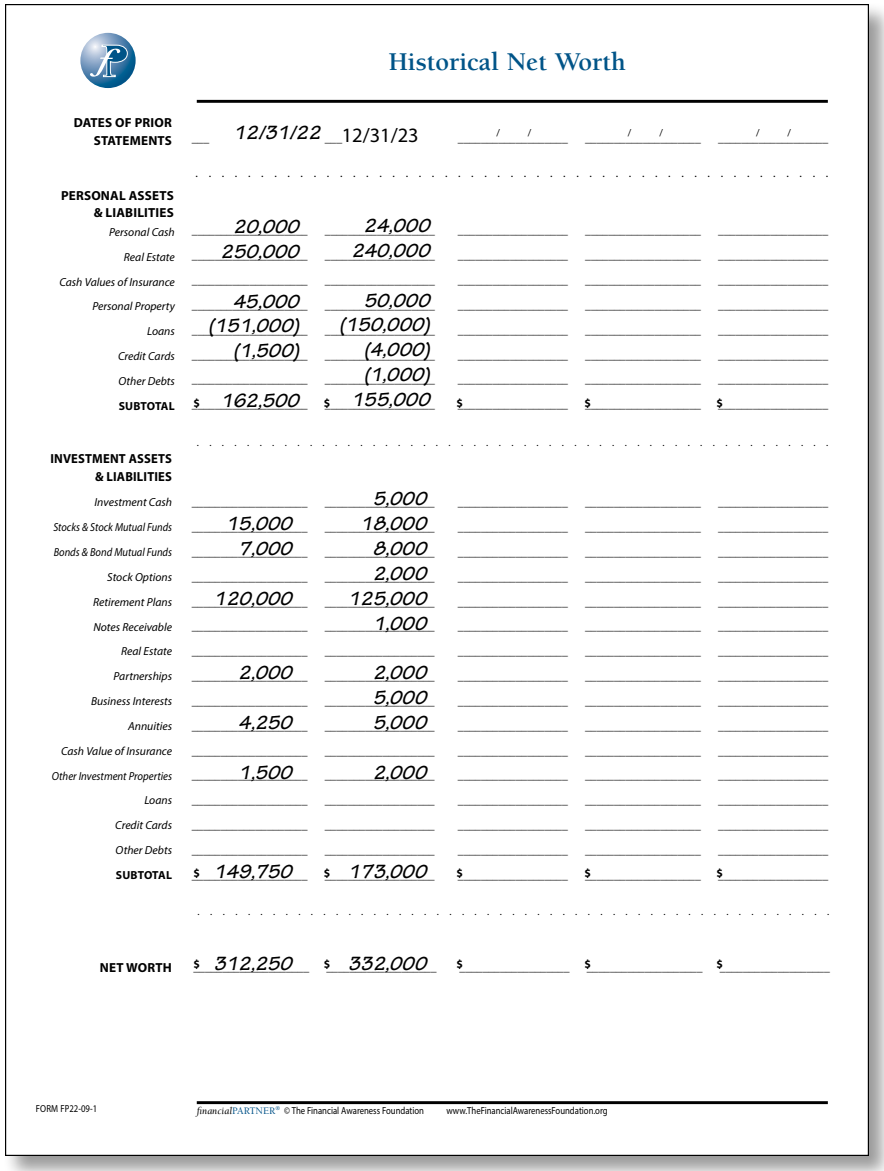
It is useful to update your Net Worth Statement annually and compare it to prior years. A good time to do this is at year end or during National Financial Literacy Month – April.

The Net Worth Comparison form is provided to track your Net Worth Statements over the years, giving you an overview of your financial progress.

Whenever you update your Net Worth Statement, fill in a new column on the Net Worth Comparison form with the updated information. Then compare the new data to that of the prior period and analyze why any changes occurred. If your financial position is not improving, determine why. Remedy any small problems before they become big ones.

Instructions: *Net Worth Comparison*

1. **Enter the date of your latest Net Worth Statement.**
2. **List the values for each asset and liability.**
3. **Compare and analyze any changes that have occurred since your previous** Net Worth Statement. Each year ask yourself, Why have my personal and investment assets grown or declined? Was this due to increased savings, higher returns on investments, accelerated loan reduction, a drop in the stock market, poor investment selection, or a loss of employment income? Was this a temporary situation, such as a stock market fluctuation or an interest rate rise that caused bond values to decline? Was it a more permanent problem, such as a note receivable that's uncollectible or a lawsuit judgment that is being paid off? Or are you spending more than you make? In the following chapters, your *financial*PARTNER will be providing you with many tips and strategies for improving your financial position.
4. **Make any appropriate adjustments to avoid future financial problems.** After you compare and analyze your situation, make a list of possible strategies and priority items, then implement them.



Historical Net Worth

DATES OF PRIOR STATEMENTS	12/31/22	12/31/23	/ /	/ /	/ /
PERSONAL ASSETS & LIABILITIES					
Personal Cash	20,000	24,000			
Real Estate	250,000	240,000			
Cash Values of Insurance					
Personal Property	45,000	50,000			
Loans	(151,000)	(150,000)			
Credit Cards	(1,500)	(4,000)			
Other Debts		(1,000)			
SUBTOTAL	$ 162,500	$ 155,000	$	$	$
INVESTMENT ASSETS & LIABILITIES					
Investment Cash		5,000			
Stocks & Stock Mutual Funds	15,000	18,000			
Bonds & Bond Mutual Funds	7,000	8,000			
Stock Options		2,000			
Retirement Plans	120,000	125,000			
Notes Receivable		1,000			
Real Estate					
Partnerships	2,000	2,000			
Business Interests		5,000			
Annuities	4,250	5,000			
Cash Value of Insurance					
Other Investment Properties	1,500	2,000			
Loans					
Credit Cards					
Other Debts					
SUBTOTAL	$ 149,750	$ 173,000	$	$	$
NET WORTH	$ 312,250	$ 332,000	$	$	$

FORM FP22-09-1

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Action Items - Review The Principles

Here are the essential principles to managing your net worth

- ☐ **1. Understand what you own and owe.**
- ☐ **2. Annually list your assets and liabilities.**
- ☐ **3. Compare your net worth statement annually with the previous year and evaluate your progress.**
- ☐ **4. Check property titles and beneficiary selections annually to ensure they align with your estate and gift planning wishes.**
- ☐ **5. Build an appropriate cash reserve and establish backup credit.**
- ☐ **6. Avoid incurring debt due to overspending.**
- ☐ **7. Steer clear of high-interest debt.**
- ☐ **8. Share these essential principles with family and friends.**
- ☐ **9. Avoid Common Mistakes in Knowing Where You Stand financially.**

Having completed the process of determining your assets, liabilities, and net worth, you'll find that managing your money is easier. It's like straightening every closet and cupboard in your house — it takes some effort at the outset, but minimal energy and time if you keep things organized from that point on.

As you put the pieces of your financial picture together, you may have been surprised by some of the information assembled. Or you may simply have filled in the details of what you already knew. In either case, you've gained by bringing a new level of organization to your financial life.

Just as important, gathering this data no doubt heightened your awareness of your own financial needs, choices, and issues. When it comes to managing your money, that kind of awareness is one of the real keys to success.

Your Personal Financial Plan



Forms: Your *financial* PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.

Action Items: - 2 out of 11

- ☐ Check the Forms used below and place them in your forms binder.
- ☐ Update them annually or as your situation changes.

CHAPTER 2: Net Worth

- ☐ Net Worth Statement . . . . . 36 & 70
- ☐ Cash & Cash Equivalents — Schedule 1 40
- ☐ Stocks & Stock Mutual Funds — Schedule 2 42
- ☐ Bonds & Bond Mutual Funds — Schedule 3 44
- ☐ Stock Options — Schedule 4 46
- ☐ Retirement Plans — Schedule 5 48
- ☐ Notes Receivable — Schedule 6 50
- ☐ Real Estate — Schedule 7 51
- ☐ Partnerships — Schedule 8 53
- ☐ Business Interests — Schedule 9 55
- ☐ Annuities — Schedule 10 56
- ☐ Life Insurance — Schedule 11 58
- ☐ Personal Property — Schedule 12 60
- ☐ Other Investment Property — Schedule 13 62
- ☐ Loans — Schedule 14 64
- ☐ Credit Cards — Schedule 15 66
- ☐ Other Debts — Schedule 16 68
- ☐ Additional Net Worth Information 69
- ☐ Historical Net Worth - Comparison 71

Now that you know your net worth, it's time to look at the dynamics of your money — where it comes from, where it goes, and how you might want to change that.

"My philosophy is that not only are you responsible for your life, but doing the best at this moment puts you in the best place for the next moment."

OPRAH WINFREY

"Too many people spend money they haven't earned, to buy things they don't want, to impress people they don't like."

WILL ROGERS

CHAPTER 3

Cash Flow - Gain Control





"Beware of little expenses; a small leak can sink a great ship."

Benjamin Franklin

Finding the Balance That Works for You

Here's where you really get down to understanding your finances: where does your money come from, and where does it go?

For many people, the very idea of cash flow management conjures up unpleasant images and feelings. It has associations with making strict budgets, constantly pinching pennies, and denying ourselves the pleasures in life. Even if you think it's a good idea to manage your spending and saving habits, a negative emotional reaction is likely to undercut your motivation to create and stick with a good cash management program.

But the fact is, putting yourself in spending handcuffs isn't what cash flow management is all about. It's really about understanding cash flow and then making clear and deliberate financial choices with strong follow-through. Use your money to fulfill your own life,and financial goals, and your needs and priorities, instead of simply letting money flow along with your emotions, impulses, and habits. Develop financial guideposts so you won't find yourself — weeks, months, or years from now — helplessly wondering where all your money went.

The Power Is Yours

When you really think about it, managing your money is a way to gain control of your life. You're the one who should be in charge of the choices and trade-offs. If travel is what you crave, or if you like to eat in upscale restaurants, that is perfectly OK, provided you work it into your overall financial plan.

With a complete and realistic cash flow plan, you'll be able to enjoy life's pleasures without guilt, knowing that you're working toward other financial goals and managing your money properly. Cash flow management can be an important enabling force, helping you cut down on items and services you don't really need to help you achieve what you want most in life.

You may even discover that you get an unexpected degree of satisfaction from saving and investing. People who succeed in creating and sticking with a cash flow management plan often find the process itself reshapes their priorities. Getting a bank statement that shows a hefty balance or seeing a significant jump in your investment portfolio can be a bigger thrill than a major shopping spree.

The objective is to figure out what really matters to you, define your personal goals, and then determine how to use your resources to attain them. With the Cash Flow Management System, you'll find the balance of value spending, saving, and investing that works best for you.

As you become more systematic and strategic about making the most of your money, you'll begin to see new opportunities. One of the biggest benefits of effective cash flow management is a new awareness and a different kind of attitude toward money — a new way of thinking that will help with your spending and financial decisions.



Common Mistakes to Avoid In Cash Flow Management

- ☐ **1. Spending more than you earn.**
- ☐ **2. Incurring debt due to overspending.**
- ☐ **3. Failing to systematically track your income and expenditures.**
- ☐ **4. Not employing sound cash flow management techniques.**
- ☐ **5. Succumbing to impulse spending and peer pressure expenditures.**
- ☐ **6. Lacking a sufficient emergency cash reserve and backup credit.**
- ☐ **7. Not educating family members—parents, children, and grandchildren—about the essential principles of smart money management.**
- ☐ **8. Procrastination**

Preview of What You Will Be Doing

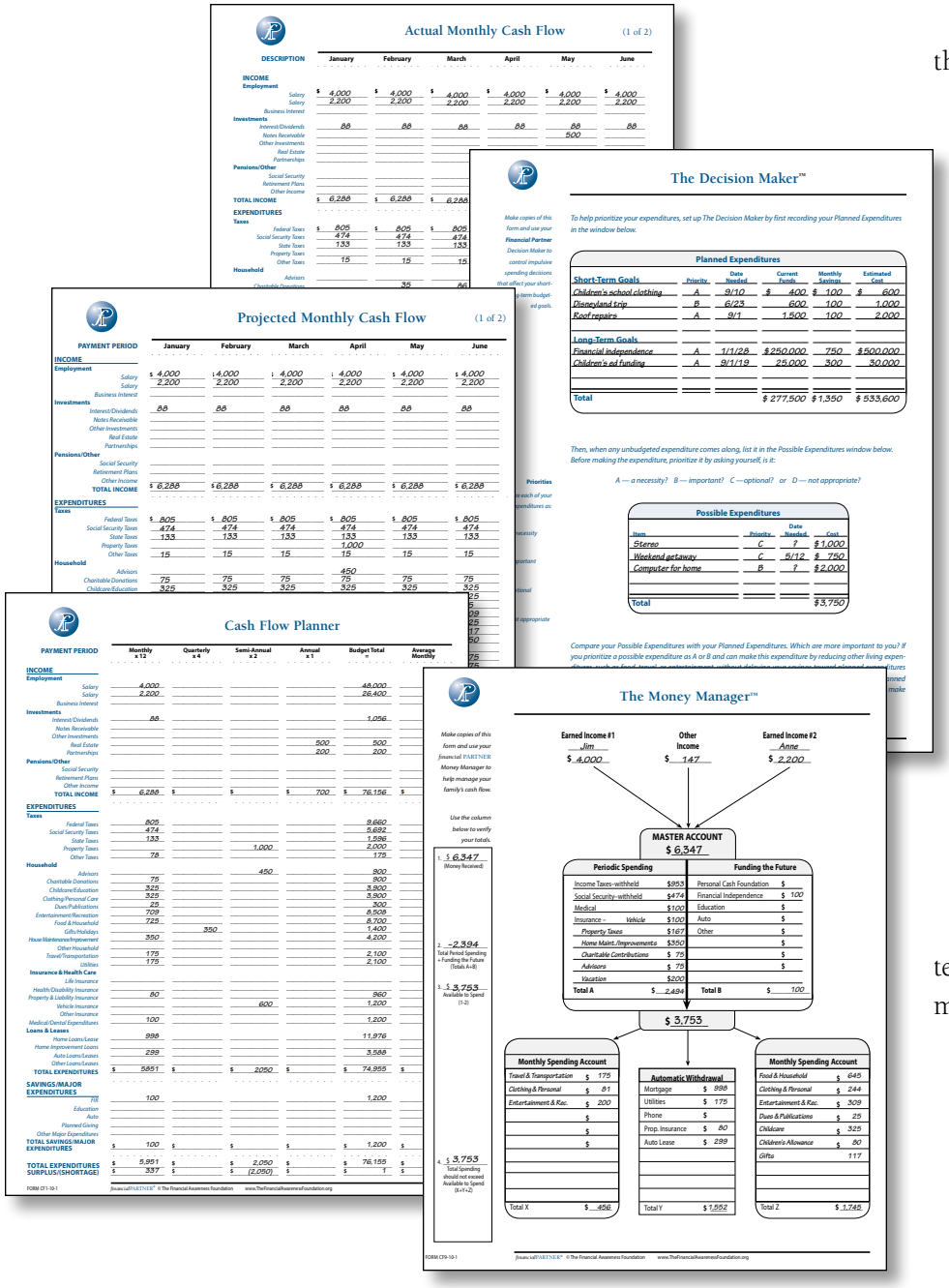
- ☐ **1. Learn about how you make and spend your money**
- ☐ **2. Learn about Cash Flow Management**
- ☐ **3. Get a picture of your spending habits**
- ☐ **4. Increase saving and reducing unnecessary spending**
- ☐ **5. Learn about Debt Reduction Strategies**
- ☐ **6. Develop a System to Handle YOUR Money**
- ☐ **7. Introduce your children to personal finance**
- ☐ **8. Add your competed forms into your FP Forms Binder.**

Cash Flow Management System

In simplest terms, cash flow management means figuring out what resources you have and deciding how you want to allocate them for spending, saving, and investment. If you already have a good handle on your money, *financial* PARTNER will help you refine and build on your current program. The Cash Flow Management System adapts to any cash management software, chart of accounts, or other cash management/bill-paying system you may already be using. If you've never had a cash flow management system, *financial* PARTNER will give you all the tools you need to build one.

A computer can be especially helpful in cash flow management. In the event you don't have a computer, you can do quite well by manually filling out the *financial* PARTNER cash flow management forms. Unless you are using the digital forms be sure to use pencil, as your figures will likely change as you begin to develop your working budget.

Your *financial* PARTNER, check registers, monthly credit card statements, pay stubs, employee benefit statements, and last year's tax returns are all you need to get started. Then your *financial* PARTNER provides worksheets, information, and invaluable tips to make your cash flow management work for you.



The *financial* PARTNER **Cash Flow Management System** consists of the following:

- The **Cash Flow Planner**™ will get you into the cash flow process by giving you a clear picture of what you're currently doing with your money.
- **The Decision Maker**™ helps you make and control your spending decisions.
- The **Projected Monthly Cash Flow Planner**™ will improve your understanding of your cash flow. You will be able to distinguish between day-to-day living expenses, savings for retirement, and major expenditures, such as a car, home purchase or improvements, or education funding.
- Use the **Actual Monthly Cash Flow Planner**™ in order to analyze your spending in greater detail. You will determine which expenditures are fixed and essential — such as taxes, rent, or mortgage payments — and which are discretionary or optional. This process will enable you to make adjustments and changes as your cash flow strategy evolves.
- The **Money Manager**™ will clearly outline where your money comes from and where it goes, but more importantly, it will show you how to manage it.

In addition, this chapter provides effective cash management techniques to make your life easier, along with cost-cutting strategies and money-saving tips to improve your cash flow.

Get a Picture of Your Spending Habits

The **Cash Flow Planner** was developed to help you quickly and easily get a good understanding of where your money flows. Follow the simple instructions below and you will be on your way to improving your cash flow management.

Cash Flow Planner

PAYMENT PERIOD	Monthly x 12	Quarterly x 4	Semi-Annual x 2	Annual x 1	Budget Total =	Average Monthly
INCOME						
Employment						
Salary	4,000				48,000	4,000
Salary	2,200				26,400	2,200
Business Interest						
Investments						
Interest/Dividends	88				1,056	88
Notes Receivable						
Other Investments						
Real Estate				500	500	42
Partnerships				200	200	17
Pensions/Other						
Social Security						
Retirement Plans						
Other Income						
TOTAL INCOME	$ 6,288	$	$	$ 700	$ 76,156	$ 6,346
EXPENDITURES						
Taxes						
Federal Taxes	805				9,660	805
Social Security Taxes	474				5,692	474
State Taxes	133				1,596	133
Property Taxes			1,000		2,000	167
Other Taxes	78				175	15
Household						
Advisors			450		900	75
Charitable Donations	75				900	75
Childcare/Education	325				3,900	325
Clothing/Personal Care	325				3,900	325
Dues/Publications	25				300	25
Entertainment/Recreation	709				8,508	709
Food & Household	725				8,700	725
Gifts/Holidays		350			1,400	117
House Maintenance/Improvement	350				4,200	350
Other Household						
Travel/Transportation	175				2,100	175
Utilities	175				2,100	175
Insurance & Health Care						
Life Insurance						
Health/Disability Insurance						
Property & Liability Insurance	80				960	80
Vehicle Insurance			600		1,200	100
Other Insurance						
Medical/Dental Expenditures	100				1,200	100
Loans & Leases						
Home Loans/Lease	998				11,976	998
Home Improvement Loans						
Auto Loans/Leases	299				3,588	299
Other Loans/Leases						
TOTAL EXPENDITURES	$ 5851	$	$ 2050	$	$ 74,955	$ 6,246
SAVINGS/MAJOR EXPENDITURES						100

Instructions: *Cash Flow Planner*

1. **Project and list income and expenditures that occur on a monthly, quarterly, semiannual, and annual basis.** These figures should be based on as many actual months of income and expenses as can be easily determined.
2. **Multiply the income and expenditure figures by the appropriate factor listed under each heading. Enter the results in the budget total column.** (For example, if you pay your property insurance premium on a monthly basis, you would multiply that figure by 12 to arrive at the budget total figure.)
3. **Divide the budget total by 12 to reach your average monthly figure.**
4. **Total each section separately: Income, Living Expenditures, Savings/Major Expenditures.**
5. **Add the figures for "Living Expenditures" and "Savings/Major Expenditures." Enter that figure on the line for "Total Expenditures."**
6. **Subtract Total Expenditures from Total Income. Enter that figure as a positive (+) surplus or as a negative (–) shortage on the last row.** Now take a look at your totals. Are you spending or saving more than you are making? Were you aware of how much cash flow you manage? Are you satisfied with what you see?
7. *You should now have an understanding of how you are earning and spending your money. The following are techniques to improve your cash management and spending habits.*

Learn Cash Management Techniques

- ☐ Pay yourself first. This is a good personal finance strategy to build wealth.
- ☐ Use new check registers each year. Keep last year's register(s) with your prior year tax record. It is also a good idea to skip several lines at the end of each month to make notes or reconcile your statement.
- ☐ Annually copy year-end statements. It's a good idea to annually make a copy of your year-end bank, credit union, brokerage, mortgage, auto loans, student loans, insurance, and other financial institution statements and place them in your Financial Organizer in a safe place. This will be helpful should you get sick and someone needs to help with paying bills and managing your finances.
- ☐ Use duplicate checks. If you use/write checks this saves time and improves record keeping. Order checkbooks that provide check carbon copies..
- ☐ Set up a "Paid Bills" file for each year. As you pay bills, staple the duplicate checks to the statement and add them to the Paid Bills file. This avoids having to set up separate files for "gas company," "telephone," etc. and keeps your receipts in one place. If you know which receipts are tax-deductible, you can copy them and place them in your current-year tax file or mark them in your check register for easy reference at tax time.
- ☐ Use automatic deposits and bank transfers. This saves time and postage and eliminates tedious check writing. Your paycheck, Social Security check, and other monthly income can be deposited automatically into your account. Your bank can pay fixed monthly bills with automatically.
- ☐ Eliminate confusion. Using separate credit cards for personal and business transactions eliminates confusion. If you participate in more than one business, use a separate credit card for each.
- ☐ Log your credit card purchases into your check register. This will help keep your credit card spending on budget and assist you with reconciling your credit card billings and to minimize posting errors.
- ☐ Reduce payments and premiums. Save time and money by reducing the number of payments you make for home, auto, and life insurance premiums. If possible, pay once or twice a year.
- ☐ Pay bills just once a month. If billing cycles are widely staggered, contact your creditors and request a change in billing cycles so that all your bills can be paid at one time.
- ☐ Use online bill paying. To save you time and money consider using a bank or credit union that provides you with free online bill paying services.
- ☐ Simplify your bank balancing. If you have trouble balancing your bank/mobile accounts each month (or hate taking the time), try rounding off monthly bills to the nearest 10 dollars. (For example, if your phone bill is $178.49, pay $180.00.) Your credit will be reflected on next month's statement. Now your checkbook can be balanced quickly.
- ☐ Keep all warranties in a single location. To save time and hardship keep your warranty cards with their purchase receipts for your key purchases in a centralized location. Store them in a permanent file called "Warranties" that can be kept with your other asset and liability files within your filing system.
- ☐ Cash reserves. To protect you from unexpected events build a personal cash reserve. For business owners, employees unsure about their future, and retirees this should be a minimum of one-years living expenses (not including income taxes) - 24 months are better. For those in a very secured job position a minium of 6 month living expenses should be your objective - 12 months are better.
- ☐ Line of credit. While you are building your cash reserves or as an added safety net you should have line of credit. It's important to establish a line of credit before you need it. Waiting until you really need cash or until an emergency occurs may force you to apply for a loan when your creditworthiness is not at its best. You can obtain a line of credit based on the value of your home or by applying for an unsecured line of credit from your bank. You can also obtain a low-interest credit card to put aside for use only in emergencies.

Through using these techniques, your cash management should improve immediately. Now we'll focus on ways to increase your savings and investments.

Ways to Increase Savings

Now the *financial*PARTNER System begins the process of helping you decide how you can structure your spending in order to increase resources for your future. *financial*PARTNER suggests different ways to reduce spending; perhaps you can think of more. The choices are entirely up to you. But whatever ideas you choose, think about the rewards. If you painlessly reduce spending in ways that don't affect you that much, you'll have more to spend on what you truly value.

GLOSSARY

Compounded Returns: The earning on earnings from invested principal when it is left to accumulate. This can be interest, dividends, or growth through appreciation.

Pay Yourself First

This is one of the fundamental tenets of money management: give your personal saving and investment a top priority. The easiest way to do this is by setting up automatic monthly transfers from your checking account into your savings or investment accounts.

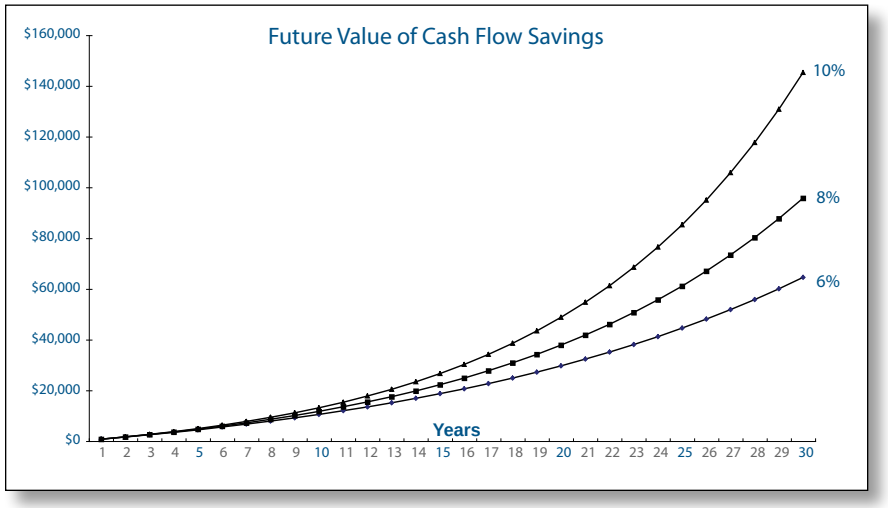
Even if you start small, the important thing is that you put the power of compounding investment returns to work for you. It is surprising how quickly money can grow over time.

For example, if you were able to reduce your loan rate from 4.85% to 3.75% on a $100,000 mortgage, your payment would drop by $65.58 each month. Take a look at how an investment of those cash flow savings could grow:

Small monthly savings can amount to a large sum of money over time. The key here is to let time work to your advantage. The following strategies will help you explore other sources of extra money.

Investment Rate of Return on $64.58 per Month

Years	6%	8%	10%
5 years	$ 4,505	$ 4,745	$ 5,001
10 years	10,583	11,815	13,228
20 years	29,837	38,037	49,037
30 years	64,868	96,242	145,974



Play the Cost-Cutting, Money-Making Game

Some of these strategies take a bit of time and attention; others are easy to put into action right away. None of them have much immediate impact on your lifestyle; however, over time, they can add up to significant savings. As you think about your spending patterns and needs, you'll certainly come up with many other ideas. The objective is to save maximum dollars with minimum personal sacrifice — and you're always a winner!

As you review the following cost-cutting, money-saving ideas, check the boxes for the ones that will work for you. Note them on your **Things to Do** *list and see how much money they can save or make you each month.*

Financial

- ☐ Advisors — Use qualified fee-based financial advisors before making major financial decisions. Prepare an agenda for all meetings to save everyone's time.
- ☐ Bank Services — Shop for no-fee or low-fee checking accounts and online bill paying. Order checks by mail from discount houses, and save up to 50% of the cost of ordering them through your bank. Do online bill paying to save time and the cost of postage.
- ☐ Charitable Contributions — Consider making gifts of appreciated property instead of cash, to avoid capital gains tax. Volunteer time instead of money.
- ☐ Credit Cards — Use a card with no annual fee and pay off your balances monthly. If you're carrying a balance with a high interest rate, ask your card company to lower it or transfer to a card with a lower interest rate.
- ☐ Income Taxes — If you regularly get a tax refund, talk to your tax advisor about reducing your tax payments or withholding during the year. Put that money to work for you, instead of losing the power of compounding and giving an interest-free loan to the government.
- ☐ Insurance — Consider raising your deductibles or coinsurance on health, disability, auto and homeowner's insurance. Shop for better coverage at lower premiums.
- ☐ Investments — Choose a discount broker to buy and sell your investments.
- ☐ Loans — Refinance high-interest rate loans into lower-interest rate loans.
- ☐ Property Taxes — If property values in your neighborhood have decreased, explore having your property reassessed to lower your property taxes.

Household

- ☐ Appliances — Consider upgrading older appliances to more energy efficient models.
- ☐ Get Physical — Clean your own house, mow your own lawn, wash your own car.
- ☐ Phone — For telephone and cellular phone services, shop for the best long-distance carriers and rates. Use the phone book or online service instead of directory assistance. Cancel extra phone services.
- ☐ Subscriptions — Cancel those you can do without. Use the library or look at the possibility of having your business acquire some as business subscriptions.
- ☐ TV Cable & Internet Services — Cut extra cable services, or consider discontinuing cable altogether.
- ☐ Utilities — Use energy-efficient light bulbs, and lower your water-heater temperature. Don't use the dishwasher heater, and turn down the heat or air-conditioning.

Shopping

- ☐ Avoid Impulse Buying / Practice Value Spending— Resist the temptation to go shopping just for something to do or to cheer yourself up.
- ☐ Buy Durable Goods — Cloth napkins, nondisposable razors, and standard ballpoint pens will cost less than disposables in the long run.
- ☐ Buy in Volume Carefully— Shopping online and at discount houses or through buying clubs can mean major savings, provided you stick to your list and don't overbuy or buy unnecessary items.
- ☐ Coupons and Rebates — Use them to your advantage and only if you need the item involved. If there's a special coupon offered through the newspaper, buy an extra paper for a family member to use on a separate shopping trip.
- ☐ Clothing — Shop during sales or at discount outlets (making sure that "discount" prices are actually lower!). Think twice about marked down items — if you wouldn't buy the garment at full price, you may not really want it. Consider maintenance costs — a garment that needs to be dry-cleaned every time it's worn may not be a bargain, even if it's on sale.
- ☐ Food — Always use a grocery list. Avoid shopping on an empty stomach. Cut back on prepared foods. Leave the kids at home when you shop, or limit them to choosing one item each.
- ☐ Generic Brands — By buying generic brands and using coupons, a family of four can save as much as $2,000 a year on food bills.

Personal

- ☐ Automobiles — Make your car last another year. Conserve gas by driving below the speed limit. Change your own oil according to specs Buy a late-model used car instead of a new car.
- ☐ Community Resources — Borrow books from the library instead of buying them. Run at the high school track instead of a club. Go to free community concerts. Set up a bulk food-buying cooperative with neighbors. Trade babysitting with a friend. Have a yard sale to sell what you don't need.
- ☐ Entertainment — View recent movies online or from your cable provider, go to bargain movies or rent videos. Take the kids for a hike and picnic instead of a trip to an amusement park. Plan vacations you can afford. Lower your golf score by spending less money on the driving range and more time at the free putting and chipping green.
- ☐ Forgo Some Little Things — If you decided to forgo some specialty coffee drinks, sodas, and snack foods; saving $3 a day, that would add up to $1,140 over the course of a year. By investing that money with an 8% return, you'd have $16,772 in 10 years, or over $130,000 in 30 years, or over $480,000 in 45 year! and at 10% it would grow to almost $1 million! How would an extra $480,000 / $1,000,000 change your retirement years? or help your grandchildren or favorite nonprofit's?
- ☐ Meals — Take your lunch to work. Eat out at restaurants that offer two-for-one specials or other discounts. People often spend more on restaurant meals or purchases when they pay by credit card. Try making it a habit to pay by cash or check, and see if it makes a difference in your level of spending.
- ☐ Memberships — Only belong to clubs that matter to you, especially when dues are involved. Review your membership in clubs on an annual basis.
- ☐ Teach Your Kids about Finances — It's important to help your children develop an understanding of money and how finances work while they are still young. An approach to consider is outlined on the following pages.

How many of these strategies can you use today or in the future? What other cash-saving ideas come to mind? Note them down and put them into action wherever appropriate.



- ☐ Pay yourself first through automatic contributions to a savings or investment plan. You will never miss the cash if you never see it.
- ☐ Avoid incurring debt by overspending.
- ☐ Use grocery bags as trash liners — You're saving money and helping the environment, too!
- ☐ Don't install carpets in high-traffic areas; carpet will wear out there long before the other areas. Use wood or tile or vinyl instead.
- ☐ Keep an extra set of keys handy. Next time you lose your keys you will save a bundle in locksmith fees.
- ☐ Don't "go to the mall" or "online shopping" for entertainment or because it's raining and you have nothing better to do, as you may end up making unnecessary purchases.
- ☐ Buying some things in bulk at large warehouse stores can save money if you follow these rules: Only buy brands you are familiar with and like, otherwise you can get stuck with a case of something you hate; never go in without a specific shopping list. Those stores count on you grabbing some impulse item because you are afraid it might not be there the next time. So what if it isn't? Do you really need a gallon of soy sauce?

Now, let's learn some tools to control impulse buying.

***Value Spending**: Get clear on your personal values. Filter every financial decision around them to help make wiser financial decisions. Value based spending allows you to get the most benefits from your spending.*

- TFAF

Use the Decision Maker™ to Guide Your Spending

Do you have enough money to meet all your needs and goals? Do you ever feel that you need help prioritizing your spending?

In order to help you decide how best to spend your available cash, use the *financial*PARTNER Decision Maker. It is designed to provide you with a simple process to help make more informed spending decisions.

Use the Decision Maker to help control impulse spending that affects your short and long-term budgeted goals.

Spending decisions are highly subjective. Different people will have different needs and priorities; there are no absolutes. The important factor here is to identify and control your personal plan for spending. The *financial*PARTNER Monthly Cash Flow Planner will give you tools to further evaluate and better manage your spending needs.



- ☐ Little Things Do Add Up — If you decided to forgo specialty coffee drinks, sodas, and snack foods; saving $3 a day, that would add up to $1,140 over the course of a year. By investing that money with an 8% return, you'd have $16,772 in 10 years, or over $130,000 in 30 years, or over $480,000 in 45 year, and at 10% it would grow to almost $1 million! How would an extra $480,000 / $1,000,000 change your retirement years? or your grandchildren's?

Instructions: *The Decision Maker*

1. **Make copies of this form to use as the need arises.**
2. **Set up your** Decision Maker **by listing your planned living and major expenditures.**
3. **Indicate the date needed and the priority level.** A is a necessity, B is important, C is optional, and D is not appropriate.
4. **List current funds and planned monthly savings allocated for each expenditure, along with the estimated cost.**
5. **When new spending opportunities come along, list them in the Possible Expenditures window and compare them with your other priorities.** Ask yourself, is it: A — a necessity? B — important? C — optional? or D — not appropriate? Compare the possible expenditure with your planned living and major expenditures. What is more important to you?
6. **If you prioritize a possible expenditure as an A or B and can make the expenditure by reducing other living expenditures, such as food, travel, or entertainment, without delaying your savings toward planned living and major expenditures — spend the money.** If not, you must weigh the current benefits of this expenditure over the future benefits of planned expenditures.
7. **If you are not sure, don't rush a decision. Review this process in a week or two; then make your decision.**
8. **Store a copy of your** Decision Maker **in a visible location near where you pay your bills or even on your refrigerator door.** This will help you control impulse spending and avoid unnecessary purchases.

Make copies of this form and use your ***Financial Partner*** *Decision Maker to control impulsive spending decisions that affect your short- and long-term budgeted goals.*

The Decision Maker™

To help prioritize your expenditures, set up The Decision Maker by first recording your Planned Expenditures in the window below.

Planned Expenditures

Short-Term Goals	Priority	Date Needed	Current Funds	Monthly Savings	Estimated Cost
Children's school clothing	A	9/10	$ 400	$ 100	$ 600
Disneyland trip	B	6/23	600	100	1,000
Roof repairs	A	9/1	1,500	100	2,000
Long-Term Goals					
Financial independence	A	1/1/28	$250,000	750	$500,000
Children's ed funding	A	9/1/19	25,000	300	30,000
Total			$ 277,500	$ 1,350	$ 533,600

Then, when any unbudgeted expenditure comes along, list it in the Possible Expenditures window below.

TIPS & IDEAS

- ☐ 1. Plan your purchases
- ☐ 2. Focus on what is important to you - your goals
- ☐ 3. Avoid trying to please or impress others - emotional shopping
- ☐ 4. Do you homework before making major purchases
- ☐ 5. Avoid going shopping as a primary recreation activity.
- ☐ 6. Make a cash flow plan and stick to it
- ☐ 7. Reevaluate what you have, maybe you already have something similar
- ☐ 8. CAUTION: We are bombarded with thousands of advertisement daily for items SELLERS tell us we 'must buy now' to be happy; not true!

Debt Reduction Strategies

Too many young people and their families are burdened with excessive education debt and other forms of debt. In the USA student loan debt exceeds $1.7 trillion and is the 2nd largest class of consumer debt after mortgages; members of the class of 2023 graduated with an AVERAGE of $37,000 in student loan debt. Those with graduate degrees are significantly greater.

And according to a 2024 Bankrate Survey nearly one in three Americans are carrying credit card debt from month to month. That's 34 percent of U.S. adults who typically carry a balance instead of paying in full.

This creates several major personal finance challenges. One is avoiding unnecessary or excess debt which is what this chapter is all about. The other is addressing excess debt. When dealing with debt reduction their usually is no magical one step solution. Here are some strategies and ideas to consider to accelerating debt reduction:

- Negotiate a lower interest rate from your lender.
- Pay off highest interest rates loans first.
- If you have sufficient cash reserves, use excess to pay down debt.
- Trim your budget and pay more than the minimum payments - most credit cards only ask you to pay about 2% of the outstanding balance each month.
- Earn more money with a higher paying job, a second job, or selling unnecessary items.
- Consolidate and refinance - find a lower rate loan to consolidate your loans with higher interest rates into.
- When refinancing debt be careful to consider all your options and run the numbers. This can be complex as some debt may be tax deductible while others is not, some debt might have a prepayment penalty while other don't.
- If you have old credit card debt check with your state Attorney General or consumer protection agency debt forgiveness programs.
- Student Loans add an additional layer of rule and complexities. Only the US Department of Education can provide determination of eligibility and exact payment amounts for any government forgiveness or repayment programs. All forgiveness and re-payment programs may be applied to for free without paying anyone for assistance through the US Department of Education.
- If you are over 62 and own your home a reverse mortgage mybe a helpful tool to consolidate your debt into. This does not reduce your debt, but it can significantly reduce your debt payments, and increase your cash flow. Use caution and do your research before using this financial tool.
- This can be complicated so don't hesitate in seeking professional assistance.



Create & Track Your Cash Flow

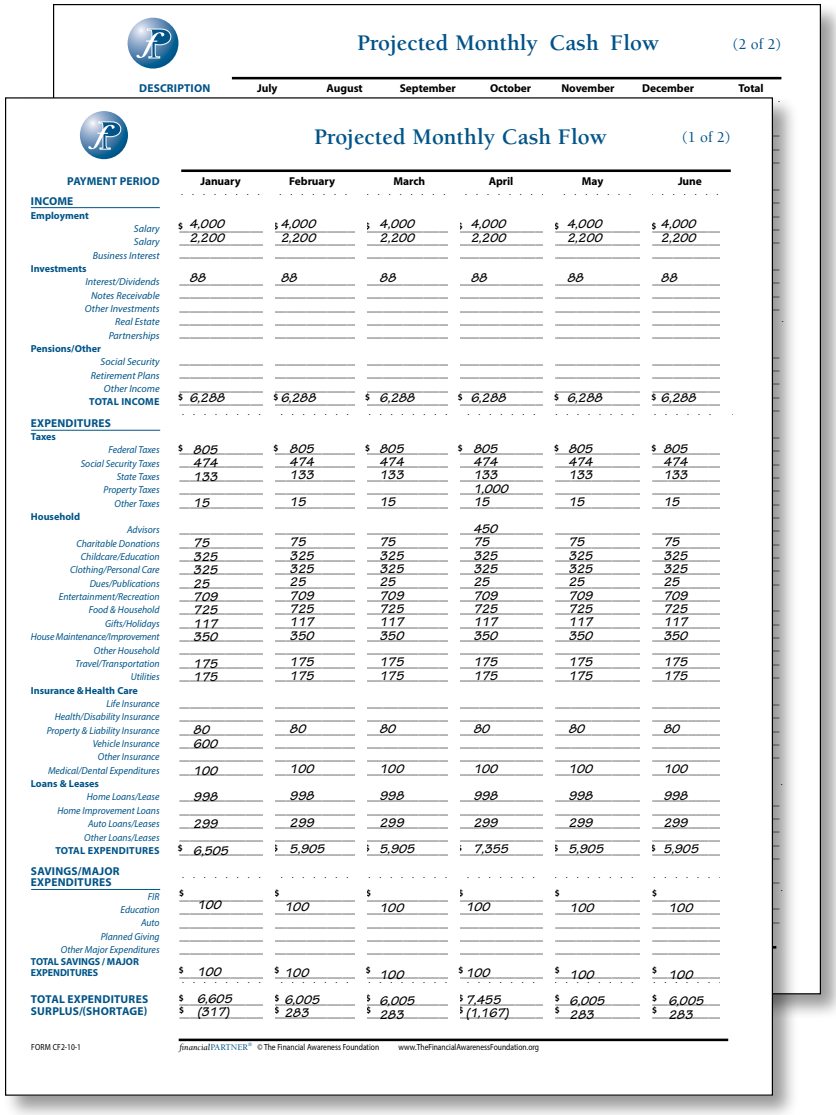
Discretionary Spending: Funds available after mandatory spending, over which you have control or decision power, for items such as dining out or entertainment.

Mandatory Spending: Required spending, such as a mortgage, lease or loan payment, and other necessities.

Value Spending: Get clear on your personal values. Filter every financial decision around them to help make wiser financial decisions. Value based spending allows you to get the most benefits from your spending.

Now that you have an overview of your spending, saving habits, and cash management, it's time to make decisions that will enable you to meet your financial goals. The objective in completing the **Projected Monthly Cash Flow Planner** is to create a budget that will allow you to live within your means, giving you extra money to invest in your financial well-being.

These planning worksheets are designed to make it easy for you to anticipate and prepare for expenses that occur on a random or unforeseen basis. For example, January is often a month with high expenses, with holiday bills arriving at the same time quarterly income taxes are due. Projecting your expenditures into the coming months gives you an opportunity to put money aside today, in order to meet these obligations in the future.



Projected Monthly Cash Flow (2 of 2)

DESCRIPTION	July	August	September	October	November	December	Total
SAVINGS/MAJOR EXPENDITURES							
FIR	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	
Education							
Auto							
Planned Giving							
Other Major Expenditures							
TOTAL SAVINGS / MAJOR EXPENDITURES	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	
TOTAL EXPENDITURES	$ 6,605	$ 6,005	$ 6,005	$ 7,455	$ 6,005	$ 6,005	
SURPLUS/(SHORTAGE)	$ (317)	$ 283	$ 283	$ (1,167)	$ 283	$ 283	

Projected Monthly Cash Flow (1 of 2)

PAYMENT PERIOD	January	February	March	April	May	June
INCOME						
Employment						
Salary	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
Salary	2,200	2,200	2,200	2,200	2,200	2,200
Business Interest						
Investments						
Interest/Dividends	88	88	88	88	88	88
Notes Receivable						
Other Investments						
Real Estate						
Partnerships						
Pensions/Other						
Social Security						
Retirement Plans						
Other Income						
TOTAL INCOME	$ 6,288	$ 6,288	$ 6,288	$ 6,288	$ 6,288	$ 6,288
EXPENDITURES						
Taxes						
Federal Taxes	$ 805	$ 805	$ 805	$ 805	$ 805	$ 805
Social Security Taxes	474	474	474	474	474	474
State Taxes	133	133	133	133	133	133
Property Taxes				1,000		
Other Taxes	15	15	15	15	15	15
Household						
Advisors				450		
Charitable Donations	75	75	75	75	75	75
Childcare/Education	325	325	325	325	325	325
Clothing/Personal Care	325	325	325	325	325	325
Dues/Publications	25	25	25	25	25	25
Entertainment/Recreation	709	709	709	709	709	709
Food & Household	725	725	725	725	725	725
Gifts/Holidays	117	117	117	117	117	117
House Maintenance/Improvement	350	350	350	350	350	350
Other Household						
Travel/Transportation	175	175	175	175	175	175
Utilities	175	175	175	175	175	175
Insurance & Health Care						
Life Insurance						
Health/Disability Insurance						
Property & Liability Insurance	80	80	80	80	80	80
Vehicle Insurance	600					
Other Insurance						
Medical/Dental Expenditures	100	100	100	100	100	100
Loans & Leases						
Home Loans/Lease	998	998	998	998	998	998
Home Improvement Loans						
Auto Loans/Leases	299	299	299	299	299	299
Other Loans/Leases						
TOTAL EXPENDITURES	$ 6,505	$ 5,905	$ 5,905	$ 7,355	$ 5,905	$ 5,905

FORM CF2-10-1

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Instructions: *Projected Monthly Cash Flow*

1. **List projected income and expenditures for the calendar year.**

   Use your Cash Flow Planner to get started.

   If you are already well into the calendar year, you have two options: The first is to recap your cash flow year-to-date and then complete your projections for the remaining months. The second option is to complete projections for the remainder of the year, then project your cash flow for the following year.

2. *Total income by month and year.*
3. *Subtotal living expenditures and savings/major expenditures by month and year.*
4. *Total expenditures by month and year.*
5. *Subtract total expenditures from total income by month and year. Enter those figures as a surplus (+) or as a shortage (–) on the bottom of the form.*

   If you come up with a shortage (–) as your final figure, double-check your math to make sure your calculations are correct. If necessary, keep adjusting the amount you've allocated to discretionary spending until you bring your budget in line. If your final figure shows you have surplus (+) funds, allocate those funds for savings and your future.

6. **Note any assumptions you make such as expected bonus or charity contribution, on your** Additional Cash Flow Information **form (not shown)**

Track Your Actual Cash Flow

This is where you get a reality check on your budget by discovering whether the spending and saving goals you have set are realistic and whether you can take the appropriate steps to meet those goals.

The data for completing this form will likely come from your pay stubs, checkbook register, and credit card statements. The best time to detail your actual spending is after you reconcile your checking account.

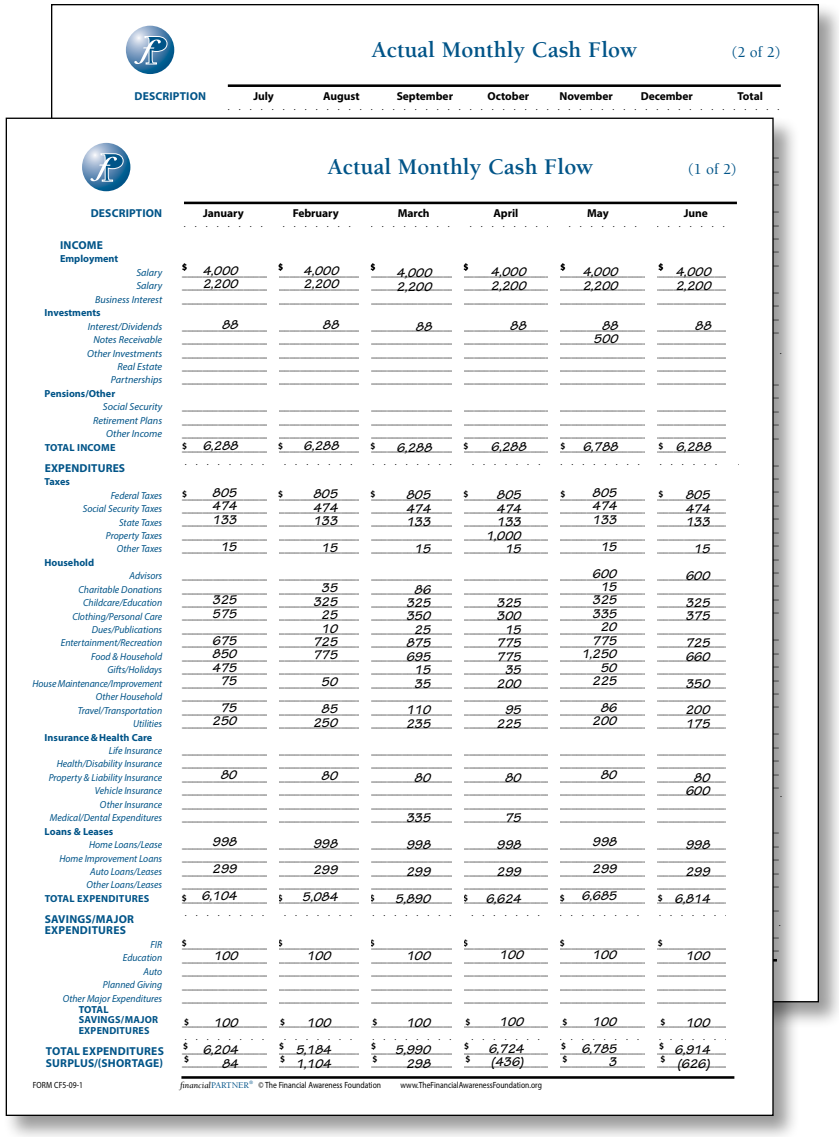


Instructions: *Actual Monthly Cash Flow*

1. **List and total actual income for the current month.**
2. **List and subtotal actual living expenditures and actual savings/ major expenditures for the current month.**
3. **Total expenditures for the current month.**
4. **Subtract total expenditures from total income to arrive at a surplus (+) or shortage (–) for the month.**
5. **Compare your actual cash flow with what you've projected. If the two figures are different, determine the reasons why.**

If you are spending more than you are making, review the previous pages and make the necessary adjustments to gain control of your cash flow.

The following action steps will help you map out how you are managing your money.



Actual Monthly Cash Flow (2 of 2)

DESCRIPTION	July	August	September	October	November	December	Total

Actual Monthly Cash Flow (1 of 2)

DESCRIPTION	January	February	March	April	May	June
INCOME						
Employment						
Salary	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
Salary	2,200	2,200	2,200	2,200	2,200	2,200
Business Interest						
Investments						
Interest/Dividends	88	88	88	88	88	88
Notes Receivable					500	
Other Investments						
Real Estate						
Partnerships						
Pensions/Other						
Social Security						
Retirement Plans						
Other Income						
TOTAL INCOME	$ 6,288	$ 6,288	$ 6,288	$ 6,288	$ 6,788	$ 6,288
EXPENDITURES						
Taxes						
Federal Taxes	$ 805	$ 805	$ 805	$ 805	$ 805	$ 805
Social Security Taxes	474	474	474	474	474	474
State Taxes	133	133	133	133	133	133
Property Taxes				1,000		
Other Taxes	15	15	15	15	15	15
Household						
Advisors					600	600
Charitable Donations		35	86		15	
Childcare/Education	325	325	325	325	325	325
Clothing/Personal Care	575	25	350	300	335	375
Dues/Publications		10	25	15	20	
Entertainment/Recreation	675	725	875	775	775	725
Food & Household	850	775	695	775	1,250	660
Gifts/Holidays	475		15	35	50	
House Maintenance/Improvement	75	50	35	200	225	350
Other Household						
Travel/Transportation	75	85	110	95	86	200
Utilities	250	250	235	225	200	175
Insurance & Health Care						
Life Insurance						
Health/Disability Insurance						
Property & Liability Insurance	80	80	80	80	80	80
Vehicle Insurance						600
Other Insurance						
Medical/Dental Expenditures			335	75		
Loans & Leases						
Home Loans/Lease	998	998	998	998	998	998
Home Improvement Loans						
Auto Loans/Leases	299	299	299	299	299	299
Other Loans/Leases						
TOTAL EXPENDITURES	$ 6,104	$ 5,084	$ 5,890	$ 6,624	$ 6,685	$ 6,814
SAVINGS/MAJOR EXPENDITURES						
FIR	$	$	$	$	$	$
Education	100	100	100	100	100	100
Auto						
Planned Giving						
Other Major Expenditures						
TOTAL SAVINGS/MAJOR EXPENDITURES	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100
TOTAL EXPENDITURES	$ 6,204	$ 5,184	$ 5,990	$ 6,724	$ 6,785	$ 6,914
SURPLUS/(SHORTAGE)	$ 84	$ 1,104	$ 298	$ (436)	$ 3	$ (626)

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Create a System for Handling Your Money

The Money Manager™

Once you have your priorities and a realistic budget in place, there's still a matter of logistics — namely, how do you make sure your money flows to the right places? This is a particularly important issue in two-income households, where it's not usually clear which income should be used for what purpose and who is spending what. It's easy to run into problems when unexpected expenses or unplanned spending cut into funds originally earmarked for savings.

The *financial*PARTNER Money Manager helps you create a system for handling the flow of your money so that you can streamline monthly bill paying, maximize savings, and reduce family friction over money!

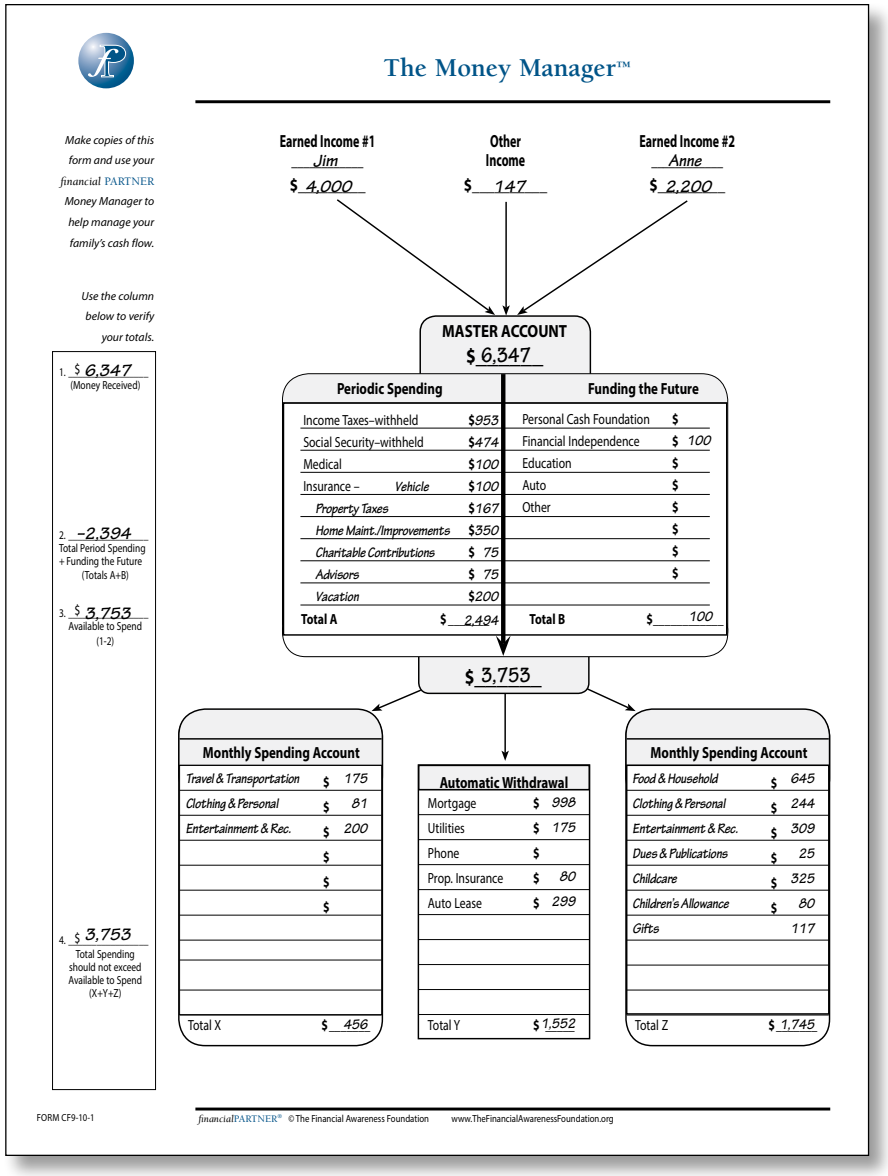
GLOSSARY

Automatic Withdrawal: A regular monthly withdrawal from a checking, savings, or other type of cash account to automatically pay a bill such as a mortgage, utility, or insurance premium.

Master Account: A checking or money market account that is used as a control account, where wages and investment income are deposited before being dispersed to spending accounts.

Periodic Spending Fund: A cash flow management account used to hold cash until expenditures such as taxes, quarterly insurance premiums, or other periodic expenditures are due.

Spending Accounts: A checking or money market account that is used to control monthly spending by having a predetermined amount deposited into it each month.



The Money Manager™

Make copies of this form and use your financial PARTNER Money Manager to help manage your family's cash flow.

Use the column below to verify your totals.

1. $ 6,347 (Money Received)
2. −2,394 Total Period Spending + Funding the Future (Totals A+B)
3. $ 3,753 Available to Spend (1-2)
4. $ 3,753 Total Spending should not exceed Available to Spend (X+Y+Z)

Earned Income #1	Other Income	Earned Income #2
Jim		Anne
$ 4,000	$ 147	$ 2,200

MASTER ACCOUNT $ 6,347

Periodic Spending		Funding the Future	
Income Taxes–withheld	$953	Personal Cash Foundation	$
Social Security–withheld	$474	Financial Independence	$ 100
Medical	$100	Education	$
Insurance – Vehicle	$100	Auto	$
Property Taxes	$167	Other	$
Home Maint./Improvements	$350		$
Charitable Contributions	$ 75		$
Advisors	$ 75		$
Vacation	$200		
Total A	$ 2,494	Total B	$ 100

$ 3,753

Monthly Spending Account	
Travel & Transportation	$ 175
Clothing & Personal	$ 81
Entertainment & Rec.	$ 200
	$
	$
	$
Total X	$ 456

Automatic Withdrawal	
Mortgage	$ 998
Utilities	$ 175
Phone	$
Prop. Insurance	$ 80
Auto Lease	$ 299
Total Y	$ 1,552

Monthly Spending Account	
Food & Household	$ 645
Clothing & Personal	$ 244
Entertainment & Rec.	$ 309
Dues & Publications	$ 25
Childcare	$ 325
Children's Allowance	$ 80
Gifts	117
Total Z	$ 1,745

FORM CF9-10-1

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This is how it works. The illustration is an example of a system set up for a dual-wage-earning household.



Instructions: *The Money Manager*™

1. **List your household income and deposit it into a master account.** This can be a money market fund account at your bank, savings and loan, credit union, or brokerage house that carries check-writing privileges and earns high money-market interest.
2. **List and total your monthly funds needed for periodic spending, based on predetermined estimates from your budget or cash flow plan discussed earlier.** These funds accumulate in the master account until the anticipated expenditures, such as income and property taxes, semi-annual insurance payments, and other predictable expenditures, come due.
3. **List and total your monthly funds earmarked for savings and investment under "Funding the Future."** These funds can be part of the master account or can be put into a separate investment account.
4. **List and total the monthly amount that should be transferred to each partner's spending account to cover budgeted living expenditures, including personal spending.** This can be done by check or automatic transfer. By setting up separate accounts, you avoid misunderstandings over who spent what or who forgot to balance the monthly statement. By setting a cap for spending from each account, savings will be guaranteed.
5. **List and total monthly payments for the mortgage, utilities, and insurance that are automatically withdrawn from one of the accounts.** Decide which expenses will be handled by which account, and then deposit a pre-determined amount of money into each account.
6. **Use the left-hand column to verify that you are not spending more than you're making.**



- ☐ Avoid excess banking fees and confusion by making sure you don't have too many bank accounts. One master account plus one checking account per household partner is usually sufficient. Exceptions would be additional accounts for business interests and real estate investments.
- ☐ The Money Manager system can be set up with any financial institution that offers checking and savings accounts. Your existing account might be suitable for this purpose. Automatic withdrawals can be determined as you develop your plan.
- ☐ Automatic withdrawals and electronic transactions via the Internet are increasingly popular ways to streamline cash management and save in the process. It costs approximately 49 cents to mail a check. Such a difference in cost on 30 checks per month over 30 years could save you over $5,000.

"Be careful what you water your dreams with. Water them with worry and fear and you will produce weeds that choke the life from your dream. Water them with optimism and solutions and you will cultivate success."

LAO TZU (600 BC-531 BC), PHILOSOPHER

Introduce Your Children To Personal Finance

Today's finances are complicated and are getting more complex. The earlier children learn the essential fundamentals of sound personal financial management the better their chances are for financial success.

Very few parents make an organized effort to teach their children these essential fundamentals of sound personal financial management because they do not know or understand them. Due to budget problems, most schools do not have the resources or expertise to teach our children these essential fundamentals so that they can make better informed financial decisions throughout their lives.

If you have children, don't ignore this responsibility! Take the information that you have learned through your own experiences and with the tools provide here begin exposing your children to the essential fundamentals of sound personal financial management at an early age. Continue assisting and guiding them and communicating with them on family financial matters when they leave home, and encourage your children to do the same for your grandchildren.

There is no specific guidelines as to when and how to expose children to the essential fundamentals of sound personal financial management and financial planning. The following is one approach to consider. The ages used are approximations and may vary depending upon when you start this process and each child's maturity level.

☐ Getting Your Children Started (Birth through Age 5)

Set up a savings accounts in the name of your child soon after they are born. Give your child a 'saving bank or piggy bank' and encourage them to put loose coins into it when they have the finger dexterity; do what with adult supervision. When the piggy bank is full, count out the money with your child, log it into a record book and take your child to a financial institution, and deposit the coins into their savings account.

Begin talking to your children about money during this stage. When you go to the store, talk to them about how you trade money in the form of coin, paper, check, or credit for merchandise. When your child begins to grasp these concepts, encourage them to help make decisions on purchases that relate to them, such as toys, rides at the fair, meals or treats.

Also, set up an educational savings fund and encourage grandparents and family to assist. The cost of a quality education has soared in recent years. If it continues to increase at the same rate, higher education will be available only for the affluent and those who plan ahead with the entire family unit.

☐ Your Children's First Income (Ages 5–8)

Between the ages of 4 and 8, begin giving your child a regular allowance. Start with a modest amount depending on your financial position and currency, $1 to $5, or more on either a weekly or semimonthly or monthly basis. This money should be given on a consistent basis, without the child having to ask for it.

Discuss with your child what can be done with their allowance, such as saving for future purchases versus buying things today or gifts to a special cause, charity or those less fortunate.

Don't take this money away from the child as a form of punishment, and don't link it to household chores. The allowance thereby serves as a money-orientation aid rather than a behavior manipulation tool. As your child matures and accepts more responsibilities, increase the allowance and encourage your child to save part of the increase for the future.

☐ Your Child's First Business Opportunity (Ages 8–11)

At this stage, give your child opportunities to earn extra money by doing special projects. If you are a small-business owner, give your child the opportunity to work for you for additional money. Or maybe start an online business together around a hobby or mutual interest.

Begin encouraging your child to play money games that involve the buying and selling of items. Discuss how you weigh the buying alternatives: Why would you pay this amount of money for this item? Is it a necessity? Higher quality? A gift? An entertainment toy?

☐ Your Child's First Budget (Ages 11–14)

Begin teaching your child to budget their own financial needs. Talk to them about a clothing allowance, college education, and special wants that they might have. Teach them about defining objectives, organizing their finances, and developing strategies to reach those objectives.

Start discussing our taxation system and record keeping with them. Walk them through the process of filing their own tax returns. This might include taking them to a meeting with your tax preparer to cover their part of the return.

Acquaint your child with various investment opportunities. An example may be to set up a family game in which participants are given $10,000 in play money to invest as they see fit. At the end of a period of time like 6 months or a year, a reward would be given to the child who increased that make-believe $10,000 the most.

Consider encouraging family members to make holiday and birthday gifts of stock or mutual fund shares. This is an excellent opportunity to expose your child to the stock market, bonds, CDs, Treasury Bills, etc. Take them on a field trip to visit your financial advisers – the accountant, attorney, insurance agent, financial planner and stockbroker.

☐ Getting Ready for the Real World (Ages 14–17)

If your child has been grasping the information in the earlier stages, as they mature and get older, help them obtain their own checking account to teach them how to balance their checkbooks, use online bill paying and dealing with credit.

Encourage your child to get an after-school or summer job so they better understand how money is earned and what to do with it. Since they're earning their own money, ask them to start paying some of their own expenses for social outings and personal expenditures.

With their new earnings encourage them, and if needed with other family members support, to set up and begin to fully fund their Roth IRA's.

Advise them to contact the colleges they are considering to investigate scholarship opportunities and to get a breakdown on costs for tuition, books and, if applicable, room and board, and other related expenses.

Begin exposing them to career opportunities. If possible, make arrangements for your children to spend time with some of your friends or associates at their jobs. This will help increase their understanding of career-path opportunities available to them.

At this stage, it is also important to start helping your child set long-range objectives: the type of job they might desire, the amount of money they would like to earn, and the kind of house they would like to live in. Setting such objectives helps them to understand that their first job after school and the first house they move into will probably not be like Mom and Dad's. However, through good planning, money management, and earnings, they will be able to reach their objectives over time.

☐ Entering the Real World (Ages 17 & beyond)

Continue to help your child with career counseling. Make sure that the child has a clear understanding of the career choices available and the risks and rewards associated with them. This is best received through real-life introductions and experiences.

Work with your child to develop an annual budgets, detailing how they plan to spend their money. Help them establish credit by getting a family credit card. Discuss the importance of not abusing this card, when they should pay it off, and when they should not.

Encourage them to start saving and investing immediately for their financial independence and retirement through IRAs and other tax-deferred retirement plans. Getting an early start is very important and can make their later years much more financially secure. Saving $50 per week, earning 8%, can produce a fund of over $1 million in 45 years!

When your child leaves the nest, make sure that they are prepared to deal with their personal finances. By following the above basic outline and incorporating your own real-world experiences, along with a current copy of this guidebook you can give your child a great head start on money management and increase their chances for financial success manyfold.

Dealing with the complexities of today's world is a real financial challenge. Don't leave your children and grand children unprepared. Helping them learn about personal finances can be fun — and very rewarding.

Action Items - Review The Principles

Here are the essential principles to managing cash flow

- ☐ **1. Identify your income sources and understand your spending habits.**
- ☐ **2. Utilize cash management techniques to live within your means.**
- ☐ **3. Develop a cash flow plan, ideally with your partner.**
- ☐ **4. Build an appropriate cash reserve and establish backup credit.**
- ☐ **5. Control impulse spending and resist peer pressure expenditures.**
- ☐ **6. Effectively manage your cash flow.**
- ☐ **7. Avoid incurring debt due to overspending.**
- ☐ **8. Steer clear of high-interest debt.**
- ☐ **9. Share these essential principles with friends and family.**
- ☐ **10. Avoid Common Mistakes in Cash Flow Management.**

With completion of your cash flow management plan, you've taken a big financial step.

You've created a framework for lifelong management of your cash flow, with the built-in ability to correct your course at any time. You've also redefined your relationship with money, eliminating a lot of the worry and uncertainty.

Now you're in a proactive mode, taking the initiative to move systematically toward the financial results you want. Your cash flow plan should change over time, as your circumstances and goals change. But whatever your needs, you will always have a money management system that will adapt as necessary.

Your Personal Financial Plan



Forms: Your *financial*PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.

Action Items: - 3 out of 11

- ☐ Check the Forms used below and place them in your forms binder.
- ☐ Update them annually or as your situation changes.

CHAPTER 3: Cash Flow

- ☐ Cash Flow Planner 78
- ☐ The Decision Maker™ 84
- ☐ Projected Monthly Cash Flow 86
- ☐ Additional Cash Flow Information 86
- ☐ Actual Monthly Cash Flow 87
- ☐ The Money Manager™ 88

Now let's go on to see why your employment benefits are like a "hidden paycheck" and how you can maximize their value.

"A reward cannot be valued if it is not understood."

PHILLIP C. GRANT

""Money and Success don't change people. They merely amplify what is already there"

- WILL SMITH

"If you don't find a way to make money while you sleep, you will work until you die"

- WARREN BUFFET

"Many folks think they aren't good at earning money when what they don't know is how to use it"

- FRANK A. CLARK

CHAPTER 4



Employment Benefits - Make the Most of Yours



"A reward cannot be valued if it is not understood."

PHILLIP C. GRANT

Maximizing What Your Employer Offers

What do employment benefits have to do with managing your cash flow? Quite a lot, when you stop and think about it. Any amount your employer contributes toward health insurance, life insurance, or retirement programs is money you don't have to spend.

The value of employment benefits is something that is commonly underestimated. Typically, employers spend the equivalent of 15% –30% of employees' salaries on benefit packages. When you consider the tax benefits, the value is even greater. For example, when you use your pretax dollars to fund retirement or insurance programs, it's like getting nontaxable income. Not all employment benefits are tax free, so it's important to know the difference.

In addition, there are value-added benefits, like employee credit union discounts and buying clubs, which can offer you attractive loans, saving investments and consumer products at a reduced cost.

Making sure that you understand and take full advantage of your employment benefits is an important way to reduce expenses, plan for your future, and be prepared for financial emergencies. Being informed about benefits offered will also help when you're considering a job offer or career change. It's not the salary alone that matters but the long-term value of your total compensation package. Employment benefits are a larger part of your personal cash flow than most people think.

Common Mistakes to Avoid In Managing Employment Benefits

- ☐ 1. Failing to understand your benefits and their tax implications.
- ☐ 2. Not utilizing benefits wisely.
- ☐ 3 Neglecting to keep beneficiary selections current.
- ☐ 4. Not actively managing your retirement or deferred compensation plans.
- ☐ 5. Holding too much of your net worth in company stock.
- ☐ 6. Procrastination.

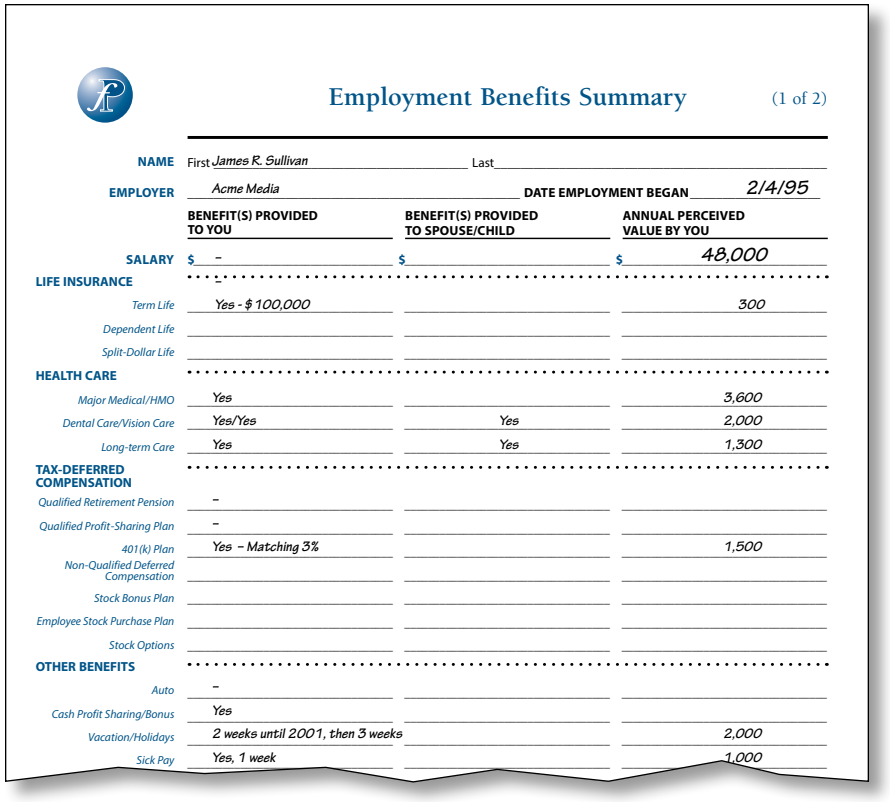
Preview of What You'll Be Doing

- ☐ 1. Outline your employment benefits
- ☐ 2. Learn about your employment benefits
- ☐ 3. Manage your employment benefits
- ☐ 4. Add your completed forms into your FP Forms Binder.

Summarize Your Employment Benefits

Unless you are self-employed or employed by a small business, you probably have, or are entitled to, a variety of employment benefits. But do you know what they are and how much they are worth to you? Have you updated them recently? Have you verified that you are taking full advantage of them, to the fullest extent allowed by our tax laws?

You should review your benefits once a year. Your employer may provide an annual summary of your benefits, but it's important that you fully understand it. Use the **Employment Benefits Summary** to help you to compile this information.



Employment Benefits Summary (1 of 2)

NAME First James R. Sullivan Last

EMPLOYER Acme Media DATE EMPLOYMENT BEGAN 2/4/95

	BENEFIT(S) PROVIDED TO YOU	BENEFIT(S) PROVIDED TO SPOUSE/CHILD	ANNUAL PERCEIVED VALUE BY YOU
SALARY	$ –	$	$ 48,000
LIFE INSURANCE	–		
Term Life	Yes - $ 100,000		300
Dependent Life			
Split-Dollar Life			
HEALTH CARE			
Major Medical/HMO	Yes		3,600
Dental Care/Vision Care	Yes/Yes	Yes	2,000
Long-term Care	Yes	Yes	1,300
TAX-DEFERRED COMPENSATION			
Qualified Retirement Pension	–		
Qualified Profit-Sharing Plan	–		
401(k) Plan	Yes – Matching 3%		1,500
Non-Qualified Deferred Compensation			
Stock Bonus Plan			
Employee Stock Purchase Plan			
Stock Options			
OTHER BENEFITS			
Auto	–		
Cash Profit Sharing/Bonus	Yes		
Vacation/Holidays	2 weeks until 2001, then 3 weeks		2,000
Sick Pay	Yes, 1 week		1,000

Instructions: *Employment Benefits Summary*

1. **Review your company's employment benefits handbook and benefits statement.**
2. **Complete a separate *Employment Benefit Summary* for each present and past job that involves ongoing benefits.** Do this for every job you and your spouse held. Make sure you are in the best available benefit programs and are taking full advantage of the benefits available to you.

3. **List and total the value of these benefits.** For example, you might value $100,000 of group life insurance at $300 per year if you had to purchase it using your own money. Estimate as best you can the value of all benefits.
4. **As you review each benefit, consider if you need to make any changes.** For example, do you need to update the beneficiaries on a group life insurance policy? (Life insurance will be discussed in greater detail shortly.)
5. **Consult your Personnel or Human Resources Department with your questions or concerns.**
6. **File benefit statements, beneficiary selections, stock options, and employment agreements in your** Financial Organizer.





- ☐ Be sure to notify your Personnel Office whenever there is a change in your or your family's personal profile, such as: a birth, death, marriage, divorce, or graduation from college. Failing to update your family profile can severely affect your financial position and benefits.
- ☐ Do you understand your retirement plan? Here are some questions to ask:
- ☐ When will I be covered and fully vested?
- ☐ What are my benefits if I switch jobs, get laid off, retire early, or retire at age 65?
- ☐ How are my funds invested, and who is managing them?
- ☐ Are there any guarantees regarding the safety of my retirement or pension funds?

Verify Your Beneficiary Selections

If group life insurance or retirement plans are among your employment benefits, pay close attention to your beneficiary selection. Whom did you select? If you are married and have children, you probably selected your spouse as primary beneficiary and either left the secondary beneficiary blank or named your children or another family member.

Some alternatives to the above choices are worth considering, especially if the policy amount is substantial. If you name a minor as a beneficiary and you die prematurely, he or she will receive those funds at adulthood or the "age of majority," which in most states is 18 or 21. Until the minor reaches that age, the guardian will manage the funds. When the minor becomes an adult, he or she will receive the proceeds as a lump sum. If this concerns you, a trust, as part of your estate plan, could be named as the primary or secondary beneficiary of your life insurance and/or retirement plans. Based on your wishes, the trust would control how the income and principal will be distributed to your children or other beneficiaries.

You may wish to name a charity as an alternate beneficiary on your life insurance policy or retirement plan(s), in case your first or secondary beneficiary choices do not survive you. You can also designate funds to provide for an endowment in your family name for the institution or charity of your choice.

If you have a large estate that could be taxes at your death consider using trusts or different forms of life insurance ownership to remove the insurance from your taxable estate. With proper estate and gift planning, more life insurance proceeds can end up with your heirs.

Review Your Health Insurance Options

If your employer provides you with optional medical plans, compare them in relationship to your medical expenditures. Take time to select health insurance coverage that meets your individual or family requirements. In some states and countries your choices may include coverage under different types of medical plans such as:

1. Health Maintenance Organization (HMO): Health insurance coverage under an HMO usually requires that you use only physicians and health care providers at the HMO facility, or who are part of the HMO network. Many HMOs require that you see a "primary" physician assigned to you before you can see a specialist. HMO coverage can save you money since, in general, you pay only a small coinsurance amount, such as $5 or $10, per doctor visit, with no deductibles. You do not need to mail in claim forms. HMOs can be advantageous for families with many medical bills.
2. Preferred Provider Organization (PPO): Health insurance coverage under a PPO contract usually provides greater freedom in choosing your health care providers. PPOs offer a large network of providers with whom the company has negotiated rates in advance. If you prefer, you can go outside the network and select your own providers. When you use the providers within the network, your insurance pays 80–90% of the fees, and you are responsible for only the remaining 10–20%. However, if you go outside the network, your insurance covers less, and you may need to pay 30–40%. Claims may be handled internally if you see doctors within the network; if you go outside the network, you usually need to pay the provider in advance and file a claim to get reimbursed for the amount covered by your insurance.

For either type of coverage, employers generally pay a portion of the monthly premium, and you pay the remainder. PPO premiums are generally higher than HMO premiums, because of the greater choice of health care providers you can access.



- ☐ It is always a good idea to have an up-to-date resume, not only for outside job opportunities but internal ones as well. Resumes should be compiled for your specific opportunity. Some ideas to help build a winning resume:
  - Including your photo on your resume helps interview/recruiter connect your name with your face.
  - Want your resume to pop maybe a touch of color will do it for you; just do not go overboard.
  - Maybe a video resume should accompany your printed one!
  - What about adding a paragraph stating your idea job?
- ☐ Some employers offer their employees a "flexible spending" or "cafeteria" plan, allowing you to designate an amount to be deducted before taxes from each paycheck. You can then use these withholdings to pay for any medical expenses not covered by your health insurance, including deductibles and co-payments. Estimate your annual deduction carefully, as amounts withheld are not returned if unused. This benefit can save you money by both reducing your taxable income and reimbursing you for health expenses you may have paid out of your own pocket.
- ☐ Many health maintenance organizations (HMOs) are beginning to include "alternative therapies" under their coverage. If you use chiropractic care, acupuncture, biofeedback, or other alternative medical treatments, check with your program administrator regarding your policy coverage.

Understand Your Tax-Deferred Compensation Plans

Some employers provide pensions, qualified profit-sharing plans, and other forms of tax-deferred compensation for their employees. To supplement these plans — or in some cases, in lieu of them — employers offer salary reduction plans such as a 401(k) plan (USA). This reduces your taxable income. If you have the opportunity to put money into a 401(k) or equivalent program, do so. One of the best savings tools for retirement is a program which takes before-tax dollars from your salary and puts them into a tax-deferred compounding plan. You may pay income tax on future distributions, depending on tax laws and your tax bracket. Consider the results from the following two options.

The first involves an annual salary reduction of $5,000, earning an 8% return each year.

Tax-Deferred Example

Salary Reduction Per Year	Annual Rate Of Return	Number Of Years Invested	Total Tax-Deferred Balance
$5,000	8%	10	$72,433
$5,000	8%	20	$228,810
$5,000	8%	30	$566,146

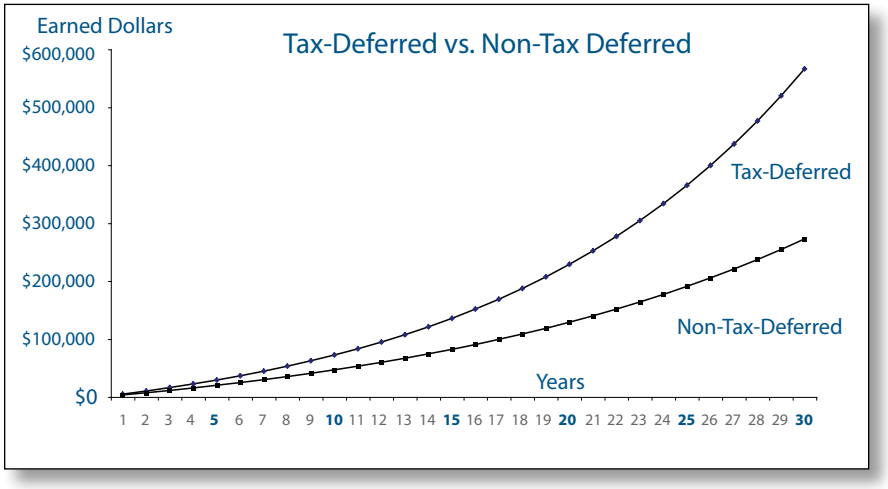
TIPS & IDEAS

- As with all investment decisions, be careful with your investment selection and don't take more risk than you can afford. Also, if you take advantage of a tax-deferred pension plan, make sure your beneficiary selection is made carefully, as outlined in the previous discussion.

Compare this to that same $5,000, taken after tax from your salary and invested in a similar fashion. In the 28% tax bracket, you would have only $3,600 of the $5,000 after tax to invest. If you invest this $3,600 earning an 8% return, your after-tax yield would be 5.76%, and over time you would have substantially less to fund your retirement.

Non-Tax-Deferred Example

Salary Amount	After-Tax Rate of Return	Number of Years	Total After-Tax Balance
$3,600	5.76%	10	$46,919
$3,600	5.76%	20	$129,062
$3,600	5.76%	30	$272,869



NOTE: This illustration uses a 28% tax bracket and an 8% rate of return. Your investment return and tax bracket may vary. Distribution from tax-deferred accounts are taxable when withdrawn.

Tax Treatment of Benefits

Tax Laws are constantly changing, which is both good and bad news. These changes will sometimes benefit employees with tax-free or favored benefits they can receive without having to report them as income. Following are some of the tax-free benefits that may still be available; as a tax laws continue to change this needs to be checked and verified with annual reviews. (USA)

- ☐ **Health and Dental Insurance:** Premiums for group medical and dental plans are excludable from an employee's salary.
- ☐ **Long-term Care Insurance:** Contributions to the cost of accident or health insurance, including qualified long-term care insurance paid by an employer, is excludable from the income of employees.
- ☐ **Retirement Plans:** Employers' contributions to qualified retirement plans are deferred from an employee's taxable income until paid out to the employee.
- ☐ **Life Insurance:** The premium for the first $50,000 of group term life insurance is income tax free. Premiums for additional amounts of group life insurance have favorable tax treatments. (USA)
- ☐ **Disability Coverage:** The cost of employer-provided disability insurance is not included as taxable income to the employee. However, should the employee become disabled, the disability income proceeds are taxable.
- ☐ **Discounts on Company Goods:** Employee purchases are tax-free as long as the goods are not sold below the company's cost.
- ☐ **No-Added-Cost Benefit:** The value of services provided by a company to employees at an insignificant cost to the company is not taxable income. For example: a vacant hotel room provided to hotel employees or reduced fare for an airline employee who takes an empty seat.
- ☐ **Work-Related Fringe Benefits:** These are tax-free reimbursements of expenses that would otherwise be deductible employee business expenses. For example: parking fees on or near company premises. **Caution**: Free parking and other benefits may not be tax free for shareholders holding more than 2% of stock of an "S" corporation or partners in a partnership.
- ☐ **Dependent Care Assistance:** Tax-free benefits are available for up to $5,000 of employer-paid childcare or disabled dependent care services. Married couples who file separate tax returns can claim up to $2,500 each. Be sure the payments are made under a written plan and they meet the rules for highly compensated employees. (USA)

For more information about fringe benefits speak with your employer, your financial advisor, your tax rules. For USA citizens visit IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits

https://www.irs.gov/publications/p15b/index.html

Important Message for Employers

"Clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients."

- RICHARD BRANSON

Action Items - Review The Principles

Here are the essential principles to managing benefits

- ☐ 1. Outline your employment benefits and review them annually.
- ☐ 2. Educate yourself about the tax treatment of your employment benefits.
- ☐ 3. Verify beneficiary selections on insurance and retirement plans.
- ☐ 4. Evaluate your health insurance options.
- ☐ 5. Annually review your retirement and tax-deferred plans to ensure proper management.
- ☐ 6. Maintain a current resume for potential opportunities that may arise.
- ☐ 7. Share these essential principles with family and friends.
- ☐ 8. Avoid Common Mistakes in Managing Employment Benefits.

Your Personal Financial Plan



Forms: Your *financial*PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.

Action Items: - 4 out of 11

- ☐ Check the Forms used below and place them in your forms binder.
- ☐ Update them annually or as your situation changes.

CHAPTER 4: Employment Benefits

☐ Employment Benefits Summary 94

If you have been following and completing the tasks outline within the first four chapters, you will be financially organized, and are establishing a lifelong system to best manage your finances, and have completed the first have of your Personal Financial, Estate & Gift Plan. Now that you are positioned to begin planning for a future in which you have the financial resources to meet your life goals, let's move on to Part II and begin mapping out your financial planning..

Part I Getting Organized Overview





Look what you accomplished

- ☐ 1. You have addressed and put in place the foundation to your total financial management system.
- ☐ 2. An ongoing system for the organization and management of all your financial documents and paperwork
- ☐ 3. An accurate picture of what you own and owe, your net worth
- ☐ 4. A workable system for your of cash flow management
- ☐ 5. A well-thought-out strategy for maximizing your employment benefits
- ☐ 6. Almost half way through developing your Comprehensive Personal Financial, Estate & Gift Plan.

"The habits that took years to build, take more than just a day to change."

— *SUSAN POWTER*

"If you don't make the time to work on creating the life you want, you're eventually going to be forced to spend a lot of time dealing with a life you don't want."

— *KEVIN NGO*

"Knowledge is making the right choice with all the information.

Wisdom is making the right choice without all the information."

- JAMES CLEAR

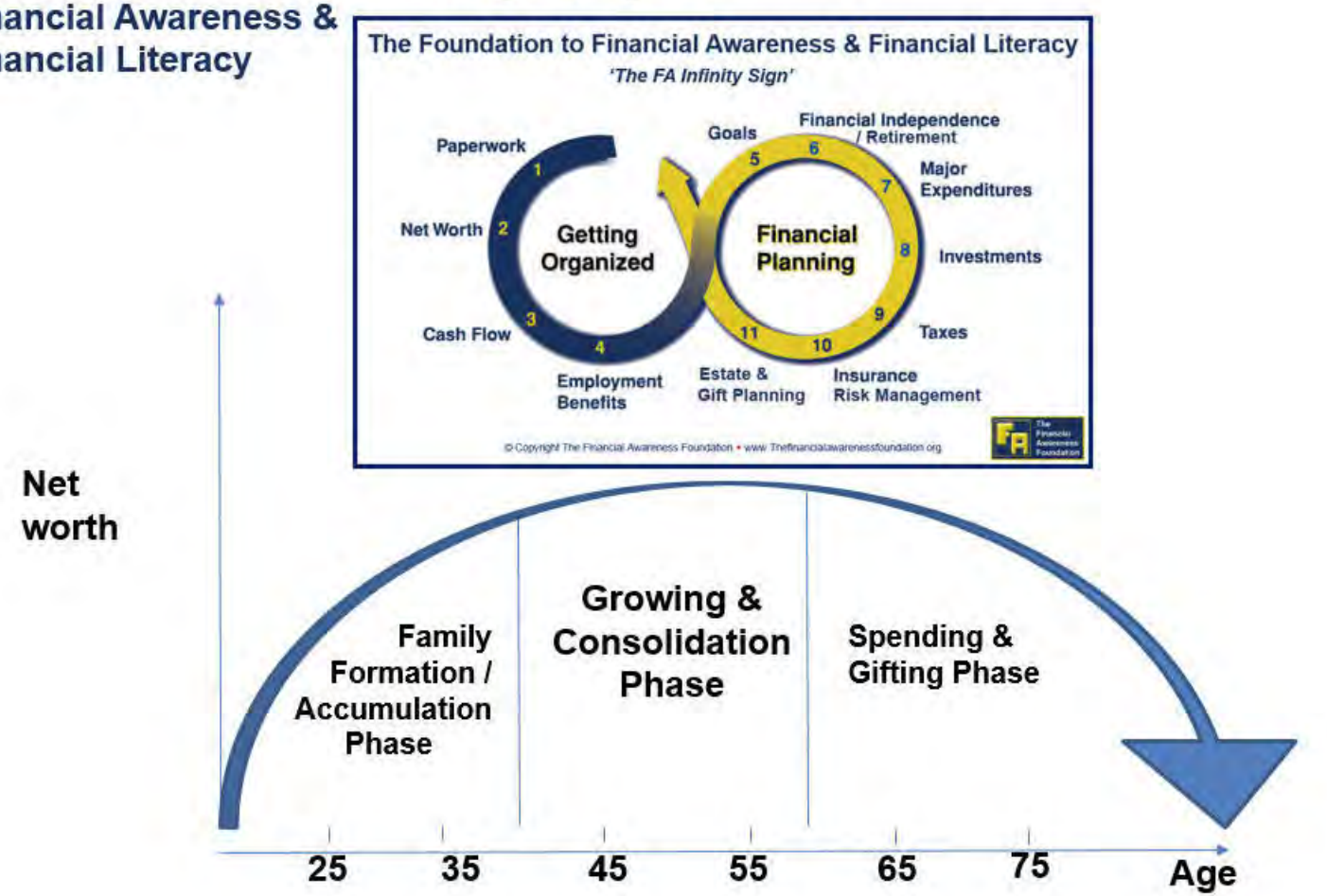


Part II

Financial Planning
The Essential Principles



Individuals and Families Working Life Cycle – Financial Awareness & Financial Literacy



"Find the balance that works for you."

Your *financial* PARTNER®

The Whole Picture

Financial planning is a major key to personal financial success. Short of winning the lottery or inheriting millions, few people attain financial security without forethought, a strategy, and implementation.

Financial planning does not have to be intimidating or difficult. In simple terms, a financial plan is whatever strategy you set up for yourself to meet your life's financial needs and goals. Successful financial plans are personal in nature. They are based on the essential principles of smart money management and your own goals, values, and lifestyle choices; they even reflect your personality. Do you like to take risks, or are you more conservative?

Would you rather own individual sticks and bonds, versus mutual funds, or leveraged real estate, or fine art?

Do you like to work with and rely on financial service professional advisors, or to consult with a lot of people before making a decision?

Or do you prefer to do your own investigation and come to your own conclusions?

Or use financial professionals for validation or a second opinion?

Whatever your personality or goals, it's important that you understand the financial planning steps. They will help you formulate a winning strategy to meet your financial, personal and family goals. Your *financial*PARTNER helps you understand what is involved in financial planning by giving you a systematic, problem-solving approach that can be used to identify your goals along with the steps necessary to reach them. You will only get as much out of financial planning as you're willing to put into it.

The field of financial planning is broad, and its different areas overlap. Attorneys, bankers, tax accountants, insurance agents, money managers, stockbrokers, and others can all act as financial advisors. Each of them emphasizes different aspects of your financial life. This is one reason why personal financial plans can take on many different forms.

Why Develop a Financial Plan?

After you have set your goals (more about that later), your *financial*PARTNER identifies six major areas of personal finance that should be included in your financial planning. This section will show you how to analyze, plan, and integrate each of these areas:

- **Financial Independence & Retirement (FIR™)**
- **Major Expenditures**
- **Investments**
- **Taxes**
- **Insurance / Risk Management**
- **Estate & Gift Planning**

Your *financial*PARTNER will provide you with information and planning tips to help you better understand each area of financial planning. Also included in the section are valuable tools to help you identify and develop both personal and financial goals. The objective here is to familiarize yourself with the essential principles to smart personal financial management so you can begin creating or solidifying your personal financial plan.



The economics of present-day living are more demanding than ever. The uncertainties of the job market, the rising costs of education and healthcare, questions about the future of Social Security and other government programs, and the need to support yourself over a longer life span are now real concerns. Developing a financial plan should address your current financial situation while giving you the best sense of security for the future.

Addressing long-term needs can seem overwhelming. Dealing every day with an avalanche of financial information isn't easy. However, understanding the steps for financial, estate and gift planning will help you to sort through and evaluate all types of financial data. It will also help you:

- **Save time and money when dealing with financial matters and working with financial advisors and financial product providers**
- **Recognize bad advice and avoid financial pitfalls**
- **Determine what has to be achieved in order to meet and maintain your financial goals and live out a financially successful life**
- **Pass on your values, knowledge and assets to future generations, and your charitable causes, to help make this a better world**

You don't need to become an expert in the field of finance to create and carry out a financial plan. You do need to develop the assertiveness to ask questions and the willingness to listen until you understand the answers. Finally, you *must* make the commitment to learn, understand, and use the essential principles to smart personal financial management..

Comprehensive Financial Planning, This is the process of developing a complete strategy and plan to have the best probability to reach and maintain a defined set of short, intermediate and long-term financial and life goals. The lifelong process includes

1. **Defining goals and needs**
2. **Gathering and organizing your relevant financial data**
3. **Analyzing the information**
4. **Identifying possible strategies**
5. **Selecting and implementing the appropriate strategies**
6. **Tracking and monitoring the process.**

The areas addressed by comprehensive financial planning include organizing appropriate personal and financial data; which includes hard copy and digital paperwork and records, inventorying what you own and owe, understanding how you make and spend your money, dealing with employment benefits; establishing personal and financial goals, addressing financial independence and retirement planning, major expenditures -- buying a car and house, funding education, …; investments, taxes, insurance / risk management, and estate and gift planning.

To develop, implement, and/or manage a comprehensive financial plan usually requires input and assistance from various financial service professionals and financial product providers that many include attorneys; Certified Financial Planners®, financial planners and advisors; Certified Public Accountants and accountants, Certified Trust and Financial Advisors; Chartered Financial Analyst®, money managers and investment advisors; Chartered Life Underwriters®, Chartered Financial Consultants®, insurance agents, elder care specialists, planned giving officers, private fiduciaries, realtors, and other financial service specialists.

Why Do Many People Avoid Financial Planning?

If the need for financial, estate & gift planning is obvious, why do so few people do it? Here are some reasons:

- **Unorganized finances**
- **Lack of financial knowledge and the being aware of essential principles to smart money management**
- **Too much information and no system to process it**
- **Not enough time**
- **Lack of have personal goals as a motivating force**
- **Lack of personal confidence**
- **Procrastination**



☐ Bob Jones and his wife, Mary, died in a car accident with unsigned wills and trusts sitting on top of their desk. These documents were designed to save their heirs more than $300,000 in unnecessary taxes and expenses. Since they were unsigned, the wills and trusts had no legal value. The children had to deal with their grief as well as spend hours with advisors handling this significant loss in family wealth. It took many months and thousands of dollars to settle the estate. If Bob and Mary had not procrastinated, the scenario following their death would have been avoided.

Procrastination

Putting off a decision or delaying an action is something everybody does. Sometimes it's wise to wait, to make sure you have all the information you need or until the timing is right for a particular transaction. But procrastination can cause serious problems, including missed opportunities, increased stress, and a cynical attitude about accomplishing anything. Procrastination is the most common downfall in financial, estate & gift planning.

Here are some basic reasons for procrastination:

- **Fear of failure — "I know I won't do it right, so why do it at all?"**
- **Perfectionism — "What if I make a mistake?"**
- **The unknown — "I'm not sure what's involved, so where do I start?"**

You can break the procrastination habit. Here are some suggestions for getting things done instead of putting them off:

- **Break big tasks into manageable parts**
- **Set priorities**
- **Spend at least 20 minutes every day on your top-priority task**
- **Plan rewards for yourself as you complete each task**
- **Most importantly, get and stay organized.**

Understand the *financial*PARTNER Planning System

Six Easy Steps to a Secure Financial Future

Comprehensive financial planning involves a lot of factors, which can seem complex and confusing. If you don't know the essential principles of smart financial management and how to use them, you may not even try. Armed with the correct knowledge, financial planning can be very rewarding, as you see yourself actually progressing toward your financial goals.

First, you need to do some serious (and playful) thinking about your goals, both personal and financial. In Chapter 5, you'll have the opportunity to formulate and actually *establish* your goals. These will serve as the basis for all of your planning, giving your actions meaning and direction.

Then, to simplify and clarify financial planning, your *financial*PARTNER outlines the following six-step system for analyzing and planning any area of your financial life. This six-step system will guide you in a logical progression toward establishing, understanding, and meeting your financial goals for:

- **Financial Independence & Retirement (FIR™)**
- **Major Expenditures**
- **Investments**
- **Taxes**
- **Insurance / Risk Management**
- **Estate & Gift Planning**



Step 1. **Define Your Goals:** State your personal and financial goals as concisely as possible.

Step 2. **Gather & Organize Your Data:** Make sure your financial information is organized so that your current financial position is clear. Hopefully you've already done this by working through Part I of this book. (Refer to your Net Worth Statement and Cash Flow Planners.) If not, do so as you address each of the six areas of personal finance in this section.

Step 3. **Analyze Your Situation:** Look at your current financial position. Are you meeting your goals, or are you falling short?

Step 4. **Develop Your Strategies:** Identify plans that will help you achieve your goals in the most efficient manner.

Step 5. **Implement Your Plan:** This is your action step. Take definitive measures to achieve your goals.

Step 6. **Track & Monitor Your Progress:** Depending on which of the six areas you are reviewing, check your progress on a monthly, quarterly, semiannual, or annual basis.

Learning, understanding, and using the essential principles of smart financial management is very important as it gives you the tools to address everyday financial decisions in a more informed manners.

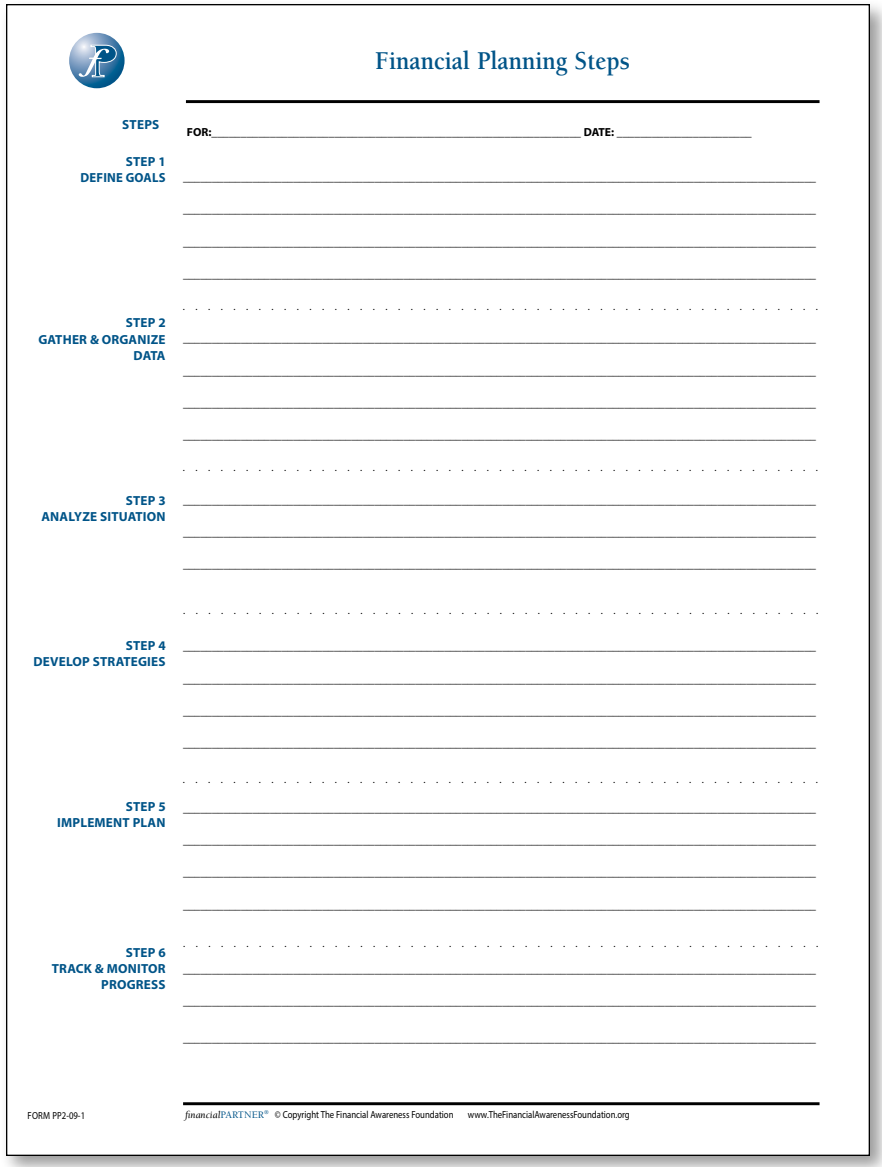
*financial*PARTNER Planning Steps

This form enables you to identify and describe the specific matters that must be addressed within each step of the financial planning process.

Instructions: *Financial Planning Steps*

1. **Make copies of this form so you will have extras to use as you outline and address each area of your financial planning.**
2. **As you complete this form, note any tasks and action items on your** Things to Do **list.**
3. **Keep your *Financial Planning Steps* forms with your worksheets for each area of your financial planning.** These should be stored in your forms binder or *Financial Organizer.*

The following discussions will guide you through each of the financial planning areas using the financial PARTNER *Financial Planning Steps process while sharing with you the essential principles of smart financial management.*



Financial Planning Steps

STEPS

FOR: _____ DATE: _____

STEP 1
DEFINE GOALS

STEP 2
GATHER & ORGANIZE DATA

STEP 3
ANALYZE SITUATION

STEP 4
DEVELOP STRATEGIES

STEP 5
IMPLEMENT PLAN

STEP 6
TRACK & MONITOR PROGRESS

FORM PP2-09-1

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TIPS & IDEAS

A BIT OF EDUCATION - Should building your Social Capital be one of your top goals?

- ☐ "There is something in life called "Social Capital. The people you know; the people who know you and how they know you.
- ☐ Quite unfortunately, people think or behave like social capital is only needed on weddings and burials. That is why you see someone will not have contacted you in ten years but out of the blue they are sending you a message, "Hello so and so, long time, next Sunday is my pre-wedding. Or my uncle is dead please I need your support."!
- ☐ Social capital is not built overnight; it is reciprocal and does not need money (especially in this virtually connected world) to build. It just needs being sensitive that people have emotions and that you can't sneak into their lives only when you need help.
- ☐ Social capital is massively important and when built and used correctly, it can make a very big difference to one's quality of life. It can save you money, make you money, get you a better job, make things easier and safer, it can save you from prison, or save your life: it can save your time and effort, and make life more enjoyable and productive.
- ☐ As we progress through the years, please learn to connect with people in your circles and not only at Christmas. Check on people, send someone a birthday message, check their time lines and comment something positive and inspirational. Pick your phone and call someone, or text them. It could be your relative, your colleague, your former schoolmate, a former or current boss, your CEO, your parents etc.
- ☐ Creating a connection with people is important for building your social capital. And even if they don't respond, at least keep in touch and don't just reach out when you are in need. Even some on Whatsapp don't comment on any issue you put across they just read and keep quiet but that should not deter you, continue communicating.
- ☐ Most importantly, respect everyone no matter their status in life and be there when others need you. Be a solution, an encouragement and inspiration. Avoid being a leech, a user or nagger. Just be a nice person who in a calculated way stays in touch with people and brings joy, encouragement and hope.
- ☐ The most important asset you have in life is not your job, money or title; its people. Your network is your net worth"
- ☐ - Frank Paakumi, President, Passionate Africa Leadership Institute (PALI Global)
- ☐ https://www.pali-incorporated.org/

"Whether you think you can, or you think you can't – you're right."

HENRY FORD

CHAPTER 5

Goal Setting





"If you don't know where you are going, you might wind up someplace else."

Yogi Berra

Let Yourself Be Guided by Goals

In today's fast-paced world, it's easy to go through life without long-term goals to guide us. We live in a society that stresses the value of short-term results. We tend to think more about the upcoming weekend than about our future years.

Comprehensive financial planning guides you through short-term, intermediate, and long-term time frames. As you saw in Part I of this guide, taking stock of your cash flow and learning to manage it provides you with a higher probability to live comfortably both in the present and future. Having enough cash to satisfy your short-term needs is important, but it only addresses part of the equation.

Consider your objectives for your entire life; how would you like your life to be in the next 3, 5, 10, 20, 30, and even 50 years? Where will you live? What activities have value to you? What do you want to accomplish? What would you like to change or make better, for you and your situation now? and in your future? for your family and loved ones? for your company? for your community? for your country? for our world? What would you like to contribute to this world?

Your *financial*PARTNER believes that goal setting is a worthy and useful task. Goals can help you hone your expectations and gives you a target for the future. Without long-range goals, you might wander through life and discover only too late that you didn't get a chance to accomplish what you really wanted.

Goal setting is actually not difficult, can be fun and very enlightening, even if you have not done it before. All you need is some private time to let your thoughts and imagination take control. Reflect on what values are important to you. Decide which targets you want to aim for. This chapter helps you develop a set of personal and financial goals to motivate, inspire, solve problems, make things better, and help guide you on.

Common Mistakes to Avoid In Goal Setting

- ☐ 1. Failing to set personal and financial goals.
- ☐ 2. Living unhappily and not maximizing your life's potential.
- ☐ 3. Avoiding asking questions.
- ☐ 4. Failing to contribute to improvements and problem-solving.
- ☐ 5. Lacking a neutral mindset.
- ☐ 6. Procrastination.

Preview of What You Will Be Doing

- ☐ 1. Forward thinking
- ☐ 2. Visualizing and outlining what is important for you personally and financially in the short-term, intermediate-term, and long term
- ☐ 3. Asking questions, problem solving, and helping to make things better
- ☐ 4. Having a neutral mind-set
- ☐ 5. Add your competed forms into your FP Forms Binder.

GLOSSARY

Dream: Thoughts you create in your mind that can take any shape or form that don't need much focus.

Goals: A goal is an objective or target that someone is trying to reach or achieve through focused actions.

Neutral Mind: The balancing of information both positive and negative minds, before making any decisions. The neutral mind is calm, centered, and precise. It's less attached to outcomes and expectations of events, and more interested in the truths.

Values: A person;s or society's beliefs about good behavior, and what things are important; the principles that help us decide what is right and wrong, and how to behave.

WHAT Really Matters to YOU?

What is really important to you?

- **Where do you want to live in 3 years, 5 years, 20 years?**
- **Where do you want to be financially in 3 years, 5 years, 20 years?**
- **How much time should you give to your work, your kids, your spouse, yourself, your interests, your community...?**
- **When do you what to retire for your current work?**
- **What are your gifts and legacy plans?**
- **What are your real dream situations...?**
- **Are you a problem solver? Do you want to make things better?**
- **Do you have a neutral mind-set or do you know almost everything?**

Your needs and desires provide the fuel for financial planning. It's important to put your goals in writing. If you don't establish your own goals, there are other forces that will: peer pressure, intense marketing, or bad habits.

Now is the time to begin looking at your individual lifestyle, financial, and charitable goals, as well as those of your family members and loved ones. Use the following forms to document your goals. Give copies of the Lifestyle Goals planner to family members to fill out, unless you are using the digital forms. Use pencil, as you may redefine your own goals once you see your family's and when you learn more about the financial planning process.

Give yourself time to consider alternatives.

- What would make your life easier and more enjoyable?
- How do you make things better?
- How do you solve this challenge?

Don't worry if you're not able to complete the goals planner the first time you try. Remember, financial planning is a lifelong process and your different goals will change as accomplish some and time passes. If you are committed to improving your financial future, you will regularly redefine your goals.

Can Beliefs Keep YOU from Reaching YOUR Goals?

Beliefs hold an incredible power over our lives, often shaping our perceptions and guiding our actions without us even realizing it. When it comes to achieving goals and cultivating new habits, beliefs can either be our greatest ally or our most formidable foe. Many individuals find it challenging to develop new habits or stay focused on important goals they set for themselves because deep-rooted beliefs can sabotage their efforts. These beliefs may stem from past experiences, societal norms, or even self-imposed limitations that dictate what is possible or impossible.

One of the key distinctions in belief systems lies between a fixed mindset and a growth mindset. Those with a fixed mindset believe that their abilities and traits are static and unchangeable, leading them to shy away from challenges and avoid risks to protect their self-image. On the other hand, individuals with a growth mindset understand that they can develop and improve their skills through effort and perseverance. They embrace challenges as opportunities for growth and view setbacks as valuable learning experiences rather than indicators of failure.

However, many people may not even be aware that their beliefs are holding them back. These subconscious beliefs can subtly influence behavior and decision-making, creating barriers to progress without the individual realizing it. For example, someone may hold a belief that they are inherently unskilled in a certain area, leading them to avoid opportunities for growth or dismiss their potential for success. These beliefs can manifest as self-doubt, procrastination, or fear of failure, hindering personal and professional development.

Nevertheless, adopting a neutral mindset can be transformative in overcoming limiting beliefs and propelling oneself towards personal and financial goals. A neutral mindset involves observing thoughts and beliefs without judgment or attachment, allowing for a more objective evaluation of their validity. By questioning and challenging existing beliefs, individuals can identify and dismantle the barriers that hold them back. This process of introspection and self-awareness enables individuals to replace limiting beliefs with empowering ones that align with their aspirations and values.

In essence, recognizing the influence of beliefs on goals and behavior is essential for personal growth and success. By cultivating a growth mindset, acknowledging and challenging limiting beliefs, and fostering a neutral mindset, individuals can unlock their full potential and pave the way towards achieving their most cherished aspirations, both personally and financially.

Now is the time to begin looking at your individual lifestyle, financial, and charitable goals, as well as those of your family members and loved ones. Use the following forms to document your goals. Give copies of the *Lifestyle Goals* planner to family members to fill out, unless you are using the digital forms. Use pencil, as you may redefine your own goals once you see your family's and when you learn more about the financial planning process.

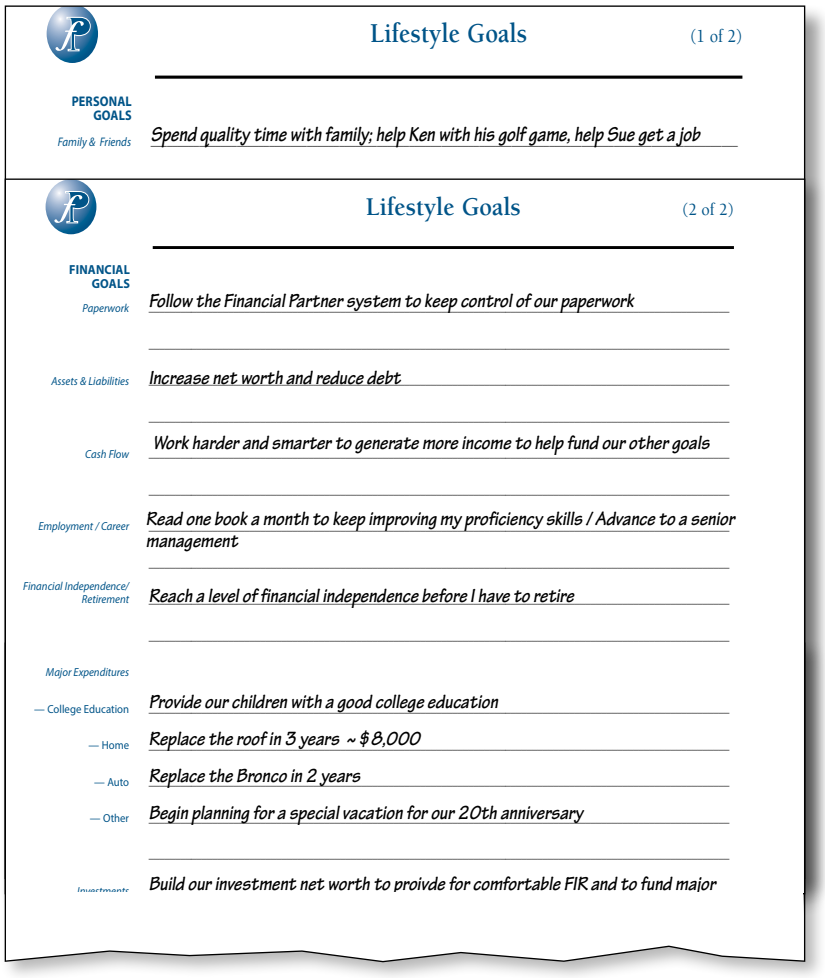
Give yourself time to consider alternatives.

What would make your life easier and more enjoyable?

How do you make things better?

How do you solve this challenge?

Don't worry if you're not able to complete the goals planner the first time you try. Remember, financial planning is a lifelong process and your different goals will change as accomplish some and time passes. If you are committed to improving your financial future, you will regularly redefine your goals.



Lifestyle Goals (1 of 2)

PERSONAL GOALS

Family & Friends: Spend quality time with family; help Ken with his golf game, help Sue get a job

Lifestyle Goals (2 of 2)

FINANCIAL GOALS

Paperwork: Follow the Financial Partner system to keep control of our paperwork

Assets & Liabilities: Increase net worth and reduce debt

Cash Flow: Work harder and smarter to generate more income to help fund our other goals

Employment / Career: Read one book a month to keep improving my proficiency skills / Advance to a senior management

Financial Independence/ Retirement: Reach a level of financial independence before I have to retire

Major Expenditures

— College Education: Provide our children with a good college education

— Home: Replace the roof in 3 years ~ $8,000

— Auto: Replace the Bronco in 2 years

— Other: Begin planning for a special vacation for our 20th anniversary

Investments: Build our investment net worth to proivde for comfortable FIR and to fund major

"What do I have to contribute to help make this a better world? "Do No Harm."

- Ken Ruff

Instructions: *Lifestyle Goals*

1. **Identify and describe your lifestyle goals.** Notice that the Lifestyle Goals Planner is composed of two forms. The first asks you to focus on your Personal Goals, followed by your specific Financial Goals. You may wonder how thinking about personal goals can matter to your financial planning, but in fact, your personal goals can make a great deal of difference. For example, if you have a strong personal goal to travel to many countries in the world, you will need to save money to help you accomplish this. Striving to achieve your personal goals can have a significant impact on your financial resources, and a very important to plan for them.

   Your first task is simply to list your goals on these forms. Then, in the rest of Part II, your *financial* PARTNER will help you development strategies to achieve them.

   You may not generally think of the financial aspects of your life as being driven by your goals; like many of us, you may more often find yourself *reacting* to financial situations rather than *planning* for them. This is precisely why we need to think about and formulate our financial goals today. By taking a few minutes with these forms, you can become proactive rather than reactive.

2. **Fill out the two forms as completely as you can.** Don't worry if you can't come up with a goal for every section. Just write whatever ideas you are comfortable with. You can always come back and update the form later.

3. **Store the forms in your forms binder or your *Financial Organizer*, but don't "bury" them.** Many experts on goal setting suggest that you review your goals at least once each year, because just as your circumstances and even your values will likely change over time, so will your goals.

It's Your Dream

Now that you have spent some time thinking about and identifying your goals, you may actually feel better about where you are in your life and where you want to go. Even if your goals are not yet as clearly defined as you would like, you have at least escaped the procrastination pitfall. As a result, you have probably started to identify a few items that you would like to accomplish, congratulations!

In Part I of the *financial*PARTNER, you have seen how the financial elements of getting organized - Organizing Your Paperwork, determining your Net Worth, Gain Control of Your Cash Flow, and making the most of your Employment Benefits — can be broken down into a series of smaller, more manageable ones. With some initial goals in place, you are now prepared to approach the six easy steps of financial planning in the same methodical way.

As you go through each of the financial planning elements — financia l independence / retirement planning, major expenditure planning, investment planning, tax planning, risk management / insurance, and estate and gift planning — you will be asked, in Step 1 of the six-step *financial*PARTNER Planning System, to review the goals you recorded on the Lifestyle Goals forms. Don't be reluctant to revise those goals whenever you want; they reflect what's important to you, your desires. Remember the saying: "A goal is just a dream with a deadline."

Asking questions, problem solving, collaborating, making things better can make for a better life for you, and a better world for everyone!

Action Items - Review The Principles

Here are the essential principles for defining your goals

- ☐ **1. Define what's truly important to you personally, for your family, and charitably.**
- ☐ **2. Regularly review and update your priorities in personal, financial, and charitable aspects.**
- ☐ **3. Be proactive by asking questions, problem-solving, being creative, and collaborating.**
- ☐ **4. Maintain a neutral mindset in decision-making.**
- ☐ **5. Share these essential principles with friends and family.**
- ☐ **6. Avoid Common Mistakes in Goal Setting.**

Your Personal Financial Plan



Forms: Your *financial*PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.

Action Items: **- 5 out of 11**

- ☐ Check the Forms used below and place them in your forms binder.
- ☐ Update them annually or as your situation changes.

CHAPTER 5: Goal Setting

☐ Lifestyle Goals 11

Defining your personal and financial goals is a powerful driving force while it outline a road map for your future.

The next six chapters cover the areas that have the greatest impact on your financial life. If you keep your goals in focus, you will greatly improve your planning in each of these areas.

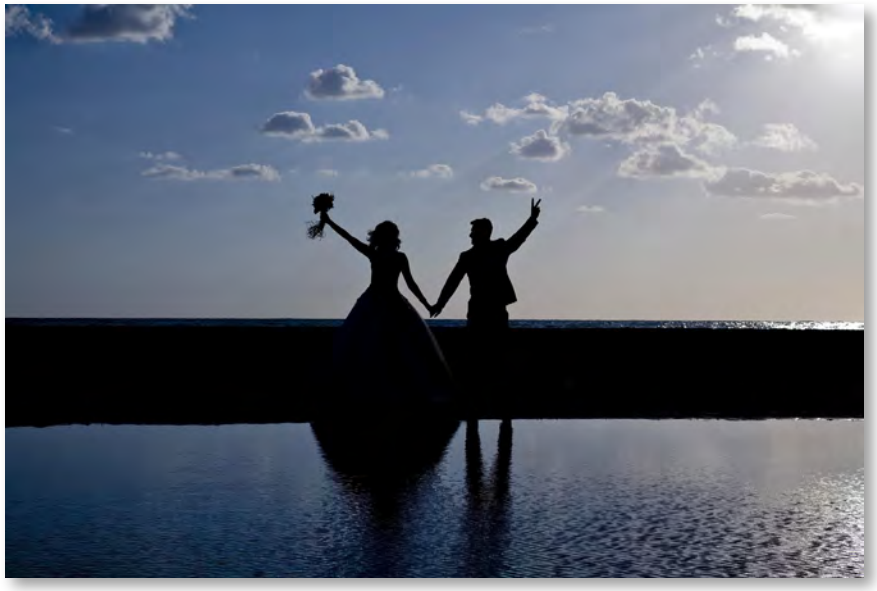
"Procrastination is one of the most common and deadliest of diseases and its toll on success and happiness is heavy."

- WAYNE DYER

CHAPTER 6

Financial Independence/ Retirement Planning





"Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it."

- Albert Einstein

Approach Your FIR™

Everyone would like to reach a stage of financial independence before retirement. Financial independence means you have the ability to do what you want, when you want, without having to concern yourself with "outside" financing. Financial independence is an attainable goal, especially for those who start saving and investing early in their lives.

What's most important is to begin!

You may have to support yourself for 20–30 years or more beyond the normal age of retirement. This sobering thought highlights the reality that a comfortable and satisfying retirement does not happen by accident. This is an issue which must be specifically planned for and weighed in the context of all other spending decisions.

Why do people resist taking care of their financial future? Most people have not made this a priority because they don't understand what needs to be done or how to do it. Few of us are ever exposed to retirement planning at home or at school.

Many individuals in their 20s and 30s are more concerned with beginning families and careers than with planning for retirement or their financial independence. Some pretend that old age will never happen. In the middle years, the reality of retirement begins to come into focus. We feel caught in a squeeze between getting children through school and caring for aging parents. It takes deliberate action to prepare for Financial Independence and Retirement (FIR).

Common Mistakes to Avoid in Financial Independence / Retirement Planning

- ☐ 1. Failing to plan for the future.
- ☐ 2. Not understanding the concepts of compounding and the time value of money.
- ☐ 3. Neglecting to calculate the income needed at your Financial Independence Retirement (FIR) and the capital required to accumulate.
- ☐ 4. Not initiating a savings and investment plan early on.
- ☐ 5. Failing to invest wisely and prudently.
- ☐ 6. Relying solely on the equity of your home to fund your future.
- ☐ 7. Assuming an inheritance will suffice for your future financial needs.
- ☐ 8. Overlooking inflation when estimating future living expenses.
- ☐ 9. Not being prepared for potential medical emergencies.
- ☐ 10. Ignoring the implications of a longer life expectancy.
- ☐ 11. Procrastination.

Preview of What You Will Be Doing

- ☐ 1. Learn the secrets of Compounding and Time-Value-of-Money
- ☐ 2. Learn the how timely regular saving and investing can be an important key to a financially successful future
- ☐ 3. Going through the Six-Steps to Financial Independence
- ☐ 4. Run your numbers to learn what income you'll need at your FIR and how much capital you'll need to accumulate
- ☐ 5. The Key Principle of planning for your financial independence / retirement
- ☐ 6. Add your competed forms into your FP Forms Binder.

GLOSSARY

Compounding Returns: The earning on earnings from invested principal when it is left to accumulate. This can be interest, dividends, or growth through appreciation.

Time Value of Money: Asserts money is worth more today than the same amount of money received in the future. This is due to the potential earning power of money. $100 invested today at 8% will grow to $108 in one year. At 8%, $100 received in one year is only worth $92.59 (divide $100 by 1.08). Due to money's potential to increase in value over time, you and your advisors can use the time value of money to calculate how much you need to invest and at what rate-of-return to reach certain future goals.

Secrets of Compounding and Time Value of Money

Albert Einstein is quoted for saying, "Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it."

Compounding allows your money to grow faster and faster as earnings grow on earnings from the invested principle when it is left to accumulate. Compounding is truly one of the most powerful forces in the universe. As it relates to money and investing it can be the compounding of interest, dividends, or growth through appreciation.

Here's a quick illustration for you.

Which would you prefer to receive right now, $1 million, or the value of one penny doubled every day for the next 31 days?

The following results may astound you.

Day 1: $.01		Day 2: $.02
Day 3: $.04		Day 4: $.08
Day 5: $.16		Day 6: $.32
Day 7: $.64		Day 8: $1.28
Day 9: $2.56		Day 10: $5.12
Day 11: $10.24		Day 12: $20.48
Day 13: $40.96		Day 14: $81.92
Day 15: $163.84		Day 16: $327.68
Day 17: $655.36		**Day 18: $1,310.72**
Day 19: $2,621.44		Day 20: $5,242.88
Day 21: $10,485.76		Day 22: $20,971.52
Day 23: $41,943.04		Day 24: $83,886.08
Day 25: $167,772.16		Day 26: $335,544.32
Day 27: $671,088.64		Day 28: $1,342,177.28
Day 29: $2,684,354.56		Day 30: $5,368,709.12
		Day 31: $10,737,418.24

People who don't understand the power of compounding will select the $1 million, however when they see what happens they are truly amazed. This magic can also happen as it relates to relationships, customers, and networking, but is a topic for a future discussion.

When you allow compounding to take place over longer periods of time the growth can be unbelievable, it is truly one of the greatest forces in the universe.

When compounding is working for you it is your best friend. However, when it is working against you compound interest can be your greatest nightmare.

When you borrow money, you pay interest to the lender until you repay your loan. With certain types of loans if you don't pay more than the monthly interest charge, your bill will continue to increase each month until the debt becomes almost insurmountable. This usually doesn't happen on standard home and auto loans, but can happen if you only make the minimum payments on certain credit cards or mortgages with negative amortizations. Here payments may not cover more than the interest and finance charges, if that. Thus just paying minimum payments makes it easy to stretch out the loan almost indefinitely and in some cases impossible to repay.

How to defeat compound interest from working against you; don't get into these types of loans and if your do pay them off ASAP.

Regular Saving and Investing Is the Key

The following table shows the potential growth of $10 deposited each month for different durations and returns. See how even a small amount can grow and compound over time.

Potential Growth of $10 Monthly Investment					
Years	4%	6%	8%	10%	12%
10	$1,477	$ 1,647	$ 1,842	$ 2,066	$ 2,323
20	$3,680	$ 4,644	$ 5,929	$ 7,657	$ 9,991
30	$6,964	$10,095	$15,003	$22,793	$35,299
40	$11,859	$20,014	$35,143	$63,768	$118,824

You can use this table to find multipliers of $10. For example: You intend to invest $100 per month for 20 years at a 10% return. How much will you have? Take the result of investing $10 per month for 20 years — $7,657 — and multiply it by 10. At the end of the period, you will have $76,570.

It's Never Too Soon

It is never too soon (or too late) to begin planning for your financial independence. For example, saving and investing

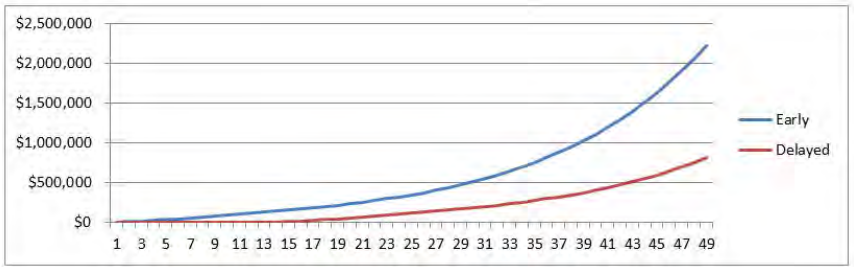
- $50 a week and investing it at 8% provides you a $1 million in 45 years.
- $160 a week and investing at 8% provides you a $1 million, in 30 years.
- $400 a week and investing it at 8% provides you a $1 million in 20 years.
- $1,300 a week and investing at 8% also provides you $1 million; however it is in 10 years.

When to Start and the Cost of Waiting

It is never too soon to begin planning for your financial independence. If you were to begin saving and investing for your financial independence (or your child's or grandchild's) with the earnings from your first job at age 17 look what could happen. If YOU EARNED over $6,000 per year going forward and opened a Roth IRA, (A USA retirement plan that allows a qualified worker to make nondeductible contributions from employment earnings into various investments that grow tax deferred until you withdraw them. After age 59½, the account holder may withdraw any or all proceeds without incurring federal income tax, if certain conditions are met.)

If over the next 13 years, until age 30, you were to fund the Roth IRA with $6,000. If you were not able to fund the full $6,000 yourself, because some of your earning were required to be used on other expenditures, the difference was made up with cash gifts from family and close friends and

- The ROTH IRA is invested in an S & P index fund
- This fund generates a Compounded Annual Growth Rate of 8% (These funds are not guaranteed and could lose money, but for this example it is lower than the last 90 year historical Compounded Annual Growth Rate of the S & P 500 (9.8%)
- Then stops funding the ROTH IRA and doesn't make another contribution
- At age 65 the child could have over $2.2 million dollars!
- If the child waits one year before starting this program to age 18, at age 65 they will be $165,000 short, even though they saved the same amount of money.
- If the child were to wait until age 30 before starting this program, they would be over $1.4 million short!!! Even though they saved the same amount of money!!! And this money under current rules can be withdrawn tax-free!



If you were to continue funding the Roth IRA each year after age 30 you could have over $3.150 million. But if you waited to age 30 to begin this same program at age 65 you would have over $1.2 million, and be over $2.2 million less than if your started at age 17.

Finding the Funds - It's a Matter of Choice

With all the challenges of everyday living and all the marketing to spend our hard earned dollars on daily consumables and great new products, many people never get started saving and investing for their futures. Just think if you were to forgo a daily coffee or soda or other daily habit, and were able to save and invest just $3.00 per day. Look what it could grow into.

Cost of a Daily Snack Over Time - $3.00			
Years	Rate of Returns		
	6.00%	8.00%	10.00%
10	$15,002	$16,772	$18,811
20	$42,336	$54,095	$69,938
30	$92,140	$137,153	$208,896
45	$253,245	$487,053	$974,130

Think what this extra money could mean for your financial future.

Going Through the Six-Steps

Financial Independence/Retirement (FIR™)

1. **Define Your Goals:** Lifestyle and financial considerations overlap when it comes to retirement. Here are some basic questions to ask yourself:

   - When do you plan to become financially independent or retire? Is early retirement your goal, or do you plan on working well into your 70s? Someone who retires at 60 can expect to live 25 years or more. Can you afford to stop working?
   - How much money will be needed each year to support your FIR and where will it come from? In order to maintain your current standard of living, you may need 60–90% of your annual preretirement income. Typically, Social Security and pensions replace only 20–60% of preretirement income. The balance must come from your personal savings, investments, earned income, or inheritance. Use your Cash Flow Planner from Chapter 3.
   - How will you spend your retirement years? Will you tour the country in a camper, or will you spend time at home with the grandchildren? Will you pursue new hobbies or creative activities? Answering questions like these is a vital part of the planning process.
   - Where will you live during retirement? During working years, it's usually best to live in an area with a strong job market, escalating real estate values, and a reasonable cost of living. After retirement, your nest egg will go further if you relocate to an area with a lower cost of living. Although relocation might save money, never make a decision of this magnitude before spending significant time in the new area.
   - How long will your retirement last? Improved health care and healthy lifestyles are making it possible to live longer.
   - Do you want to leave money to your children, friends, or charities? This represents a real financial challenge unless you develop and implement your retirement plan now.

TIPS & IDEAS

- ☐ A number of financial planners suggest using as a guideline the "4-percent rule" for asset withdrawal rates beginning at the time of retirement. The 4-percent rule was developed by William Bengen a Certified Financial Planner, and published his research in an article titled "Determining Withdrawal Rates Using Historical Data" in the October 1994 Journal of Financial Planning. Bengen's research showed how a retiree with a balanced equity portfolio could safely withdraw 4 percent from their portfolio adjusted for inflation, over a 30 year period. However, with people living longer today, many may require larger savings or a smaller withdrawal rate. (USA)
- ☐ Advisors also point out that everyone is unique and have different circumstances. Some people will receive a larger inheritance, others have different family and health care circumstances, some people will retire at an early age, while other will work and earn money well into their retirement years, some will spend more money while they are active in their early retirement years while others will not have long-term care coverages and spend more in their later years,...
- ☐ Financial independence and retirement planning can make a big difference in your future, so do some advanced thinking and planning and then seek out qualified advisors to assist through your various options and choices. Don't hesitate is getting a second opinion if your situation is complex or you are not comfortable with the options you see in front of you.

2. **Gather & Organize Your Data:** Review and update your current financial position. This involves inventorying your investment assets, understanding your cash flow and needs, and determining how much money you are putting aside for FIR each year.

3. **Analyze Your Situation:** This step involves a careful consideration of several factors. You may require assistance from a professional advisor as you look at these issues:

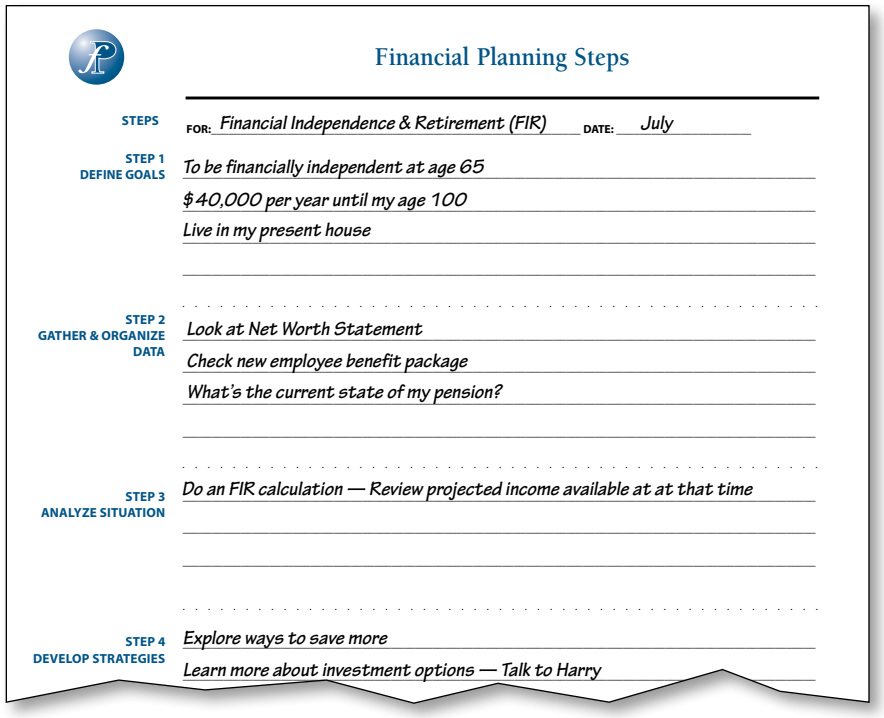
   - Number of years until FIR
   - Projected annual living expenses & long-term care needs
   - Expected length of FIR
   - Current investment holdings
   - Return on your investment assets prior to FIR
   - Return on your investments during FIR
   - Future savings
   - Possible major expenditures and windfalls
   - Inflation

   As you can see, this analysis involves significant data and complex financial calculations. These can best be accomplished through the use of retirement planning software, or online services or professional assistance. However, you can begin analyzing your financial independence/retirement cash flow by using the FIR Savings Projection Worksheet that follows. Remember to use a pencil so you can change numbers and play "What if."

4. **Develop Your Strategies:** If your FIR calculation shows you will need more money, consider some strategies to achieve your desired result. Can you set aside more money each month for retirement? Is there a way to receive higher returns on investments? Can you delay FIR a few years? Can you lower your FIR income goals? Explore all the variables that can affect your FIR planning.

5. **Implement Your Plan:** In this phase of the process, you must decide on a course of action and implement it. Will you increase your savings? Put more money in your 401(k)? Seek higher returns by repositioning your assets? Now is the time to decide and take action.

6. **Track & Monitor Your Progress:** Do this on an annual basis. Analyze your situation, reevaluate your strategies, and make adjustments as needed. Make a note on your Personal Financial Calendar as a reminder to do this.



Financial Planning Steps

STEPS — FOR: Financial Independence & Retirement (FIR) DATE: July

STEP 1 DEFINE GOALS
- To be financially independent at age 65
- $40,000 per year until my age 100
- Live in my present house

STEP 2 GATHER & ORGANIZE DATA
- Look at Net Worth Statement
- Check new employee benefit package
- What's the current state of my pension?

STEP 3 ANALYZE SITUATION
- Do an FIR calculation — Review projected income available at at that time

STEP 4 DEVELOP STRATEGIES
- Explore ways to save more
- Learn more about investment options — Talk to Harry

TIPS & IDEAS

You can save/invest for your FIR using a combination of the following types of accounts to hold your investment assets, such as money market funds, CDs, stocks, bonds, mutual funds, real estate, business interests, collectibles, etc. Each can have a different tax and compounding affect depending on your tax laws and investment vehicles. The following are USA based account types.

☐ TAXABLE ACCOUNTS

Taxable Accounts are regular savings, CD, stock, bond, and mutual fund accounts you might have in your bank, savings and loan, or brokerage firm. Any earnings you receive each year from interest and dividends are taxed as income in the year you receive them. Investments in these accounts are also subject to capital gains tax each year if you sell them at a gain.

There are two major exceptions:

- Interest received from most bonds issued by state or local governments are not subject to federal taxation. Such investments are known as tax-exempt.
- If you sell an investment for less than you paid for it, it is a capital loss. You can use capital losses to offset any capital gains, dollar for dollar, when you calculate your tax liability, up to $3,000 of ordinary income each year. Unused losses can be carried forward indefinitely. (USA)

☐ TAX-DEFERRED ACCOUNTS

Tax-Deferred Accounts include traditional IRAs and 401(k) accounts. These accounts have a Tax Advantage over Taxable Accounts: The money invested in a Tax-Deferred Account — and the interest, dividends, and gains generated — are not taxed until you withdraw your funds at a later time, as long as you adhere to the regulations. (n other words, you do not pay annual taxes on the earning inside a Tax-Deferred Account. This "deferring" of taxes means that your Tax-Deferred Account grows faster than a Taxable Account, helping you build a larger nest egg for retirement. When you begin making withdrawals in retirement, your withdrawals are taxed as ordinary income. If you set up a tax-deferred IRA and you meet certain income requirements, the amount you contribute to your IRA, up to your applicable limit, may be deductible on your income taxes for the tax year of the contribution. (USA)

☐ TAX-FREE ACCOUNTS

A Roth IRA is neither a tax-deferred account nor a taxable account. It is a Tax-Free Account. Specifically, in a Roth IRA, your contributions must come from earned income that has already been taxed, but your earnings and gains are not taxed when you withdraw them, as long as you have had the account more than five years and are at least 59½. In addition, it's possible to withdraw the contributions and earnings without paying taxes on them if you meet the requirements for a qualifying special-purpose distribution, such as the death of the taxpayer or for the purchase of a first home for the taxpayer, taxpayer's spouse, or the child, grandchild, or lineal ancestors and descendents of the taxpayer. Another qualifying distribution is payment of qualified higher-education expenses for the taxpayer, the taxpayer's spouse, or any child or grandchild of the taxpayer or taxpayer's spouse.

Note: You can contribute any amount each year to your Taxable Account. However, amounts you can contribute each year to a Tax-Deferred IRA or tax-free Roth IRA are limited. The limit is further based on your (and or your spouse's) participation in a company-sponsored retirement plan, your marital status, your income, and your total retirement contributions. Consult with your tax preparer or accountant to find out which limits apply to your personal situation. (USA)

☐ YOUR PERSONAL RESIDENCE

If you are over 62, and own your home and are short of cash or cash flow consider a Reverse Mortgage. This a loan available to homeowners that are age 62 years or older. The reverse mortgage allows the borrower to convert part of their equity in their homes into cash. This can come in the form of a lump sum, equal monthly payments as long as the homeowner lives in the home, equal monthly payments for a fixed period of time, a draw on any amount at any time until the line of credit is exhausted; or any combination. A reverse mortgage does not become due if pay your requirements such as property taxes, homeowners insurance and maintenance, until the borrow no longer occupies the residence. **Make sure to check out the fees and seek professional advice before signing. (USA)**

Financial Independence/Retirement (FIR) Savings Projection

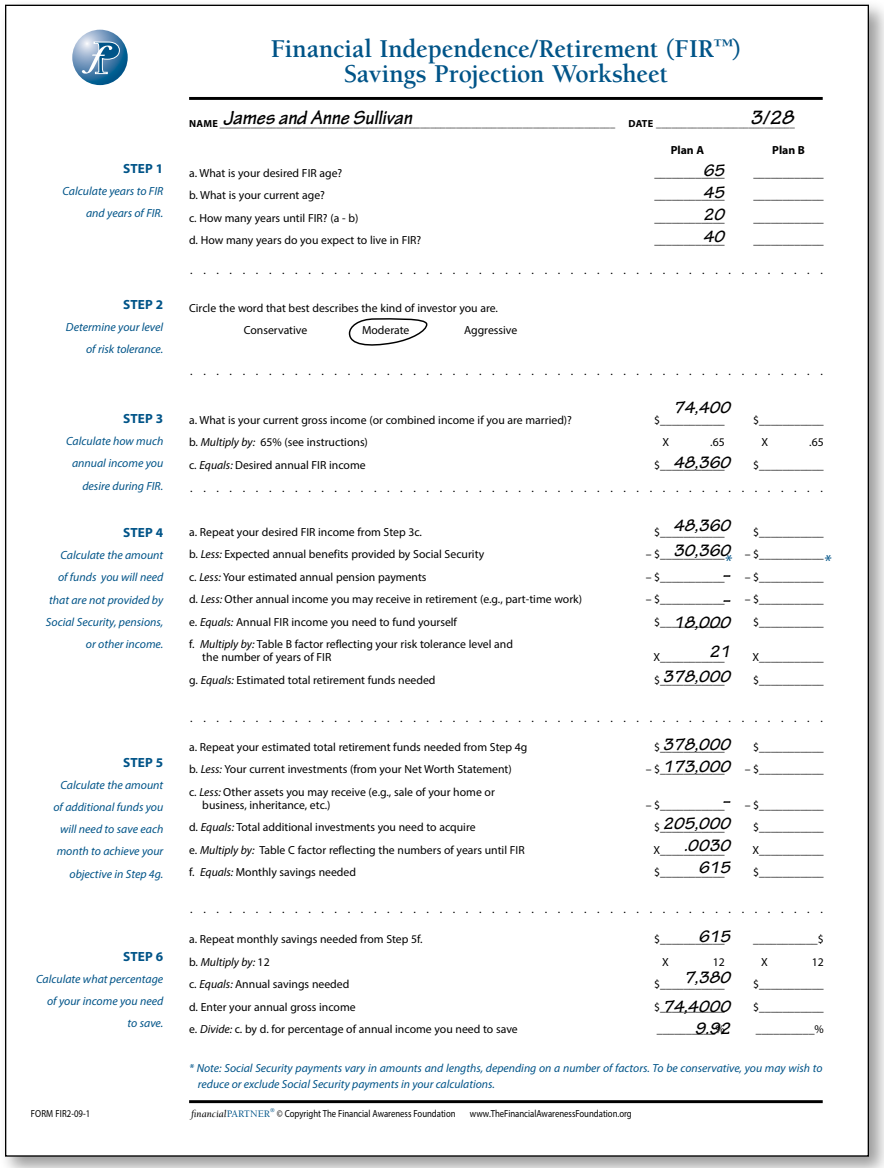
The FIR Savings Projection worksheet gives you a quick view of how much you will need to save in order to reach your retirement cash flow goals. It also helps you determine your total FIR needs, adjusted for inflation, then helps you determine how much you need to save monthly to fund your FIR years.

Instead of using this FIR saving projections you many want to use many of the free retirement calculators available online to assist you; these are very complex calculations and provide you with greater detail. However be cautious, these calculators are not built with standard formulas and assumptions and thus can produce quite different results. You my want to use several and compare results. Here are some links to help you find the right one for you

- https://www.360financialliteracy.org/Calculators/Retirement-Planner
- http://www.bankrate.com/calculators/retirement/retirement-plan-calculator.aspx
- http://www3.troweprice.com/ric/ric/public/ric.do
- http://www.caniretireyet.com/the-best-retirement-calculators/
- https://www.fidelity.com/calculators-tools/fidelity-retirement-score-tool

In addition, we strongly suggest that you consider consulting a professional financial advisor to help develop or confirm your FIR plans.

Whatever you do, it is very important that you start some type of FIR planning; be sure to run your numbers to learn what income you'll need at your FIR and how much capital you'll need to accumulate. The planning you do today will have a positive long-range effect on your future lifestyle.



Financial Independence/Retirement (FIR™) Savings Projection Worksheet

NAME James and Anne Sullivan DATE 3/28

		Plan A	Plan B
STEP 1 *Calculate years to FIR and years of FIR.*	a. What is your desired FIR age?	65	
	b. What is your current age?	45	
	c. How many years until FIR? (a - b)	20	
	d. How many years do you expect to live in FIR?	40	
STEP 2 *Determine your level of risk tolerance.*	Circle the word that best describes the kind of investor you are. Conservative (Moderate) Aggressive		
STEP 3 *Calculate how much annual income you desire during FIR.*	a. What is your current gross income (or combined income if you are married)?	$ 74,400	$
	b. *Multiply by:* 65% (see instructions)	X .65	X .65
	c. *Equals:* Desired annual FIR income	$ 48,360	$
STEP 4 *Calculate the amount of funds you will need that are not provided by Social Security, pensions, or other income.*	a. Repeat your desired FIR income from Step 3c.	$ 48,360	$
	b. *Less:* Expected annual benefits provided by Social Security	– $ 30,360 *	– $ *
	c. *Less:* Your estimated annual pension payments	– $ –	– $
	d. *Less:* Other annual income you may receive in retirement (e.g., part-time work)	– $ –	– $
	e. *Equals:* Annual FIR income you need to fund yourself	$ 18,000	$
	f. *Multiply by:* Table B factor reflecting your risk tolerance level and the number of years of FIR	X 21	X
	g. *Equals:* Estimated total retirement funds needed	$ 378,000	$
STEP 5 *Calculate the amount of additional funds you will need to save each month to achieve your objective in Step 4g.*	a. Repeat your estimated total retirement funds needed from Step 4g	$ 378,000	$
	b. *Less:* Your current investments (from your Net Worth Statement)	– $ 173,000	– $
	c. *Less:* Other assets you may receive (e.g., sale of your home or business, inheritance, etc.)	– $ –	– $
	d. *Equals:* Total additional investments you need to acquire	$ 205,000	$
	e. *Multiply by:* Table C factor reflecting the numbers of years until FIR	X .0030	X
	f. *Equals:* Monthly savings needed	$ 615	$
STEP 6 *Calculate what percentage of your income you need to save.*	a. Repeat monthly savings needed from Step 5f.	$ 615	$
	b. *Multiply by:* 12	X 12	X 12
	c. *Equals:* Annual savings needed	$ 7,380	$
	d. Enter your annual gross income	$ 74,4000	$
	e. *Divide:* c. by d. for percentage of annual income you need to save	9.92	%

** Note: Social Security payments vary in amounts and lengths, depending on a number of factors. To be conservative, you may wish to reduce or exclude Social Security payments in your calculations.*

FORM FIR2-09-1

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Instructions: *FIR Savings Projection Worksheet & Tables*

1. *Calculate how many years to FIR and years of FIR.*

   Enter your desired FIR age. (This worksheet does not take into account for a married couple the variance in the number of retirement years each spouse might need to fund, such as happens when one spouse retires later than the other. Therefore, if you are married, use the age, years of FIR, and life expectancy of whichever spouse will retire first. If the other spouse continues working, his or her income will be a nice supplement to the income this worksheet helps you predict.)

   Enter your current age. (If you used your spouse's desired FIR age above, enter his or her age here.)

   Subtract 1b from 1a. This shows how many years remain to save for FIR.

   Estimate how many years you will spend in FIR. This will depend on your life expectancy. *financial*PARTNER recommends using age 90 or 95. Your own family circumstances and personal health history are important factors to consider in evaluating your life expectancy.

2. *Circle the word that best describes what type of investor you consider yourself to be.*

   A conservative investor would typically prefer little risk and accept a 4–7% return on investments. (We will use 7% for this type of investor.)

   A moderate investor would typically accept some risk and an 8–10% return on investments. (We will use 9% for this type of investor.)

   An aggressive investor would typically accept a high degree of risk and seek a greater than 10% return on investments. (We will use 11% for this type of investor.)

   (Note: Investment risk is further discussed in Chapter 8.)

3. *Calculate how much annual income you need for your FIR.*
4. *First, indicate your current gross annual income. (If you are married or have a partner, combine your income and your spouse's.)*
5. *Multiply the figure in Step 3a by 65%. According to research, you will need roughly 80% of your current annual income to live on in FIR, which, after taxes, would equal approximately 65%. This reduction in income needs reflects the fact that people in retirement have fewer expenses because they no longer work. You can use a higher or lower percentage if you prefer.*
6. *This is your annual FIR income projection.*

   Note: An alternate way to calculate your annual income needs during FIR is as follows:

   Indicate your current gross household income $_____

   Subtract your Social Security tax & income taxes paid $_____

   Subtract the amount you put away in savings each year $_____

   The remainder is your after-tax living expenses $_____

   If you prefer, use this amount in Step 3c.

   Note 2: If you assume a safe withdrawal rate of 4% as many planner suggest, then you will require $500,000 to produce an inflation-adjusted $20,000 per year, or $1 million to generate $40,000 per year through your retirement years.

7. **Calculate the amount of funds you will need that are not provided by Social Security, pensions, or other income.** In other words, what is your shortfall?

   Insert your FIR annual income projection from Step 3c.

   Subtract your estimated Social Security benefits or reference Table A on the following page.

   Subtract your estimated pension benefits if you will receive a pension. If you are unsure, ask your employer for an estimate.

   Subtract any other annual income you expect. For example, if you expect to work part-time during retirement, have an annuity or have trust income, subtract an estimate of that amount here.

   The result of the above calculations give you an amount that equals the annual income you will need from your own investments.

   Multiply the amount from Step 4e by the factor in Table B (following page) that pertains to you. Look at Table B and select from the left column the closest number of years you will live in retirement. Then read across that row to the column that best describes the type of investor you are. The number at the intersection of the column and row is your Table B factor. These factors are essentially the amount in dollars you will need to provide $1.00 of income for the entire number of years of retirement at each investment rate. (This includes accounting for inflation at 3.5% per year.)

   This is the estimated total retirement funds that you need to save to support you through all your years of FIR.

8. **Calculate the amount of additional funds you need to save to achieve your objective in Step 4g.**

   Insert the amount from Step 4g.

   Subtract the total of your current retirement plan investments. You can find this amount on your Net Worth Statement under "Investment Assets & Liabilities – Retirement Plans" and on Schedule 5. (Note: If you intend to use all your investment assets for retirement, not just those you have invested in specific retirement accounts, use the amount shown in the "Subtotal" at the bottom of the section "Investment Assets & Liabilities" on your Net Worth Statement.)

   Subtract the amount of any other funds you may receive. This might be from the sale of a home, property, business, or other asset, or from an inheritance. Be careful in estimating this number. You can be caught in a pinch if you are counting on these extra assets and they don't materialize.

   This amount equals the total of additional investments you need to acquire in order to fund your FIR years.

   Multiply this amount by the Table C factor. Look at Table C (following page) and select from the left column the closest number of years before you reach FIR. Then read across that row to the column that fits your investment style. This is your Table C factor. This factor is a multiplier that determines the amount required for a series of payments (your monthly investments) to create a total amount at a future point in time.

   This is the monthly amount you need to save to reach your FIR objectives.

9. *Calculate what percentage of your income you need to save to reach your FIR objectives.*

   Repeat your monthly savings amount from Step 5f.

   Multiply by 12.

   This is how much you need to save annually.

   Divide by your current gross annual income. (Use the combined gross income for yourself and your spouse, if applicable.)

   This equals the percentage of your annual income you need to save. Does this percentage seem reasonable to you?

FIR computations are very complex, so use this worksheet only as a "reality check" to estimate your current contributions toward your FIR. You should verify your results using sophisticated software or retirement plan calculators, and be sure **to visit a qualified financial advisor.**

Table A — Estimated USA Social Security Benefits - 2024

Social Security automatically sends out statements annually to all workers age 25 and older, and provides an estimate of benefits along with a complete earnings history. Individuals may also file Form SSA-7004, Request for Earnings and Benefit Estimate Statement, by mail or request the statement online from the SSA's website. You can also estimate your Social Security benefits online at www.ssa.gov/planners/calculators.htm. There you will find three calculators that can estimate your potential benefit amounts using different retirement dates and different levels of potential future earnings. These calculators show retirement benefits as well as disability and survivor benefit amounts. (USA)

- ☐ Maximum retirement benefits beginning at age 66 are $45,864

For planning purposes, the estimated Average Benefits in 2024 are:

- ☐ Retired worker: $22,884
- ☐ Retired worker and spouse age 66 and over $36,396
- ☐ Widow(er) of worker: $21,276
- ☐ Widow(er) of worker with two children: $43,836
- ☐ Disabled worker: $18,444
- ☐ Disabled worker, spouse, children: $32,620

Table B — Income Projection Factors

Years to FIR	Risk tolerance		
	Conservative (7%)	Moderate (9%)	Aggressive (11%)
15	13	11	10
20	16	14	12
25	19	16	14
30	22	18	15
35	25	19	16
40	27	21	16

Table C — Savings Factors

Years to FIR	Risk tolerance		
	Conservative (7%)	Moderate (9%)	Aggressive (11%)
5	0.0166	0.0157	0.0149
10	0.0081	0.0073	0.0065
15	0.0053	0.0044	0.0037
20	0.0038	0.0030	0.0023
25	0.0029	0.0021	0.0015
30	0.0023	0.0015	0.0010
35	0.0019	0.0011	0.0007
40	0.0015	0.0008	0.0005

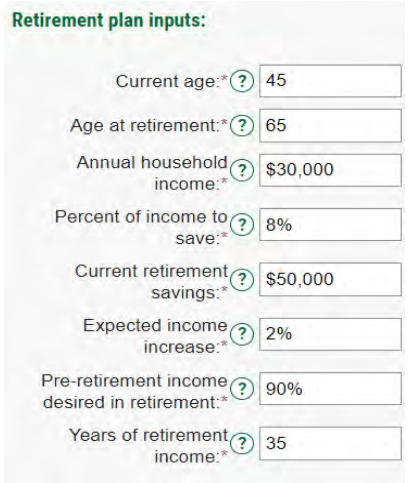
"Most people over 65 receive the majority of their income from Social Security. In 2024 the estimated average annual benefit paid per retired worker are estimated to be $22,884 and per retired worker and spouse was $36,396."

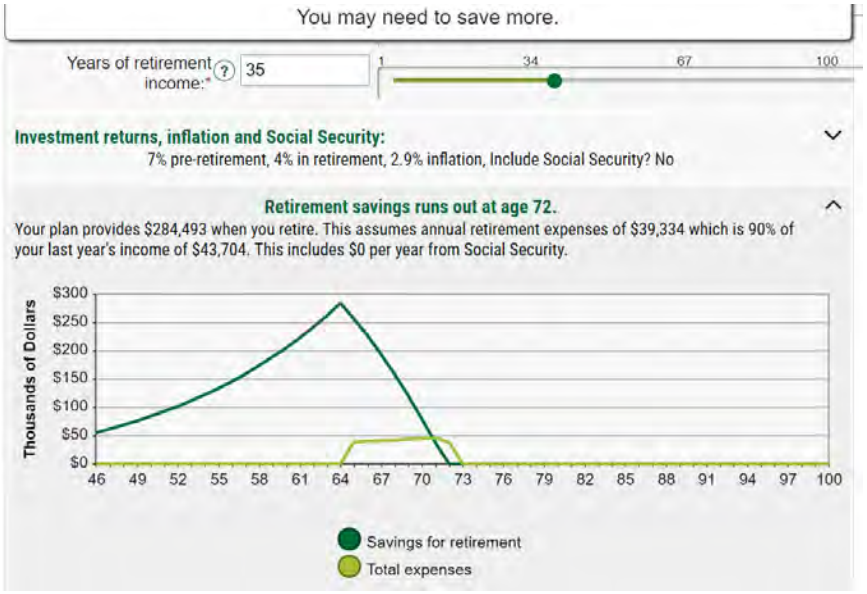
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Here is an example of a Retirement Plan Calculator's "Input' and 'Output'. Note that there is an accumulation phase - before FIR, and a draw down phase - Post FIR.

This is calculation is easier said than done!!! Do you and your advisers have the right calculators?

If so are they being used correctly, and reviewed regularly for personal, political, and economic changes?





Here is a link to a series of free calculators presented by the American Institute of Certified Public Accountants, that you might find helpful. USA

https://www.360financialliteracy.org/Calculators/Retirement-Planner

To Accumulate $1,000,000		
Weekly Savings @ 8%	Monthly Saving @ 8%	Years to $1 Million
$43	$190	45
$66	$286	40
$154	$671	30
$390	$1,698	20
$1,257	$5,466	10

To Spend $5,000 per Month		
Capital Needed at 8%	Monthly Spending	Years
$681,417	$5,000	30
$597,771	$5,000	20
$412,107	$5,000	10



☐ Selling off appreciated assets such as stock or real estate in order to provide liquidity for retirement may come at a steep price, as capital gains taxes on the assets' appreciation can significantly reduce your net proceeds. However, people interested in increasing retirement income and in supporting charity can utilize a charitable remainder trust, or a charitable gift annuity. By giving a low-basis/low-yield asset (e.g., stock which has doubled in value since purchase and pays 2% annual dividend) to charity under these arrangements, the donor receives income in the amounts of 5–8% of the trust principal (typical for a remainder trust) or even higher for a gift annuity. In addition, capital gains tax can be reduced by half or avoided altogether. Finally, the donor is eligible for a charitable income tax deduction in the year of the gift, which further improves cash flow. Consult your financial advisor for details. (USA)

Action Items - Review The Principles

Here are the essential principles to planning your FIR

- ☐ **1. Learn about financial independence and retirement planning.**
- ☐ **2. Understand the concepts of compounding and the time value of money.**
- ☐ **3. Calculate the income needed at your Financial Independence Retirement (FIR) and determine the capital required to accumulate.**
- ☐ **4. Initiate your savings and investing plans as soon as possible.**
- ☐ **5. Utilize your Six Steps to FIR Planning Process.**
- ☐ **6. Annually update and review your FIR projections.**
- ☐ **7. Share these essential principles with friends and family.**
- ☐ **8. Avoid Common Mistakes in Dealing with FIR Planning.**

Your Personal Financial Plan

Forms: Your *financial*PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.



Action Items: 6 out of 11

- ☐ Check the Forms used below and place them in your forms binder.
- ☐ Update them annually or as your situation changes.

CHAPTER 6: Financial Independence & Retirement Planning

- ☐ FIR Savings Projection Worksheet 120

Time spent on your FIR planning can make a big difference in your financial future.

Next we be addressing your Major Expenditures.

"Most people over 65 receive the majority of their income from Social Security. In 2024 the estimated average annual benefit paid per retired worker are estimated to be $22,884 and per retired worker and spouse was $36,396."

THE SOCIAL SECURITY ADMINISTRATION & CENSUS BUREAU

"The moment of enlightenment is when a person's dreams of possibilities become images of probabilities."

- Vic Braden

CHAPTER 7

Major Expenditure Planning





"Opportunities multiply as they are seized."

Sun Tzu

Plan Ahead for Your Major Expenditures

Do you need a bigger home? Are you concerned about paying for your children's / grandchildren's education? Are you considering the purchase of a new car? These are all defined as major expenditures. Anythng outside of your normal living expenditures can be considered a major expenditure.

Major expenditures also include planned giving, whether to a family member, an educational institution, or a favorite charity. This financial category also covers travel, new computers, home remodels, and club memberships. There is no hard and fast rule as to what constitutes a major expenditure. Each household will have its own definition of "major."

When it comes to major expenditures, it helps to be clear about what you want and what it will cost — both in today's dollars and in funding future goals.

Common Mistakes to Avoid with Major Expenditures

- ☐ 1. Failing to plan for the future.
- ☐ 2. Living day-to-day without setting specific goals.
- ☐ 3. Making impulse purchases influenced by peer pressure or marketing tactics.
- ☐ 4. Opting for financing when waiting and paying cash would have been wiser.
- ☐ 5. Not conducting product research before making a purchase.
- ☐ 6. Having unrealistic expectations about your ability to afford major expenses.
- ☐ 7. Procrastination.

Preview of What You Will Be Doing

- ☐ 1. Learn to prioritize your major expenditures
- ☐ 2. Going through the Six-Steps for Major Expenditures
- ☐ 3. Begin / advance your Major Expenditure Planning
- ☐ 4. The essential principles of Major Expenditure Planning
- ☐ 5. Add your competed forms into your FP Forms Binder.

GLOSSARY

MAJOR EXPENDITURE: Expenditures that fall outside your normal cost of living.

TIPS & IDEAS

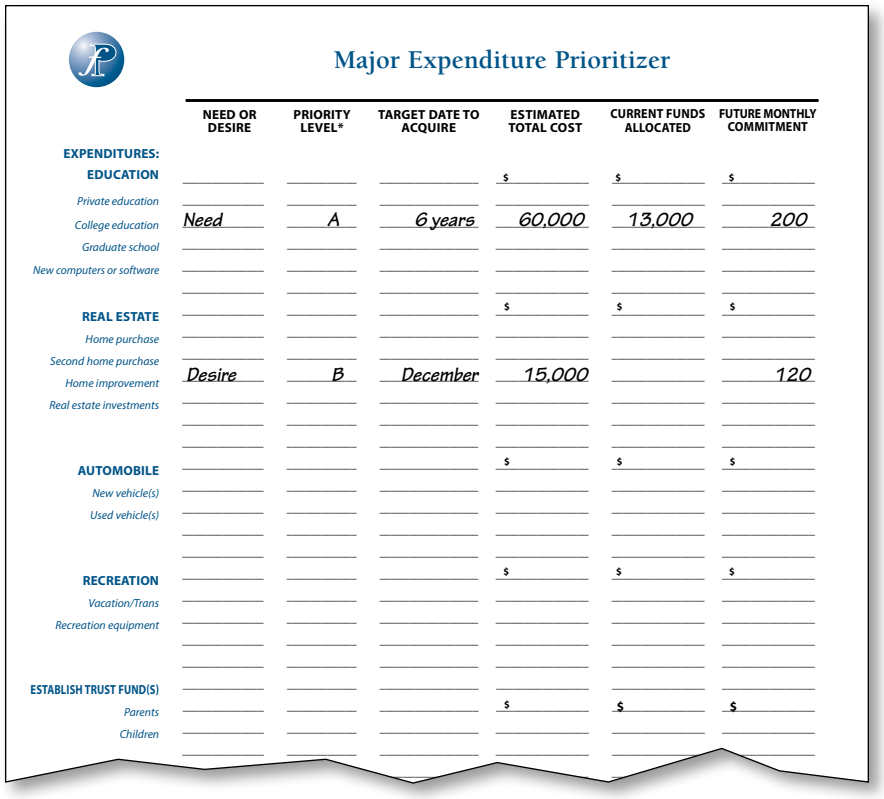
- ☐ Never own the best home in the neighborhood unless you get a great deal on it. Typically, the priciest houses on the block don't appreciate as much as the more modest homes do.
- ☐ Pay your grandchildren's college tuition directly. Gift taxes can be a factor if you give a grandchild more than $16,000 (in 2022) per grandparent. But if your money goes directly to an educational institution for tuition, your gift will not be subject to the $16,000 gift tax rule. (USA)
- ☐ As often as possible, evaluate a major expenditure item on a lease or rental basis before purchasing it. However, be careful of the interest rates associated with financing the purchase.
- ☐ Consider buying a newer used car. Automobiles are being built better today than ever before. Some cars can go 100,000 miles before they need a tune-up. Significant savings can be had by buying a "certified" or late-model used car and avoiding first-year depreciation costs on a new car that are extremely high.
- ☐ Check with your insurance agent before buying a new or used car. Some cars require high insurance premiums, not just because they're high-performance or luxury models, but because they are popular targets for theft.

Major Expenditure Prioritizer

The Major Expenditure Prioritizer form allows you to lay out all your proposed major expenditures on a single page so you can weigh their comparative values to you. Define each as a "need" or "desire." You'll set a "Priority Level" for each expenditure by describing your commitment to it. This form identifies priorities as follows:

A = Necessity C = Optional

B = Important D = Not Appropriate



Major Expenditure Prioritizer

	NEED OR DESIRE	PRIORITY LEVEL*	TARGET DATE TO ACQUIRE	ESTIMATED TOTAL COST	CURRENT FUNDS ALLOCATED	FUTURE MONTHLY COMMITMENT
EXPENDITURES:						
EDUCATION				$	$	$
Private education						
College education	Need	A	6 years	60,000	13,000	200
Graduate school						
New computers or software						
REAL ESTATE				$	$	$
Home purchase						
Second home purchase						
Home improvement	Desire	B	December	15,000		120
Real estate investments						
AUTOMOBILE				$	$	$
New vehicle(s)						
Used vehicle(s)						
RECREATION				$	$	$
Vacation/Trans						
Recreation equipment						
ESTABLISH TRUST FUND(S)				$	$	$
Parents						
Children						

Instructions: *Major Expenditure Prioritizer*

1. Review the list of major expenditures provided. Identify those that apply to your financial life, or list new ones at the bottom of the form. Then do the following steps for each identified expenditure:
2. Determine if the expenditure is a need or desire, and assign a priority level for each. Enter the target date for achieving this particular goal.
3. Estimate the total cost you anticipate for this expenditure. If this is a long-term acquisition, make sure you take inflation into account.
4. List the funds you have allocated for this particular expenditure. Refer back to your Cash Flow Planner to make sure this amount is realistic.
5. Enter the monthly contribution you are willing and able to make toward this expenditure. Be realistic. Refer back to your Cash Flow Planner. Make sure you have budgeted this item and that you're not making an impulsive decision.
6. Store your Major Expenditure Prioritizer in your Financial Organizer or forms binder.

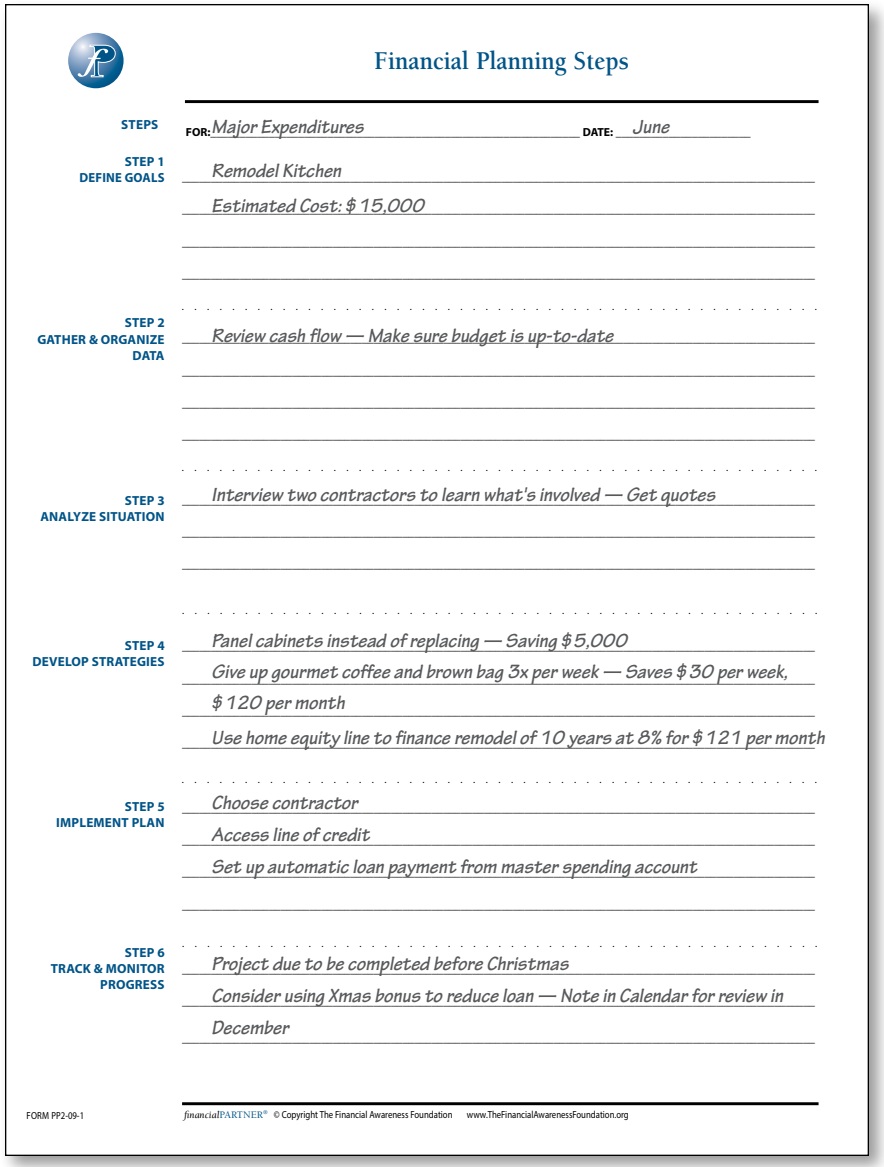
"So many of our dreams at first seem impossible, then they seem improbable, and then when we summon the will, they soon become inevitable. "

CHRISTOPHER REEVE

Going Through the Six-Steps

Major Expenditures

1. **Define Your Goals:** All major expenditures are not created equal — at least in the eyes of those who have to pay for them. Here is your opportunity to determine what you want, find out how much it costs, and decide if you really need or want it. The Major Expenditures Prioritizer form at the beginning of this section lists the most common categories of major expenditures, along with examples of specific purchases or expenditures under each category. There is room for you to add items not already included.
2. **Gather & Organize Your Data:** This step involves reviewing and updating your financial position. Know how much cash or cash flow you have available for this expenditure.
3. **Analyze Your Situation:** Do you really need or want this item? Take a look at your assets and budget. Do they support this purchase now or in the future?
4. **Develop Your Strategies:** Can you acquire this item later at a lower cost? Where will the funds come from? Should you start a special savings account for the item? Brown-bagging your lunch twice a week can save at least $10 a week. That's $500 a year that can be spent on something you'd really enjoy more. What is your action plan?
5. **Implement Your Plan:** Do you start a savings plan to fund the major expenditure? Pull money from an investment to fund the purchase? Finance it? Identify what needs to be done, and do it.
6. **Track & Monitor Your Progress:** Do this on an annual basis. Make a note on your personal *Financial Planning Calendar* as a reminder.



Financial Planning Steps

STEPS — FOR: Major Expenditures — DATE: June

STEP 1 DEFINE GOALS
- Remodel Kitchen
- Estimated Cost: $ 15,000

STEP 2 GATHER & ORGANIZE DATA
- Review cash flow — Make sure budget is up-to-date

STEP 3 ANALYZE SITUATION
- Interview two contractors to learn what's involved — Get quotes

STEP 4 DEVELOP STRATEGIES
- Panel cabinets instead of replacing — Saving $ 5,000
- Give up gourmet coffee and brown bag 3x per week — Saves $ 30 per week, $ 120 per month
- Use home equity line to finance remodel of 10 years at 8% for $ 121 per month

STEP 5 IMPLEMENT PLAN
- Choose contractor
- Access line of credit
- Set up automatic loan payment from master spending account

STEP 6 TRACK & MONITOR PROGRESS
- Project due to be completed before Christmas
- Consider using Xmas bonus to reduce loan — Note in Calendar for review in December

FORM PP2-09-1

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Action Items - Review The Principles

Here are the essential principles for planning your major expenditures

- ☐ **1. Learn about your major expenditures before buying**
- ☐ **2. Avoid buying major expenditures you can't afford**
- ☐ **3. Avoid impulse buying of major expenditures**
- ☐ **4. Prioritizing planned major expenditures**
- ☐ **5. Use your Six-Steps for Major Expenditure Planner**
- ☐ **6. Share these essential principles with family and friends**
- ☐ **7. Avoid the Common Mistakes in Major Expenditures**

"Look at a day when you are supremely satisfied at the end. It's not a day when you lounge around doing nothing; it's a day you've had everything to do and you've done it."

MARGARET THATCHER

Your Personal Financial Plan



Forms: Your *financial*PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.

Action Items: **- 7 out of 11**

- ☐ Check the Forms used below and place them in your forms binder.
- ☐ Update them annually or as your situation changes.

CHAPTER 7: Major Expenditure Planning - 7 out of 11

☐ Major Expenditure Prioritizer 127

Plan for your major expenditures gives you the best chance of reaching your desired goals.

Next we will be addressing your investments.



- ☐ Learn as much as you can about your investments. This is one of the most essential elements for successful investing. When someone is trying to sell you an investment, they often have a self-serving motive. If you buy the product, they make money; if you don't, they make nothing.
- ☐ Read all investment information in its entirety before deciding to invest. Make sure you understand any fees or commission structure and how long your money will be tied up in the investment.
- ☐ Obtain a second opinion from a qualified disinterested investment advisor if you're unsure about any aspect of the investment.
- ☐ Do not let greed or emotion influence your investment decisions.
- ☐ There are no get rich quick opportunities without high risk. The higher the potential return the greater the risk of loosing your entire investment and is some situations even more.
- ☐ To determine the appropriate number of years it will take for your principal to double, divide 72 by the rate of return. For example, at a rate of 7%, your principal will double in 10.3 years (72 ÷ 7 = 10.3 years).

CHAPTER 8

Investment Planning





"Be patient. If a get-rich-quick scheme seems too good to be true, it probably is."

Your *financial* PARTNER

Begin Your Investment Planning Now

Saving money is not the same as investing it. Savings accounts pay interest and are usually guaranteed to be safe. However, when you factor in the effects of inflation, taxes, and the low income yields associated with savings plans, it's easy to see that you probably will not earn enough to achieve your financial goals through a simple savings plan. That's why wise investing is an important element in achieving your financial independence and financial security.

Choices regarding investments affect every aspect of financial life: financial independence and retirement (FIR), major expenditures, taxes, insurance, and estate and gift planning. There's no way to avoid the impact of investment decisions, even if we choose not to be directly involved in the world of investing. The prices paid at the gas pump and at the grocery store, the interest on credit cards, the value of real estate, the cost of healthcare— all of these are affected by somebody, somewhere, making investment and financial decisions.

Since it is impossible to completely avoid the investment issue, what's the smart thing to do? Learn as much as possible about investing and the nature of your options, develop your approach to investing, and begin implementing your investment plans.

Your *financial* PARTNER will start you on your way (or empower you if you are already investing) by outlining a systematic, disciplined approach you can use to have the best chances of reaching your goals for realistic and successful investment planning.

.You work hard for your money, it must work for you if your want to build wealth.

Common Mistakes to Avoid in Investment Planning

- ☐ 1. Unorganized finances.
- ☐ 2. Investing without clearly defined objectives and a structured plan.
- ☐ 3. Lacking understanding of your current and potential investments.
- ☐ 4. Not recognizing your own or your spouse/partner's risk tolerance.
- ☐ 5. Overlooking fees and costs associated with your investments.
- ☐ 6. Improper asset allocation.
- ☐ 7. Insufficient diversification in your investment portfolio.
- ☐ 8. Being sold investments rather than actively selecting them.
- ☐ 9. Making hasty investment decisions out of panic.
- ☐ 10. Neglecting the principles of compounding and the time value of money.
- ☐ 11. Not utilizing investment advisors effectively.
- ☐ 12. Failing to seek a second opinion on significant investment decisions.
- ☐ 13. Procrastination.

Preview of What You Will Be Doing

- ☐ 1. Understanding Investing - how investments earn you money
- ☐ 2. Learning about Investment Fess & Costs
- ☐ 3. Leaning about Target Rates of Return
- ☐ 4. Learning about Investment risk and your Risk Tolerance
- ☐ 5. Asset Allocation, Diversification, and what is best for you
- ☐ 6. Going through the Six-Steps to Investment Planning
- ☐ 7. Develop your Investment Policy Statement & Plan
- ☐ 8. Begin / advance your Investment Planning
- ☐ 9. Track and Monitor your progress
- ☐ 10. Learn the Essential Principles of Investment Planning
- ☐ 11. Add your competed forms into your FP Forms Binder.

Glossary

Asset Allocation: The process of spreading investment dollars among a variety of asset classes such as cash equivalents, stocks, bonds, real estate, and precious metals.

Asset Classes: A group of investments that have similar financial characteristics, behave similarly in the marketplace, and are subject to similar laws, regulations, and taxes. The main asset classes are cash and cash equivalents, bonds bond mutual funds and other fixed-income investments, stocks and stock mutual funds, and Other assets that include individually owned real estate, small businesses, partnerships, venture capital, life insurance and hard assets.

Diversification: The portfolio strategy of reducing risk by investing in a variety of assets. It is closely related to asset allocation and is based on the principle of not putting all your eggs in one basket. It includes allocating assets over a wide range of asset classes along with a range of holding within each asset class.

Inflation: Is a raise in the prices of goods and services over a given period of time. It can also be looked at as a decline in purchasing power during the time period.

Investing: Expending money, time or assets with the expectation of achieving a profit, that is greater than what a bank or government pays for a safe guaranteed return. Achieving a profit from investing is never for sure, so have a plan, do your research and don't risk more than you can afford to lose.

Non-Taxable Accounts: Savings and investment accounts in which the interest, dividends, and/or gains earned on the accounts are not taxable until withdrawn. Such accounts include IRAs, 401(k)s (USA), pension and profit-sharing plans, other retirement plans, annuities, and cash value life insurance, but not Roth IRAs (USA).

Rate of Return: The cumulative earnings from an asset over a defined period of time, usually one year. The rate of return might include interest, dividends, appreciation, tax savings, or a combination of these. Rate of return is expressed as a percentage of the beginning principal amount, e.g., 5% rate of return.

Taxable Accounts: Savings and investment accounts in which the interest, dividends, and/or gains earned on the accounts must be declared on your tax return and taxes paid as required.

Understanding Investing

There is also to know about the various kinds of investments, but understanding the core concepts are something everyone can do. Once you understand the basics, the rest becomes much easier and meaningful. Who doesn't like the idea of their money making more money?

To make sound investment decisions, understand that investing is expending money, time or assets with the expectation of achieving a profit. As in life, achieving a profit from investing is never for sure; so investors beware. Have a plan, do your research and don't risk more that you can afford to lose. Let's review six important concepts:

- **How Investments Earn Money**
- **Investment Fees & Costs**
- **Target Rate of Return**
- **Investment Risk**
- **Asset Allocation**
- **Diversification**

How Investments Earn Money

There are only three ways that investments earn money:

- Income: **Your investments may produce income, which is the annual earnings received from the investment, such as interest, dividends, rents, or royalties.**
- Growth: **Your investments may increase in overall value, also called appreciation. Examples of growth: when a stock increases in value between the time you buy and sell it, or when a real estate or business holding increases in market value while you own it.**
- Tax Savings: **Your investments can also benefit from tax savings such as write-offs, credits, charitable deductions, or tax-free income.**

Most types of investments emphasize only one of these benefits, but some investments seek to combine the three opportunities to increase in value. For example, you can invest in some stocks that pay dividends and whose share price may also increase. When this occurs, you benefit from both income and growth earning power. When you analyze an investment for its "total return," you therefore combine the earnings from all of the three ways the investment has earned money. Due to changes in tax laws that have minimized the potential for tax savings, today's investment strategies focus mostly on income and growth.

Investment Fees & Costs

Before you acquire any investments understand all the fees and costs associated with them. These can occur when you buy, hold, or sell it. They cost you money while lowering your returns. Fees and costs can come in may forms; they can be a flat dollar amount, a percentage of the sale or purchase price, or the actual cost associated with the work or service involved.

If you are acquiring an investment through a broker or financial advisor ask them to identify all fees and costs associated with this investment including ongoing management fees. Also ask them if you buy the investment today then sell it tomorrow, assuming no market fluctuations, what would you receive? You can also ask them what they are receiving if you buy from them. If your acquiring the investment online review disclosures associated with the investment and check with online services associated with the type of investment involved to verify this information. If the fees and costs seem unreasonable don't make the investment. If you are not sure what's reasonable or not get a second opinion or professional advise.

Why should you be concerned with all this stuff about fees? Depending on the size of the investment involved, an extra or hidden annual fee of 1% over your working career can be serious money. Consider if you made a annual contribution of $5500 into your retirement plan, and invested it into mutual fund A or fund B that have an identical portfolio, and for next 30 years you earn an annual return of 12% before fees. If fund A has annual fees amounting to .50% and for B 1.50%. At the end of 30 years that 1% difference will cost you over $240,000 and in 40 years it could cost you over $1,100,000!

If the annual return was 8% before fees with the same above annual fees the cost differential in 30 years would be over $100,000 and in 40 years over $300,000.

A little effort here can make the difference between a great or a not so great retirement.

Target Rate of Return

The Financial Independence and Retirement and Major Expenditure chapters showed you the importance of planning and establishing goals. Investing is the key to reaching those goals as quickly as possible.

Once you decide to invest in a strategy to achieve your goals, it is important to understand the concept of "target-rate-of-return." The term refers to the total return that you need to obtain from your investments in order to reach your goals. Determining your target-rate-of-return will help you determine which investments might be best for you.

Your target-rate-of-return can be calculated using the following:

- **The amount of your current investment holdings**
- **The amount of your future savings**
- **The length of time you will be investing**
- **The amount of your goal**

Because it takes into account compounding interest and the time value of money, the calculation is complex and therefore is best done using a financial calculator or a computer.

Here's an example:

- You have determined that one of your major expenditure goals is to have $50,000 for your child's college education. You currently have saved $18,000 toward that goal, and you intend to make regular monthly contributions of $100 over the next 10 years.
- If you were to save $100 per month without investing, you would have $1,200 per year, amounting to $12,000 over 10 years. Added to your current $18,000, your simple savings plan yields $30,000, which is not enough to reach your $50,000 goal.
- To rectify this shortfall, you need to figure out what target rate of return would be required to turn your current investments and future contributions into $50,000 over 10 years. Using a financial calculator, you would find that you need to achieve 6.21% as a rate-of-return to reach your goal.

Having identified your target-rate-of-return, you can now proceed to make wiser investment decisions, specifically concerning which type of investments are most appropriate (because they are more likely to achieve your target-rate-of-return), and what risks might be associated with those investments.

Let's take a look at risk and how this factor affects your investment decisions.



☐ How long will it take for your principle to double? t o determine the appropriate number of years it will take for your principal to double, divide 72 by the rate of return. For example, at a rate of 7%, your principal will double in 10.3 years (72 ÷ 7 = 10.3 years).

Investment Risk

Risk is the uncertainty associated with the outcome of an investment. An investment might grow or it might decline — or even disappear. The problem for investors is that they can't know the outcome in advance, hence the risk.

So how does an investor weigh the risk associated with different investments? How can you assess the risk you assume when you put money in a bank account or buy a stock, bond, or mutual fund?

There are three principles to consider in assessing investment risk and in determining your "risk tolerance." To help explain these principles, review this comparison between two investors.

- Investor #1 is saving for a car that he wants to buy in one year. He puts his money into a savings account at a bank, where the principal (original amount of money deposited) is guaranteed. (Bank deposits are generally insured up to $250,000.) This investor invests with confidence and has very little risk of losing principal. However, the bank pays only .5% interest on savings accounts. While the earning power of this investment is small, this investor can sleep at night. The investor knows his money will grow at the .5% rate each year, but it will all be there when needed.
- Investor #2 is investing for her financial independence and retirement (FIR) in 20 years. She invests her money by buying stock in a company. She understands that there is limited security in this investment, because the firm might or might not do well in each of the next 20 years. If the company does not perform well in any given year, the stock price might drop and the principal will decline. If the company is profitable though, its stock price will likely increase and the investment will grow. This investor understands that, historically, stock market prices fluctuate greatly over time, but in general, the market rises over the long term. Since 1928, U.S. stock market returns have averaged around 9% – 11% per year. This investor is therefore willing to take the greater short-term risk for a greater long-term potential reward. She knows she won't need her money for 20 years and is willing to ride out the market fluctuations.

These two scenarios illustrate the following three principles for assessing investment risk.

☐ **Investment Risk Principle #1 —** There is a strong correlation between risk and reward.

In investment scenarios, risk and reward are proportionately linked, as follows:

- The less risk you are willing to take with your investments, the less your potential reward.
- The greater risk you are willing to take with your investments, the greater your potential reward.

This logic makes sense. An investor who is willing to take a greater risk demands a greater reward. Investor #1 is willing to accept a lower return for the confidence that his investment is guaranteed. Investor #2 is willing to take a higher risk in the stock market, knowing that her reward could average around 9% over 20 years.

☐ **Investment Risk Principle #2 —** The longer your "time horizon," the more risk you can take.

Time horizon refers to the length of time you intend to invest. Three broad categories of time horizons are:

- **Short term — less than 3 years**
- **Intermediate term — 3–9 years**
- **Long term — more than 9 years**

Time horizon is important in assessing your risk tolerance because markets continuously rise and fall. As you probably know, banks offer a slightly different interest rate each month on savings accounts; the price of stocks and bonds goes up and down daily; even real estate prices fluctuate from day to day.

The risks of each type of asset vary with the time horizon. If you can invest for only one year, your stock market investments might suffer from the whim of a down market on the day you want to convert it to cash. But if you can invest for 5, 10, or 20 years, the probability is strong that your stock market investments will have grown.

This means that younger investors who are investing for financial independence and retirement can accept a greater degree of risk because they have a longer time horizon in which to recover short-term losses. In contrast, an older person may not wish to take the greater risk with his or her FIR savings, which could be seriously affected by a short-term downturn in the marketplace.

☐ **Investment Risk Principle #3** — All investments have some degree of risk.

When all types of risk are considered, no investment is fully without risk. Here are two of the most important types of risks to be aware of:

- **Principal Risk:** This is what most of us imagine when we think about risk: losing some or all of our original investment. Such losses can occur when there is a decline in the market value of an investment. The most common example occurs when you purchase a stock at a certain price, and then, when you need to sell it and it's worth less than your original purchase price. Your investment is therefore worth less money than you invested. In other words, your principal has declined.
- **Buying Power Risk:** This risk, often forgotten by investors, results from the inflation rate being higher than the growth rate of your investment. For example, imagine that you invest in a savings account that pays 1.5%, or a stock that returns only 1.5% that year. Meanwhile, inflation reaches 3% that same year. While your principal has not declined, and your investment has grown, its buying power has not. You have actually lost 1.5% of your money's ability to work for you.

Some types of investments, such as stocks, are more prone to principal risk because they are more volatile. Other types of investments, such as cash savings accounts, are more prone to buying power risk because they are more stable and do not keep up with market trends. Completely eliminating buying power risk greatly exposes you to principal risk, and vice versa. The key is to balance the risks based on your objectives.



☐ Investments as presented are seldom a sure thing, so it is prudent not to put all you money in one investment and to appropriately diversify your investments and allocate them to a well thought out plan the meets your needs and risk tolerance..

Assessing Your Risk Tolerance

The level of risk you are willing to take, called your risk tolerance, can be determined by applying the three principles of risk to your situation. Each principle leads you to think about the following questions:

- What is my target rate of return? If I want a high return, am I willing to accept greater risk? If I am uncomfortable taking a greater risk, will I accept a lower return, even if I won't reach my goal?
- What is my time horizon? Will I need my money within a short time period or can I leave it invested for a long time?
- Am I willing to risk my principal? If not, am I willing to incur buying power risk?

To answer such questions, begin by examining each of your investment goals and your personal characteristics.

- Your investment goal should give you a clear idea of your time horizon (long or short) and the type of return (high or low) you should target. If you have a long time horizon and you need a high return to meet your goal, you might decide you are willing to accept a higher risk. If you have a short time horizon, and your peace of mind is more important to you than your rate of return, you might decide to make only a low-risk investment.
- Your personal characteristics — such as age, personality, and financial status — are also major factors in assessing your risk tolerance. An investment that causes one person to lose sleep may be a thrill for another. Wealthier individuals may be able to afford more risk. Some individuals with high future needs may feel compelled to risk more in order to reach their goals, while others may refuse to take more risk out of fear of not reaching those goals. Personal characteristics account for the difference in risk that two people are willing to accept, even if they have the same ultimate goal.

The Five Types of Investors

In general, investors fall into one of the following five "risk profiles":

- **Risk-averse investor:** Those willing to accept virtually no risk on their principal.
- **Conservative risk-taker:** Those who seek to preserve their principal, but are willing to assume a small degree of risk.
- **Moderate risk-taker:** Those who give equal importance to the preservation of principal and the potential for investment return.
- **Moderately aggressive investor:** Those who place investment return ahead of the preservation of the principal.
- **Aggressive risk-taker (speculator):** Those willing to assume almost any risk in exchange for the greatest potential investment return.

Which risk profile best describes you? If you are uncertain, answer the following risk assessment questions. These simple questions ask you about your goals and personality to help you determine which risk profile best describes you.

"Whiles you may not have all the money to put your mind at ease, financial planning helps you confront the essentials of your financial being."

- Dr. Benjamin Amoah

Determine Your Risk Tolerance

Answer the following questions as they pertain to a particular investment goal, such as FIR, funding college education, etc.

1. **Describe your investment experience**
   a. _____ Little knowledge and experience
   b. _____ Some knowledge and experience
   c. _____ Very knowledgeable and experienced

2. **How long could your emergency cash reserves last you?**
   a. _____ Less than 3 months
   b. _____ 3 to 6 months
   c. _____ Over 6 months

3. **Approximately what percentage of your income goes to debt repayment (not including your mortgage)?**
   a. _____ Over 20%
   b. _____ 10 to 20%
   c. _____ Less than 10%

4. **What type of investments would you invest in?**
   a. _____ Cash accounts only
   b. _____ Cash accounts and annuities
   c. _____ Cash accounts, annuities, and mutual funds
   d. _____ Cash accounts, annuities, mutual funds, stocks, real estate, and businesses

5. **Suppose that a month after you make an investment, it loses 20% of its value overnight. If none of the reasons you invested have changed, what would you do?**
   a. _____ Sell it as soon as possible
   b. _____ Sell it when it gets back to what you paid for it
   c. _____ Accept it as a market fluctuation

6. **Listed below are some best and worst cases of a $20,000 investment after 10 years. Which "Best case – Worst case" range is acceptable to you?**
   a. _____ Best case – $28,000 Worst case – $25,000
   b. _____ Best case – $44,000 Worst case – $20,000
   c. _____ Best case – $80,000 Worst case – $15,000

7. **When will you need to start withdrawing money from your investment portfolio?**
   a. _____ less than 3 years
   b. _____ in 3 to 8 years
   c. _____ more than 8 years from now

8. **Once you begin withdrawing money from your portfolio, how long will it take you to spend it?**
   a. _____ less than 1 year
   b. _____ from 1 to 4 years
   c. _____ from 5 to 8 years
   d. _____ more than 8 years

Now lets see what your risk tolerance looks like.

To score yourself, count up how many answers you marked a, b, c, and d and note it in the "Total" answer column. Multiply these totals by the number in the Factor column. Then add up the results and find your Total Points in one of the categories that follow.

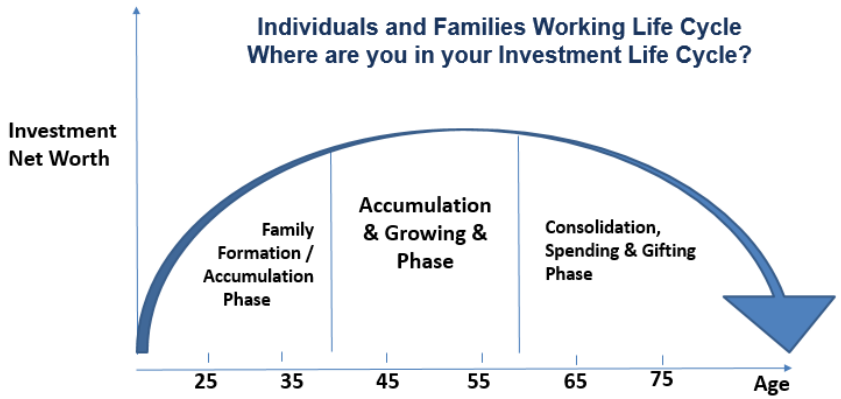
Responses	Total		Factor		Results
(a)		X	2	=	
(b)		X	4	=	
(c)		X	8	=	
(d)		X	10	=	
Total Points				=	

Where do your Total Points place you?

Risk-Averse Investor	Conservative Risk-Taker	Moderate Risk-Taker	Moderately Aggressive Investor	Aggressive Risk-Taker
16-24	26-32	34-48	50-60	62-68

Do you agree with the results? If not, how would you classify yourself?

Where are you in your Investment Cycle and Working Life Cycle?



"Start by doing what's necessary; then do what's possible; and suddenly you are doing the impossible.

- St. Francis of Assisi "

TIPS & IDEAS

- ☐ Dividend Reinvestment: If you own stocks, consider using dividend reinvestment plans (DRIPs) to increase your holdings. Many companies allow you to use your dividends for the purchase of additional shares of their stock, bypassing additional fees and commissions. They may also allow you to use cash to purchase additional shares, with no fees charged. Thus, both dividends and new cash are reinvested without commissions or service fees. To see if your stocks offer DRIPs, contact the firm's Shareholder Relations Department.
- ☐ To smooth out the ups and downs of the stock market, consider using dollar-cost-averaging. This is a method for buying growth stocks and mutual funds, by which a specific amount is invested on a regularly scheduled basis, regardless of the price of the shares at that time. Over the long term, dollar-cost-averaging should result in your acquiring more shares at lower prices.
- ☐ If you have a growing portfolio but don't have time to manage it, and its value is over $50,000, consider speak with or hiring a money manager to assist you.
- ☐ If you need to access retirement funds for current cash needs, be careful. These funds were invested on a pretax basis and therefore are fully income taxable when withdrawn. In most cases early withdrawals, before age 59½, from retirement plans result in federal and state penalties.

Asset Allocation

Asset allocation is an investment strategy that places your money into a variety of asset classes to better control your risk and adhere to your target rate of return. Asset allocation has been shown to be far more successful at achieving an investor's goals than specific stock or mutual fund selection or market timing.

Asset allocation is based on the principle that the many classes of investments rise and fall in cycles that are interdependent. While one class may be rising, another may be declining. By spreading your investments out among many different asset classes, you can average out decreases with increases, reduce risk, and thus achieve greater control of your overall investment return. In fact, by allocating assets in a highly strategic way based on historical returns, you can predict with a higher degree of probability the return on a given mix of investments, as well as the overall risk involved.

Think of asset allocation this way: there are money market funds, stocks, bonds, mutual funds, deeds of trust, real estate, business ventures, and other types of investments. They each have their own degree of risk and historical market cycle that provides us with knowledge about their potential return rate. If you construct your portfolio with a variety of investment classes, you will have a higher probability of success in achieving your target rate of return over a specified period of time.

Money managers who use asset allocation often divide investments into two broad categories, Fixed Income and Growth, which then can be further divided into classes, as shown in the flowchart on the following page.

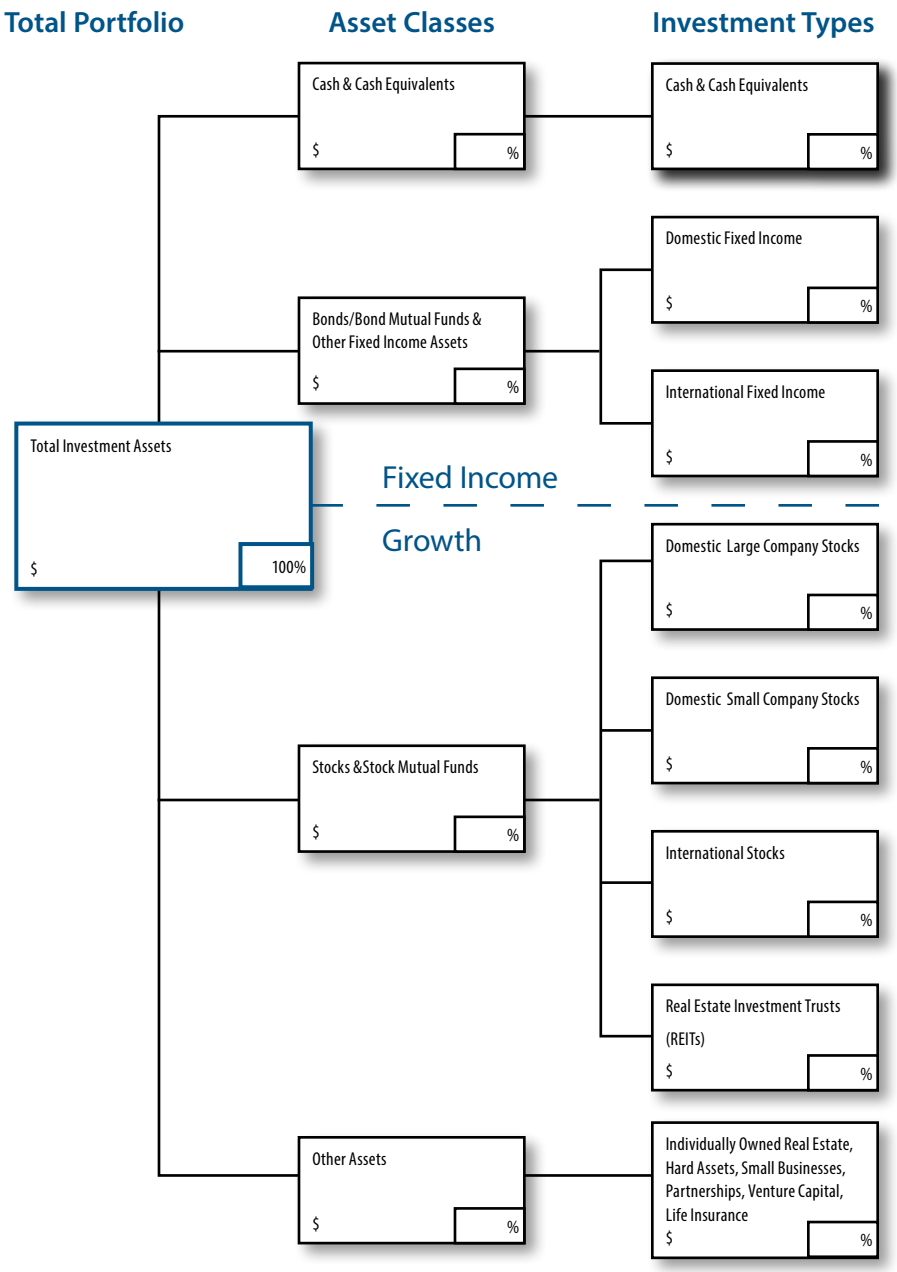
The top half of the flowchart shows "Fixed Income" investments, which are characterized as "debt" instruments. Fixed income investments tend to carry lower principal risk but higher buying power risk. These investment classes include cash, cash equivalents, bonds, bond mutual funds, and other fixed income assets, including certificates of deposit, deeds of trust, personal notes, and other such assets with a maturity of over three months.

The bottom half shows "Growth" investments, which represent ownership of an asset or shares of a company. Growth investments tend to carry higher principal risk but lower buying power risk. These investment classes include stocks, stock mutual funds, and other types of investments, including individually owned real estate, partnerships, business interests, venture capital, in hard assets (such as precious metals, art or collectibles), businesses, life insurance and other assets that do not fit into the defined asset classes.

In doing asset allocation plans, many money managers choose to exclude the "Other Asset" class from model portfolios. This is because such assets are often illiquid (difficult to sell due to a limited number of interested buyers), are hard to evaluate (require expensive appraisals that take time to perform), and have no traceable investment history.

If you are a small-business owner or active real estate investor, or if "Other Assets" make up a large percentage of your investments, you may wish to exclude the "Other Asset" class from your model portfolio plan. These assets should then be managed individually or as a separate portfolio.

Asset Allocation Flowchart



Example of Asset Allocation

Consider the case of two different investors who fall into different risk profiles. According to asset allocation, each investor constructs a portfolio from among the investment classes as shown in the chart below.

- The investor who prefers lower risk emphasizes investments that fall into the Fixed Income category. The portfolio contains less volatile investments, such as cash and bonds, whose risks to principal are lower. However, the investor will probably achieve a lower return.
- The investor who accepts higher risk emphasizes investments that fall into the Growth category. The portfolio contains more stocks, real estate, and other assets whose risks are higher. However, these investors will probably achieve a higher return.

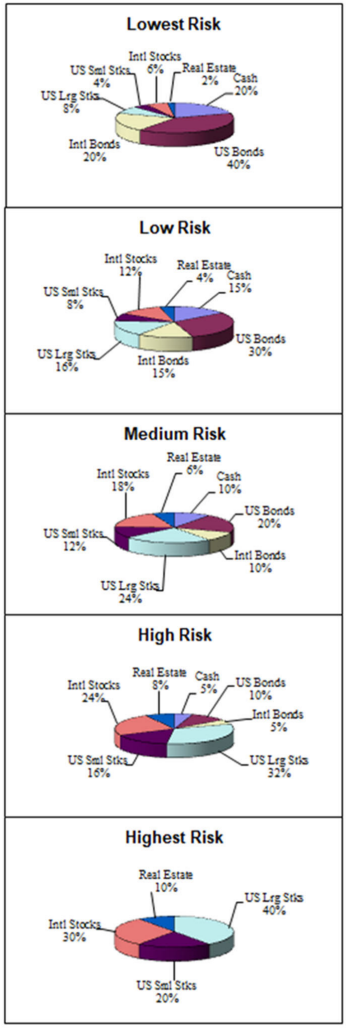
Assume five investors had invested from 1973 to 2024. The table below illustrates the breakdown by asset class of each investor's portfolio and the actual returns that each investor would have achieved.

It is interesting to note the rows in the table that show the highest and lowest one-month return and annual return of each portfolio, which together indicate the portfolio's volatility. Also, notice the differences in the Standard Deviation of each of the five model portfolios. Standard deviation is a specific measure of volatility. Generally, the more volatile the investment, the greater the risk to your principal. The charts on the following page illustrate each portfolio's asset allocation.

Asset Allocation Models - Cash - Stock & Bond Index Mutual Funds

Note: Total Portfolio Returns are based on actual index returns using DFA Returns Program data with portfolios rebalanced annually.

MODEL CASH / EQUITY PORTFOLIO (USA)		A	B	C	D	E
		Risk Tolerance				
	Asset Class	Lowest	Low	Medium	High	Highest
Fixed Income	Cash	20.0%	15.0%	10.0%	5.0%	0.0%
	U.S. Bonds & Domestic Fixed Income	40.0%	30.0%	20.0%	10.0%	0.0%
	International Bonds	20.0%	15.0%	10.0%	5.0%	0.0%
	Total Fixed %	**80%**	**60.0%**	**40.0%**	**20.0%**	**0.0%**
Growth	U.S. Large Company Stock & Stock Mutual Funds	4.0%	8.0%	12.0%	16.0%	20.0%
	U.S. Large Company Value Stock & Stock Mutual Funds	4.0%	8.0%	12.0%	16.0%	20.0%
	U.S. Small Company Stocks & Stock Mutual Funds	4.0%	8.0%	12.0%	16.0%	20.0%
	International Stocks & Stock Mutual Funds	3.5%	6.5%	10.0%	13.0%	16.0%
	International Small Stocks & Stock Mutual Funds	2.5%	5.5%	8.0%	11.0%	14.0%
	Real Estate Investment Trusts (REITs)	2.0%	4.0%	6.0%	8.0%	10.0%
	Total Equity %	**20.0%**	**40.0%**	**60.0%**	**80.0%**	**100.0%**
	Average Annual Rate of Return (1973 to 2024)	7.2%	8.7%	10.2%	11.5%	12.8%
	Lowest Three Month Return	0.5%	(4.5%)	(9.5%)	(14.4%)	(19.2%)
	Highest Three Month Return	17.3%	21.7%	27.0%	32.6%	38.3%
	Lowest Annual Return	(9.7%)	(21.9%)	(32.8%)	(42.6%)	(51.2%)
	Highest Annual Return	25.5%	33.7%	46.2%	63.7%	83.2%
	Standard Deviation	3.8%	6.5%	9.5%	12.6%	15.7%
Total Portfolio Returns are based on actual index returns using DFA Returns Program data with portfolios rebalanced annually						



☐ Model Portfolio A — Lowest Risk (for the Risk-Averse Investor)

This model provides the lowest level of risk. Notice that the portfolio is composed of 80% fixed income investments (20% Cash, 40% U.S. Bonds, 20% International Bonds) for greater stability, and 20% equity investments. Of all five models shown, this model has the lowest average annual rate of return (7.2% from 1973 to 2024), but also the lowest degree of volatility (3.8% Standard Deviation), which is reflected in its highest and lowest returns over three months and one year.

☐ Model Portfolio B — Low Risk (for the Conservative Risk-Taker)

This model has reduced the fixed income investments in the portfolio to 60% (15% Cash, 30% U.S. Bonds, 15% International Bonds), while increasing the equity side to 40%. The average annual rate of return of this portfolio was 8.7% from 1973 to 2024.

☐ Model Portfolio C — Medium Risk (for the Moderate Risk-Taker)

This model has reduced the fixed income investments in the portfolio to 40% (10% Cash, 20% U.S. Bonds, 10% International Bonds), while increasing the equity side to 60%. The average annual rate of return of this portfolio was 10.2% from 1973 to 2024.

☐ Model Portfolio D — High Risk (for the Moderately Aggressive Investor)

This model denotes a major change in philosophy, investing only 20% in fixed income (5% Cash, 10% U.S. Bonds, 5% International Bonds) and 80% in equity investments. The resulting average annual rate of return was 11.5% (4.2% greater than Model A) from 1973 to 2024. However, the volatility as measured by standard deviation is almost three times the volatility of Model A (12.6% versus 3.8%).

☐ Model Portfolio E — Highest Risk (for the Aggressive Risk-Taker)

This is the most aggressive model, placing assets only in equity investments. The resulting average annual rate of return was 12.8%. This portfolio had the highest annual return of 83.2% and the lowest annual return of (-51.3%), and had the greatest risk as shown by the swing in highest and lowest returns over three months and one year time periods from 1973 to 2024.

Asset Allocation Rebalancing

Using asset allocation does not mean that you can invest and then forget about your portfolio. You should consider "rebalancing" your portfolio periodically, perhaps quarterly, semiannually, annually, or when any asset class falls or grows over a defined percentage, such as 20%. This creates a "buy low, sell high" opportunity for you, maintains investment discipline, and provides a tool to manage your investment risk exposure.

For example, imagine that you invest $100,000 in a portfolio similar to Model Portfolio D. Your initial investment is divided into 80% growth ($80,000) among several classes of domestic and international stocks, and 20% ($20,000) into fixed income investments, including cash and bonds.

Now assume that the stock market performs extremely well in the first nine months of the year, so that your growth investments are now worth $110,000 while your fixed investments have decreased to $18,000. Your total portfolio is now worth $128,000. You are no longer in balance though, because your growth side now represents 86% of your total portfolio ($110,000 divided by $128,000). If you wish to rebalance, you will need to move approximately $7,600 from your growth assets to the fixed side of your portfolio, so you can maintain your 80/20 ratio of growth to fixed income investments.

To add maximum value to rebalancing, you should consider the tax consequences. If you have multiple holdings in each asset class, spread them among your tax-deferred (401(k), IRAs, USA, etc.), tax-exempt (Roth IRAs - USA), and taxable (non-retirement plan brokerage) accounts. By doing this, you can sell tax-deferred or tax-exempt assets when you rebalance without incurring unnecessary income taxes.

Diversification

Diversification, closely related to asset allocation, is based on the principle "Don't put all your eggs in one basket." Not only do you want to allocate your holdings across a wide range of asset classes, but you also want to diversify your holdings within a particular class of assets.

For example, if you own a sizable number of U.S. large company stocks, it would be prudent to diversify your holdings among companies that represent different industries rather than owning stock in many companies within the same industry. In this way, in the event the industry as a whole suffers from an economic downturn, your risk is reduced.

What Investments Are Best for You?

As note earlier, investing is expending money, time or assets with the expectation of achieving a profit. Investments are used to generate a higher return than what the bank pays for a safe guaranteed return. Achieving a profit from investing is never for sure, so have a plan, do your research and don't risk more than you can afford to lose.

So where do you place your investment money and time today?

Following is a list of some investment vehicles available to you. Each one has the potential of generating a positive return for you. Some have more risks associated with them which could generate a higher returns, or may have a higher probability of some or a total loss of your investment.

Each require due diligence on your behalf before placing any investment money into them.

- **Cash & Cash Equivalents**
  Currency, and cash equivalent of financial instruments have a short maturity period of 90 days or less. They include coins, currency notes, checking accounts, savings accounts, money market funds; Certificates of Deposit (CD), government bonds, treasury bills under 90 days.

- **Fixed Income Assets**
  Fixed Income Assets includes financial institution, company, government, or foreign bonds that are issued directly or are part of a mutual fund, and other domestic or foreign debt instruments, such as money market funds, certificates of deposit, deeds of trust, and notes receivable.
- **Stocks & Mutual Funds**
  Stocks are a type of an asset that gives the owner (stockholder) a share of ownership in a company. Stocks also are often called "equities" as are any financial asset that can be traded. They can be acquired directly within the equity markets for publicly traded equities, or from business owners of private companies domestically and internationally.

  Mutual Funds: The pooling of money to a professional fund manager that acquires and manages a selection of cash, stocks, and fixed income equities for its shareholders, for a fee.
- **Currency Trading**
  Currencies are traded against one another as pairs (e.g., EUR/USD) and each pair is typically quoted in pips (percentage in points) out to four decimal places.

  Currency prices fluctuate based on the economic situation of the countries involved, geopolitical risk and instability, and trade & financial flows, among other factors.
- **Real Estate – Land / Buildings**
  Direct real estate investments involve actually owning and managing properties. Indirect real estate involves investing in pooled vehicles that own and manage properties, such as REITs or real estate crowd funding.
- **Commodities**
  A commodity is a basic good used in commerce that is interchangeable with other goods of the same type. These can include items like agricultural goods, precious metals, energy products, they can be invested within by: physical ownership, futures contracts, individual securities, mutual funds and exchange traded funds, and alternative investments. The risks and rewards of investing in commodities can be inflations, weather, political unrest, foreign actions, new tech and things like rumors.
- **Small Business / Business Opportunities / Private Equity / Venture Capital**
  Investing in business entities in the early stages of their development presents an excellent opportunity to increase wealth, especially when compared with more conventional investment strategies; however, they also have a greater risk of failure, and can be VERY illiquid.

  If you are thinking about starting a business or investing in a local small business read this first.

  https://www.home.thefinancialawarenessfoundation.org/pdf/TFAF-StartingYourOwnBus.pdf
- **Hard Money Assets / Collectibles**
  A collectible asset is a physical asset that the investor hopes will appreciates in value over time. They can be include things like: Antiques, Baseball Cards, Coins, Comic Books, Diamonds, Fine Art, Stamps, Wine, etc.

  These can be quite volatile in price, and can have costly liquidation fees.
- **Cryptocurrency**
  Cryptocurrency is an encrypted data string that denotes a unit of currency. It is monitored and organized by a peer-to-peer network called a blockchain, which also serves as a secure ledger of transactions

  Bitcoin is a cryptocurrency. It is a very high-risk investment and volatile asset. Bitcoin values may rise or fall dramatically in value over a very short period—as in hours or days. Like all cryptocurrency, Bitcoin has no intrinsic value, so you are betting that someone will want your holding.

  https://www.forbes.com/advisor/investing/cryptocurrency/what-is-bitcoin/

So, how should you invest? What factors should you consider? Use the following notes as a guideline, then go through the Six-Steps for your investment planning, and develop your Investment Policy Statement & Plan.

- **Before making any kind of investments develop a plan.**
- **Identify your goals and determine your target-rate-of-return.**
- **Assess your risk tolerance by examining your goals and your personal characteristics.**
- **Take into consideration your time horizon.**
- **Be sure your risk tolerance is in alignment with your target-rate-of-return. If not, make adjustments. You may need to modify your target-rate-of-return if you are not willing to accept the risks associated with the investments needed to achieve your target-rate-of-return.**
- **Develop an asset allocation strategy and plan that best matches your investment goals and investor profile.**
- **Factor in the stability of your domestic and global economy, and the economic factors affecting the location of your potential investment.**
- **Rebalance your portfolio to remain in line with your target-rate-of-return and investment profile.**
- **Summarize these into your written Investment Policy Statement & Plan, like the one we will walk you through over the next couple of pages.**



☐ **CAUTION: There are no "get rich quick" schemes that can be counted on. If you are uncomfortable with the uncertainty of investments or are not sure of yourself in this area, consult with an investment advisor for assistance, and get a second opinion before making major investment decisions.**

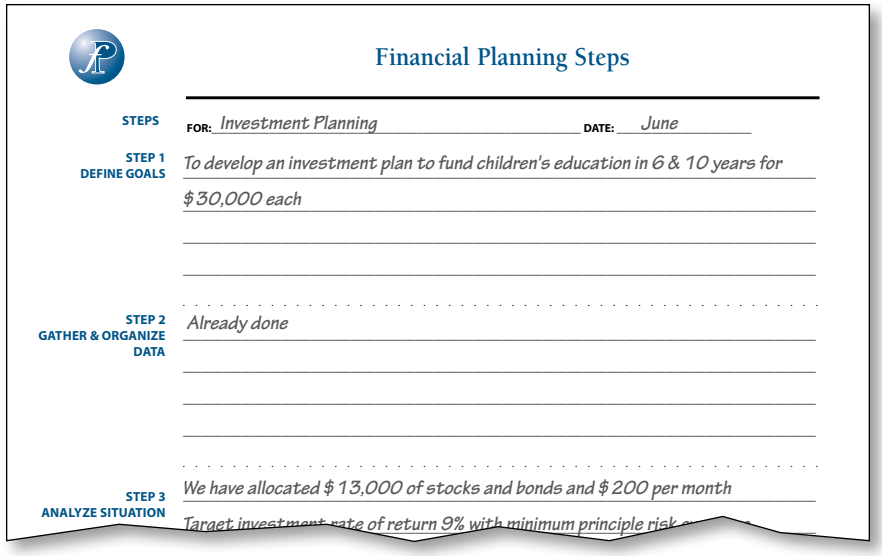
☐ Don't get so caught up in making money with investments that you forget the tax affects. If you do manage to earn double-digit returns, only to loose ½ of your gains to the taxing authorities. You might have accumulated $50,000 for your children's education, but what will you have after taxes are paid? Consider and compare the tax affects of each buy and sell taxable transaction along with using tax-exempt or tax-deferred investments.

Going Through the Six-Steps

Investments

1. **Define Your Goals:** This may be the most important step in the process of investment planning. Answering these three questions is essential to achieving investment success.
   - What are your financial goals?
   - What is your risk tolerance?
   - What is your target rate of return from your investments?

   Always focus on FIR and major expenditures before developing investment plans. What financial goals do you want to attain through investments? Here are a few examples:
   - To become financially independent in eight years and receive $38,000 per year from your investment holdings
   - To find appropriate investments that would support the purchase of a luxury car in three years
   - To retire in 25 years on a comfortable income of $40,000 per year in today's dollars
   - To provide for your two children's college education. The oldest begins college in five years, the youngest in eight. Our estimate each one's four-year education will cost $50,000 in today's dollars.
2. **Gather & Organize Your Data:** This stage involves verifying your financial position and identifying how your current investment assets are classified. Start by referencing your *Net Worth Statement* previously addressed in Chapter 2. A review of your financial position is always in order before making any major investment decision.


Financial Planning Steps

STEPS — FOR: Investment Planning — DATE: June

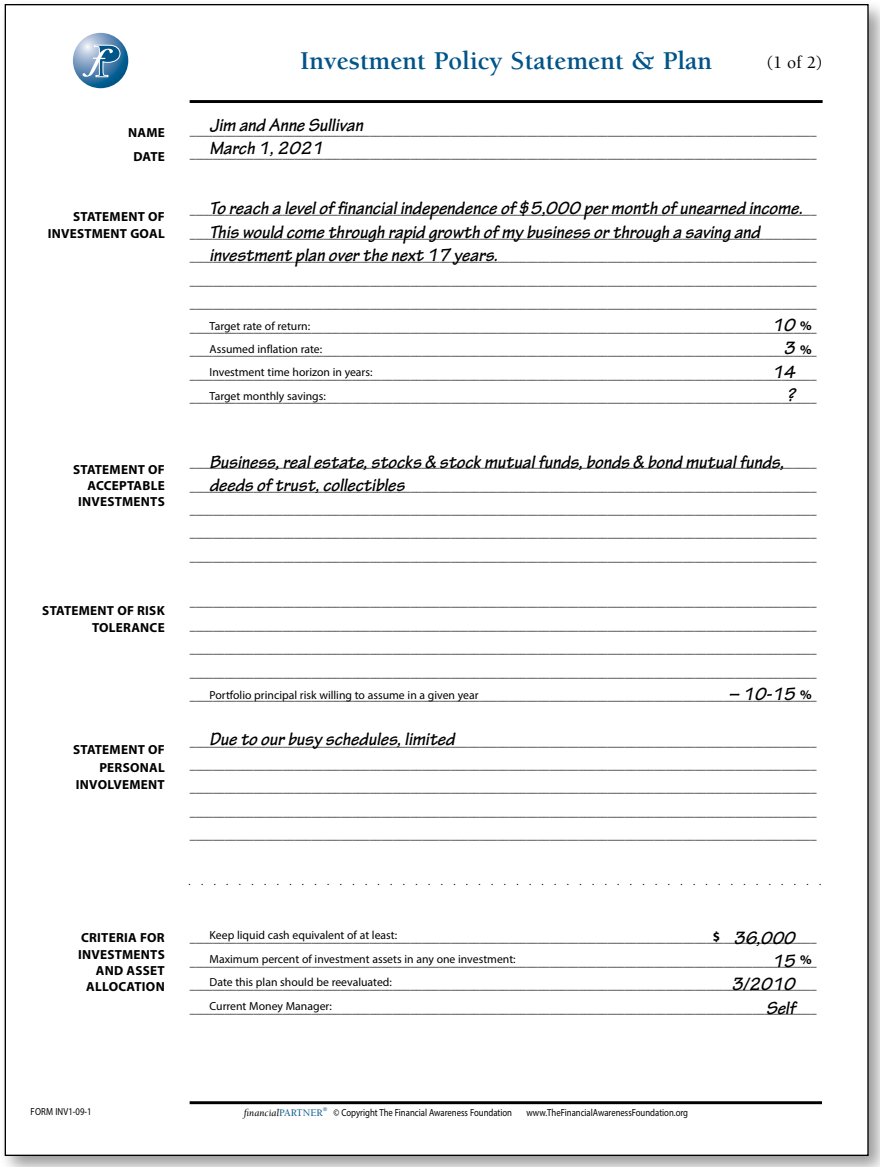
STEP 1 DEFINE GOALS: To develop an investment plan to fund children's education in 6 & 10 years for $30,000 each

STEP 2 GATHER & ORGANIZE DATA: Already done

STEP 3 ANALYZE SITUATION: We have allocated $ 13,000 of stocks and bonds and $ 200 per month

Target investment rate of return 9% with minimum principle risk

3. **Analyze Your Situation:** The question here is usually focused on whether your current investments are generating appropriate returns for the risk involved. This step often involves a careful consideration of two issues: asset allocation and investment diversification.
4. **Develop Your Strategies:** Identify investment alternatives and techniques. Based on your personal experience, what types of investments are you most comfortable with? Is there additional research required before your investment decision is made? Should you consult with an advisor? Use the *Investment Policy Statement & Plan* forms that follow to facilitate this step.
5. **Implement Your Plan:** Solidify your investment plan. Reposition your assets, if needed. Be sure you've analyzed your risk vs. expected reward. There are no "get rich quick" schemes that can be counted on. If something seems too good to be true, it probably is.
6. **Track & Monitor Your Progress:** Do a quarterly or annual review. Make a note on your *Financial Planning Calendar* as a reminder.



Investment Policy Statement & Plan (1 of 2)

NAME: Jim and Anne Sullivan
DATE: March 1, 2021

STATEMENT OF INVESTMENT GOAL: To reach a level of financial independence of $5,000 per month of unearned income. This would come through rapid growth of my business or through a saving and investment plan over the next 17 years.

Target rate of return: 10 %
Assumed inflation rate: 3 %
Investment time horizon in years: 14
Target monthly savings: ?

STATEMENT OF ACCEPTABLE INVESTMENTS: Business, real estate, stocks & stock mutual funds, bonds & bond mutual funds, deeds of trust, collectibles

STATEMENT OF RISK TOLERANCE

Portfolio principal risk willing to assume in a given year: – 10-15 %

STATEMENT OF PERSONAL INVOLVEMENT: Due to our busy schedules, limited

CRITERIA FOR INVESTMENTS AND ASSET ALLOCATION

Keep liquid cash equivalent of at least: $ 36,000
Maximum percent of investment assets in any one investment: 15 %
Date this plan should be reevaluated: 3/2010
Current Money Manager: Self

FORM INV1-09-1

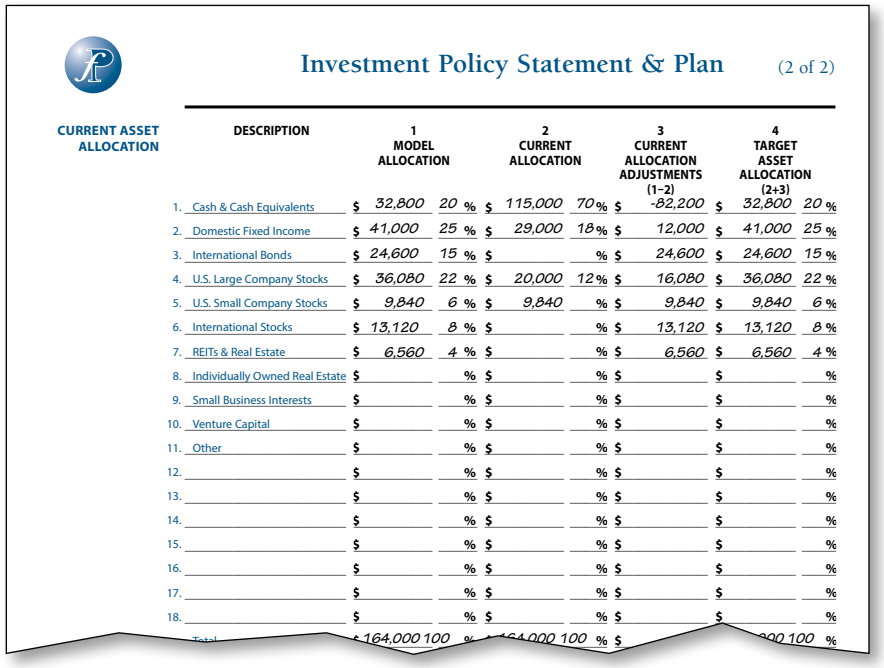
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Investment Policy Statement & Plan

To assist you with investment planning, your *financial*PARTNER provides you with an Investment Policy Statement & Plan form. It is designed to help define, summarize, and record your investment plans in one place to help keep you on track in reaching your goals. Investments are not guaranteed and can be unpredictable. If you are uncomfortable with the uncertainty of investments or are not sure of yourself in this area, consult with an investment advisor for additional assistance.

Instructions: *Investment Policy Statement & Plan*

1. **Make a copy of the *Investment Policy Statement & Plan* to record each major investment goal, such as financial independence and retirement, funding education, home purchase, etc.** Or you can select to aggregate them together within one overall Investment Plan.
2. **Start by defining each of your investment goals.** Be sure to include details such as amount needed, target rate of return, assumed inflation rate, time horizon before liquidation or significant modification, and targeted monthly savings for this goal.
3. **Decide which investments are acceptable for you: real estate, stocks, stock mutual funds, business interests, etc.**
4. **Define your principal risk tolerance.** How much principal risk can you afford or are you willing to risk in any one-year period — 1%, 5%, 10%, or more?
5. **Define your desired level of personal involvement.** How active do you want to be with your investment management — very active, or passive? Explain.
6. **Next, solidify your criteria for investments and asset allocation** by completing the information outlined on the form.



Investment Policy Statement & Plan (2 of 2)

CURRENT ASSET ALLOCATION

	DESCRIPTION	1 MODEL ALLOCATION		2 CURRENT ALLOCATION		3 CURRENT ALLOCATION ADJUSTMENTS (1–2)		4 TARGET ASSET ALLOCATION (2+3)	
1.	Cash & Cash Equivalents	$ 32,800	20 %	$ 115,000	70 %	$ -82,200		$ 32,800	20 %
2.	Domestic Fixed Income	$ 41,000	25 %	$ 29,000	18 %	$ 12,000		$ 41,000	25 %
3.	International Bonds	$ 24,600	15 %	$	%	$ 24,600		$ 24,600	15 %
4.	U.S. Large Company Stocks	$ 36,080	22 %	$ 20,000	12 %	$ 16,080		$ 36,080	22 %
5.	U.S. Small Company Stocks	$ 9,840	6 %	$ 9,840	%	$ 9,840		$ 9,840	6 %
6.	International Stocks	$ 13,120	8 %	$	%	$ 13,120		$ 13,120	8 %
7.	REITs & Real Estate	$ 6,560	4 %	$	%	$ 6,560		$ 6,560	4 %
8.	Individually Owned Real Estate	$	%	$	%	$		$	%
9.	Small Business Interests	$	%	$	%	$		$	%
10.	Venture Capital	$	%	$	%	$		$	%
11.	Other	$	%	$	%	$		$	%
12.		$	%	$	%	$		$	%
13.		$	%	$	%	$		$	%
14.		$	%	$	%	$		$	%
15.		$	%	$	%	$		$	%
16.		$	%	$	%	$		$	%
17.		$	%	$	%	$		$	%
18.		$	%	$	%	$		$	%
	Total	$ 164,000	100 %	$ 164,000	100 %	$		$ 000	100 %

- Keep liquid cash equivalent of at least: As a rule of thumb, consider keeping 3 to 6 months of living expenses in personal cash that is not part of your investment plan
- Maximum percentage of investment assets in any one investment: As a rule of thumb, consider keeping no more than 15% of your investment net worth in any one particular investment asset.
- Date this plan should be reevaluated: Investment plans should be tracked and monitored on a monthly, quarterly, semiannual, or annual basis.
- Current Money Manager: List yourself or your current money manager here.

7. **List your Current Allocation.** Using the listed Asset Classes, list your investment assets from your Net Worth Statement.
8. **Calculate and record the percentage of each asset as it relates to** your total investment funds.
9. **Begin developing your model allocation plan.** For this step, you may wish to consult with an investment advisor.
10. **Compare your Current Allocation with your Model Allocation** and note any necessary changes in the Current Allocation Adjustments column 1 minus column 2). Here you may wish to exclude special or illiquid assets from the model.
11. **Total the Target Portfolio column by adding the Current Allocation** to the Current Allocation Adjustments (column 2 plus column 3).
12. **Implement any appropriate adjustments or reallocations.**
13. **Review and update your** Investment Policy Statement & Plan **at** least annually, or more frequently if changes occur to your situation.
14. **Review and rebalance your** Asset Allocation **at least annually, or** more frequently, depending on your situation.
15. **Store your** Investment Policy Statement & Plan **in your Financial** Organizer or forms binder.

TIPS & IDEAS

- ☐ How much time and energy are you willing to commit to your investments? Active investors spend a good portion of their time studying and adjusting their portfolio. Few are rewarded for their efforts. Most people have neither the time, interest, nor expertise to devote to this pursuit. How involved do you want to be? Using a qualified investment advisor may very well be the best path for you to follow.
- ☐ Involve your children in personal finance. The earlier they learn how to manage money, the better their chance of obtaining financial success. Take responsibility for their well-being now by teaching them the value of saving and investing. (See Chapter 3 for some helpful guidelines.)

Action Items - Review The Principles

Here are the essential principles for investment planning

- ☐ 1. Learn about various types of investments.
- ☐ 2. Determine your own and your spouse/partner's risk tolerance.
- ☐ 3. Avoid investing without establishing clear objectives and structured plan.
- ☐ 4. Understand the strong correlation between risk and potential reward.
- ☐ 5. Recognize that a longer time horizon allows for taking on more risk.
- ☐ 6. Acknowledge that all investments come with some level of risk.
- ☐ 7. Utilize your Six-Steps to Investment Planning Process.
- ☐ 8. Avoid overpaying fees associated with your investments.
- ☐ 9. Implement proper asset allocation strategies.
- ☐ 10. Ensure sufficient diversification in your investment portfolio.
- ☐ 11. Annually update your Investment Policy Statement and Plan.
- ☐ 12. Actively select investments rather than being sold on them.
- ☐ 13. Utilize investment advisors effectively and judiciously.
- ☐ 14. Seek a second opinion before making significant investment decisions.
- ☐ 15. Share these essential investment principles with family and friends.
- ☐ 16. Avoid Common Mistakes in Investment Planning.

Your Personal Financial Plan



Forms: Your *financial* PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.

Action Items: - 8 out of 11

- ☐ Check the Forms used below and place them in your forms binder.
- ☐ Update them annually or as your situation changes.

CHAPTER 8: Investment Planning - 8 out of 11

- ☐ Investment Policy Statement & Plan 148, 149

Investment planning is a lifelong process.

Next we will addressing Tax Planning.

CHAPTER 9

Tax Planning





"All the Congress, all the accountants and tax lawyers, all the judges, and a convention of wizards all cannot tell for sure what the income tax law says."

Walter B. Wriston

"So... You must pay taxes. But there's no law that says you gotta leave a tip."

Morgan Stanley

Reduce Your Taxes

Asking this question can save your a lot of money over your lifetime. What are the tax consequences of this transaction?

It's true: Taxes are an inevitable part of life. Where it is Federal Income Tax, State or Municipal Income Tax, Capital Gains Tax, Property Tax, Sales or VAT Tax, Estate or Gift Tax, Digital Tax, Occupancy Tax, and other taxes your country or municipality implements. But that doesn't mean there's nothing you can do to lower your share of what's going to the government. Even though taxes are a fact of life, the laws that regulate them are constantly changing. Your financial plans and investment strategies should include tax considerations. Opportunities for minimizing tax obligations are available to anyone willing to take advantage of them.

Almost every financial decision, whether it involves investments, retirement, housing, or estate and gift planning, has some kind of tax implication. It's unfortunate that most people choose to focus on taxes only when preparing their tax returns. They miss opportunities to adjust their financial activities to their advantage. Some of the financial events that may require tax attention when they occur include:

- **Buying or selling your house**
- **Refinancing your mortgage**
- **Taking a withdrawal from a retirement account**
- **Sales of stock or mutual funds, or other investments**
- **A birth or death in the family**
- **Marriage or divorce**
- **Changing jobs or becoming self-employed**
- **Retirement**
- **Gifts or Inheritance**

It's quite possible to reduce your tax obligations in ways that are both legal and ethical, but the tax laws can change year by year by municipality. Every dollar you save through tax planning can be used to fund other goals. Understanding tax planning is the first Step 1.

Common Mistakes to Avoid in Tax Planning

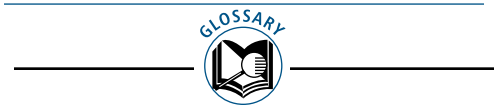
- ☐ 1. Unorganized finances.
- ☐ 2. Lack of proactive tax planning.
- ☐ 3. Failing to capitalize on available tax deductions and credits.
- ☐ 4. Consistently receiving tax refunds, indicating inefficient tax planning.
- ☐ 5. Not utilizing salary reduction options available within retirement plans.
- ☐ 6. Neglecting to seek tax advice before entering into significant transactions.
- ☐ 7. Incorrectly entering tax data into tax preparation software.
- ☐ 8. Aggressively using tax shelters without proper understanding.
- ☐ 9. Procrastination.

Everyone want to keep their hard-earned money and creating strong tax plans helps you do that. The first step is understanding how the tax rules work. We are NOT teaching you how to break the law, but how to work within it.

Almost every financial decision you make has some kind of tax implications. It's unfortunate that most people choose to focus on taxes only when they prepare their tax returns, which is after the fact. By doing so, they miss many opportunities to adjust their financial situation to their advantage before making financial decisions.

Preview of What You Will Be Doing

- ☐ 1. Learn about taxes and tax planning
- ☐ 2. Going through the Six-Steps to Tax Planning
- ☐ 3. Begin / advance your Tax Planning
- ☐ 4. Learning about the essential principles of tax planning
- ☐ 5. Add your competed forms into your FP Forms Binder.



Here are some key USA federal taxes and tax terms, are you familiar with your taxes and tax terms? What kind of taxes does your state, municipality, country have?

Adjusted Gross Income (AGI): The amount of income remaining after certain adjustments are subtracted from a taxpayer's gross income.

Alternative Minimum Tax (AMT): A complicated income tax that is activated when there are excessive deductions and tax benefits.

Capital Gains Tax: Are taxes incurred on the gains created on the sale of assets held for investments. They may be adjusted for items such as the type of asset such as stocks and bonds and mutual funds, real estate, collectibles; holding periods such as short-term - under 12 months and over 12 months - long term, your tax bracket and marital status.

Employment Tax: Taxes that an employer is required to withhold from an employees paycheck; it can also include additional taxes that the employer may be required to match or pay based on payroll.

Estate Tax: Taxes collected based on the net value of all the property owned by someone as of their date of death.

Excise Tax: The manufacture, sale, and purchase of tobacco, alcohol, telephone services, and airline tickets are subject to federal excise tax.

Gift Taxes: Tax on the transfer of property by one individual to another while receiving nothing, or less than full value in return.

Income Taxes: Depending on the amount of income earned, the marital status, and where you reside, there can be federal, state, and local income taxes.

Inheritance Tax: Is calculated on the value of individual bequests received from a deceased person's estate.

Property Taxes: Some cities, counties, and states collect tax on property such as real estate, automobiles, and business property.

Sales Tax: Tax levied on the sale of goods. These can vary by geographic area.

Self-Employment Taxes: Tax levied on small business based on their earnings.

Lower Income Taxes

Always ask The Question before you enter into a taxable transaction **- What are the tax affect of this transaction?**

Successful tax planning operates on the principles of accelerations, deferrals, tax bracket timing, and use of available deductions and credits. There are basically only two ways to lower your income taxes:

- **Increasing deductions and credits**
- **Reducing taxable income**

Tax laws change frequently, and the tax codes seem to be advancing in complexity. They are filled with traps for the uninformed. Consult with your tax advisor before making any major financial decision. You are the one who will be held responsible for the tax consequences.

The following are some strategies to consider. These strategies are based on USA tax rules and may differ in other tax jurisdiction, but the planning concepts are universal.

Increasing Deductible Income Expenses & Tax Credits

Under certain circumstances, you may be better off grouping income tax deductions every other year. The idea is to accelerate deductions for a year in which you are in a higher tax bracket and defer or postpone deductions for years in which you are in a lower tax bracket. If accelerate deductions is the right strategy for you use strategies like these:

- Pay your fourth-quarter state income tax estimate in December instead of January. (USA tax year for individual is from January 1 to December 31. Personal taxes and returns are due by April 15th of the following year. The returns can be extended without penalty to October 15th, but the tax must be paid by April 15th or they incur penalties.
- Pay your January mortgage payment in December.
- Make two annual charitable contributions in the accelerated year.
- Pay next year's property taxes before year-end. (Check to see that you are within the $10,000 cap.)

Reducing Taxable Income

Taxable income can be deferred by shifting income from one taxable year to the next. The reasons to consider this strategy are: first, if you are going to be in a lower tax bracket next year, you save tax dollars; and second, by delaying receipt of income, you get to hold on to your tax dollars longer. This strategy can be accomplished by:

- Purchasing a CD or Treasury Bill that matures the following year. The interest will be taxed next year, not the current year.
- Delaying the sale of capital gain property until next year.
- Delaying receipt of a year-end bonus until next year, assuming you can avoid the constructive receipt rules.

If you are going to be in a higher tax bracket next year, income can also be accelerated and expenses postponed by using the opposite of the preceding techniques. For example, purchase a CD that matures this year or the year after next.

If these sounds like it might work for you, make sure you accurately run both set of numbers, and get professional assistance if you do not have tax expertise.

Taking Advantage of Your Employment Benefits

As discussed in Chapter 4, take advantage of your employment benefits. If you are a full-time employee, you may be well positioned to improve your tax position. Many employees have access to tax-free or tax-sheltered benefits. Consider the options available to you. Does your employer offer flexible spending plans? "Cafeteria" or salary reduction plans? A retirement plan? Refer to your employee benefits handbook or talk to your benefits manager, or financial advisor for other benefits you may be overlooking, such as tax-free medical or nontaxable employee education benefits.

TIPS & IDEAS

- ☐ There are few things more frightening in life than an audit by the Tax Authority (In the USA it is the IRS). Determining one's risk for being audited is another common objective of tax planning. Your chance of being audited is affected not only by your income and net worth, but also by the tax region in which you file your returns. In the USA in 2020, the IRS examined about 1.00% of all individual returns filed. Audits for self-employed individuals have a higher risk. The chart below shows variations by income level. (USA)

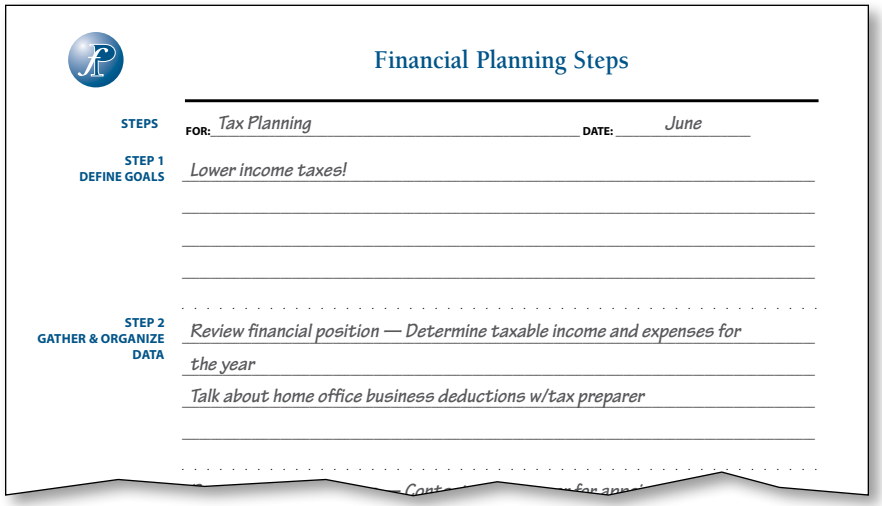
Audit Chances
(From the Internal Revenue Service Data Book, 2020)

	Likelihood of Audit
Individuals: Non-Business Income	
1040	1.0%
Under $25,000	0.4%
$25,000 under $50,000	0.2%
$50,000 under $75,000	0.1%
$75,000 under $100,000	0.1%
$100,000 under $200,000	0.1%
$200,000 under $500,000	0.2%
$500,000 under $1,000,000	0.4%
$1,000,000 over	3.5%
Business Returns	
Corporation Income Tax Returns ((Except 1120S)	0.5%
Partnership Returns	0.05%

- ☐ Tax laws change frequently, and the tax codes are more complicated than ever. They are filled with traps for the uninformed. Consult with your tax advisor before making any major financial decision. You are the one who will be held responsible for the tax consequences.
- ☐ Married homeowners may exclude up to $500,000 in gains from the sale of a principal residence ($250,000 for single taxpayers). This tax break is renewable every two years. However, there are complex rules covering five-year ownership, unforeseen events, and marital status. (USA)
- ☐ Offset capital losses with capital gains made by selling investment assets that have appreciated in value. The net effect: zero gain, zero tax. (USA)
- ☐ If you are being aggressive with your tax strategy and you have an unincorporated business (using a Schedule C tax form), consider changing to a Limited Liability Company (LLC), Small Business Corporation, or Family Partnership. This could substantially lower your audit exposure. (USA)

"The avoidance of taxes is the only intellectual pursuit that carries any reward. "

JOHN MAYNARD KEYNES



Financial Planning Steps

STEPS — FOR: Tax Planning — DATE: June

STEP 1 DEFINE GOALS
Lower income taxes!

STEP 2 GATHER & ORGANIZE DATA
Review financial position — Determine taxable income and expenses for the year
Talk about home office business deductions w/tax preparer

Going Through the Six-Steps

Tax Planning

1. Define Your Goals: The overriding objective for most people is simply to pay less in taxes. Those involved in numerous areas of finance may have more complex goals, such as to offset the capital gains tax following the sale of stocks with capital losses or to determine the tax implications of refinancing a mortgage.
2. Gather & Organize Your Data: Make sure you have all available information so that you can outline your current year's taxable income and deductions. As a starting point, use last year's income tax return (which should be stored in your Financial Organizer), and adjust your income and deductions as projected for the current year. Refer to your Cash Flow Planner discussed in Chapter 3.
3. Analyze Your Situation: Tax planning starts with a tax calculation— a projection of your tax liability. Based on your current tax situation, it is essential that you know where you stand and where you're going. Later in this discussion, you will find the Tax Planner. This form will assist you in making well-informed tax decisions when dealing with tax-related events. If you are not comfortable with preparing a tax calculation, seek professional advice.
4. Develop Your Strategies: This step involves the careful consideration of options to lessen your tax burden, the essence of tax planning. There is usually more than one solution to reducing income taxes. Consult with your tax advisor to develop or verify your own strategies to reduce taxable income, increase deductible expenses, and determine tax credits.
5. Implement Your Plan: Once you've identified what needs to be done, it's time to do it. Use your Tax Planner at the end of this discussion to help you recap your tax planning efforts.
6. Track & Monitor Your Progress: If you have variable or unpredictable income and expenses, you should track and monitor your progress on a quarterly basis and when faced with an event that involves tax consequences. If you qualify to use itemized deductions or have variable income, make sure to review your tax calculations in April, September, and December. If your income and deductions are stable and predictable, review your tax calculations in April and December.

MISTAKES TO AVOID

☐ When you legally change your name because of marriage or divorce be sure to timely report to the Social Security Administration and apply for a new Social Security card by filing a Form SS-5. Make sure that the names you use on your tax returns match your Social Security records otherwise you might experience delays in processing your returns. (USA)

Tax Planner

To help you with your tax planning, your *financial* PARTNER provides the following Tax Planner worksheet in your form set. If you do not understand tax rules or are not knowledgeable in this area, consult a tax professional.

Use this form to facilitate discussions with your tax advisor.



To learn more about taxes in your area check out these websites

- USA - Federal & State Tax Information

https://www.irs.gov/

https://taxfoundation.org/state-tax/individual-and-consumption-taxes/

https://turbotax.intuit.com/tax-tools/calculators/taxcaster/

https://www.kiplinger.com/retirement/600892/state-by-state-guide-to-taxes-on-retirees

- Global Taxes

https://taxfoundation.org/center/global-tax-policy/

https://www.theglobaleconomy.com/rankings/personal_income_tax_rate/

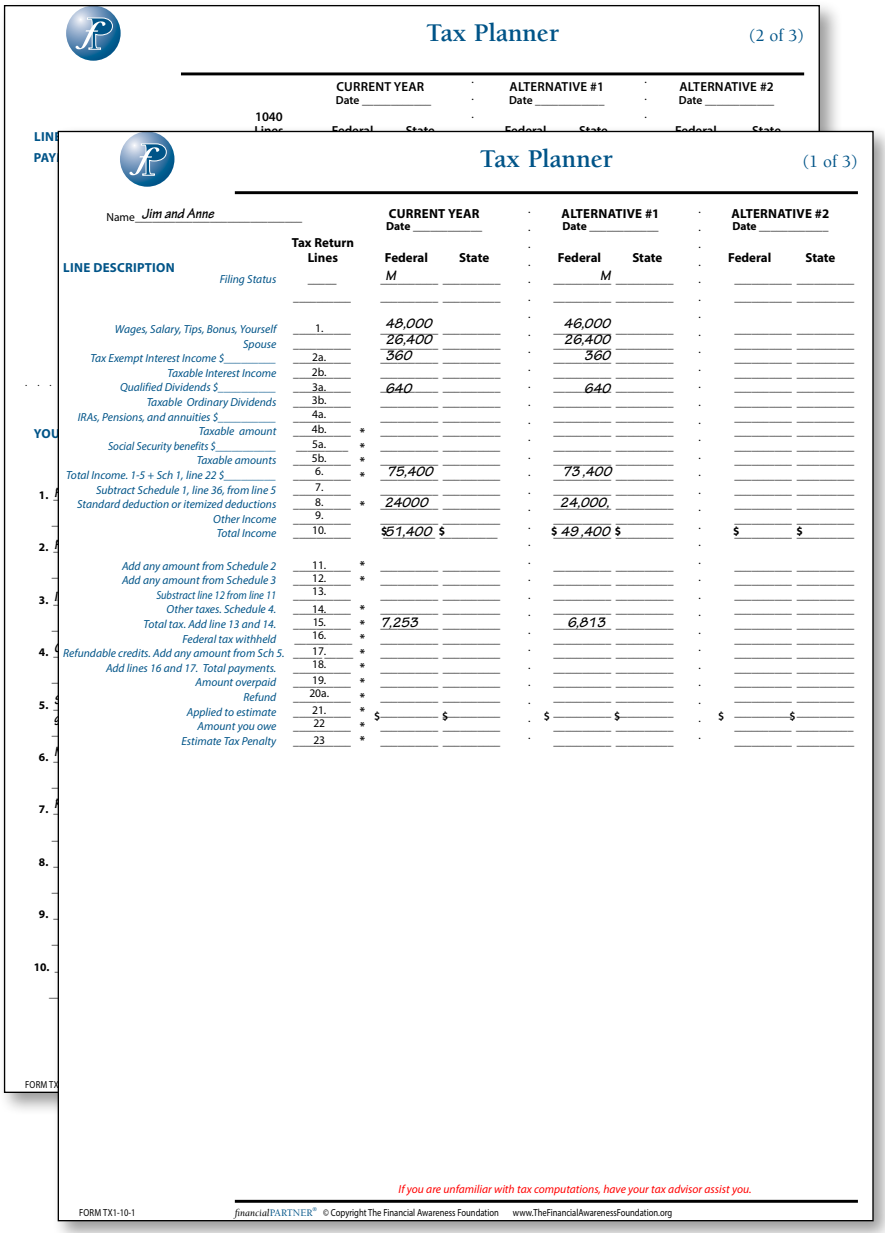
"One of the great blessings about living in a democracy is that we have complete control over how we pay our taxes . . . cash, check or money order."

ANOM



Instructions: *Tax Planner*

1. **Complete this form, using last year's tax return as a model for** estimating income, deductions, and taxes. Update figures if your income and expenses have changed. Use last year's tax rates if you do not have access to the most current rates.
2. **Do a current-year tax calculation to estimate what your tax due** or refund would be.
3. **Develop tax-reduction strategies.**
4. **Estimate your federal and state income taxes based on the tax-**reduction strategies. Enter this data in columns "Alternative #1" and "Alternative #2" to see what you would realize in potential tax savings.
5. **List the tax-reduction strategies used in completing your** Tax Planner in the Tax Strategy Recap section. Note which strategy refers to Alternative #1 or Alternative #2.
6. **Note Nontaxable Cash Flow Savings strategies.** This includes items that are tax-deductible for the employer and not taxable to you (i.e., medical insurance, subscriptions).
7. **List Current-Year Taxable Income Reduction items.** This would include prepayment of property taxes, funding of an IRA, etc.
8. **Enter the tax savings you would realize under your alternative** tax plans. This figure can be calculated by subtracting your Alternate #1 and Alternative #2 income taxes from your current tax position and entering them in the "Tax Savings Over Current Year" space.



Tax Planner (2 of 3)

	CURRENT YEAR Date		ALTERNATIVE #1 Date		ALTERNATIVE #2 Date	
1040 Lines	Federal	State	Federal	State	Federal	State

Tax Planner (1 of 3)

Name Jim and Anne

LINE DESCRIPTION	Tax Return Lines		CURRENT YEAR Date		ALTERNATIVE #1 Date		ALTERNATIVE #2 Date	
			Federal	State	Federal	State	Federal	State
Filing Status			M		M			
Wages, Salary, Tips, Bonus, Yourself	1.		48,000		46,000			
Spouse			26,400		26,400			
Tax Exempt Interest Income $	2a.		360		360			
Taxable Interest Income	2b.							
Qualified Dividends $	3a.		640		640			
Taxable Ordinary Dividends	3b.							
IRAs, Pensions, and annuities $	4a.							
Taxable amount	4b.	*						
Social Security benefits $	5a.							
Taxable amounts	5b.	*						
Total Income. 1-5 + Sch 1, line 22 $	6.	*	75,400		73,400			
Subtract Schedule 1, line 36, from line 5	7.							
Standard deduction or itemized deductions	8.	*	24000		24,000.			
Other Income	9.							
Total Income	10.		$51,400	$	$ 49,400	$	$	$
Add any amount from Schedule 2	11.	*						
Add any amount from Schedule 3	12.	*						
Substract line 12 from line 11	13.							
Other taxes. Schedule 4.	14.	*						
Total tax. Add line 13 and 14.	15.	*	7,253		6,813			
Federal tax withheld	16.	*						
Refundable credits. Add any amount from Sch 5.	17.	*						
Add lines 16 and 17. Total payments.	18.	*						
Amount overpaid	19.	*						
Refund	20a.	*						
Applied to estimate	21.	*	$	$	$	$	$	$
Amount you owe	22	*						
Estimate Tax Penalty	23	*						

If you are unfamiliar with tax computations, have your tax advisor assist you.

FORM TX1-10-1 financialPARTNER® © Copyright The Financial Awareness Foundation www.TheFinancialAwarenessFoundation.org

TIPS & IDEAS

- ☐ To increase your charitable contributions, consider donating no-longer-needed household items to a qualified charity. A charitable tax deduction record should be signed by the recipient charity. If the total value of your property donation exceeds $500, you must provide details. If you donate property valued at over $5,000, you must obtain a written appraisal to support the deduction. In all cases, be sure to get a receipt from the charity. (USA)
- ☐ When meeting with your tax preparer to prepare this year's return, ask for a tax calculation for the following year. (Tax software often allows this to be done quickly.) It will give you a good picture of your next-year tax position early in the year. Ask your tax preparer how much this extra service will cost—you don't want surprises!
- ☐ Taxpayers who claim the Child and Dependent Care Credit will be required to identify the person or organization providing such care. This identification should include name, address, and taxpayer ID number. If the correct information is not given, the IRS may deny the credit unless the taxpayer can show that an honest attempt was made to provide this information. (USA)
- ☐ Stay organized and keep good records. Many tax deductions are lost due to poor record keeping. Keep using your *Financial Partner Personal Filing System* and cash management techniques to stay organized and in control of your tax information.

Instructions: *Charitable Tax Deduction Record*

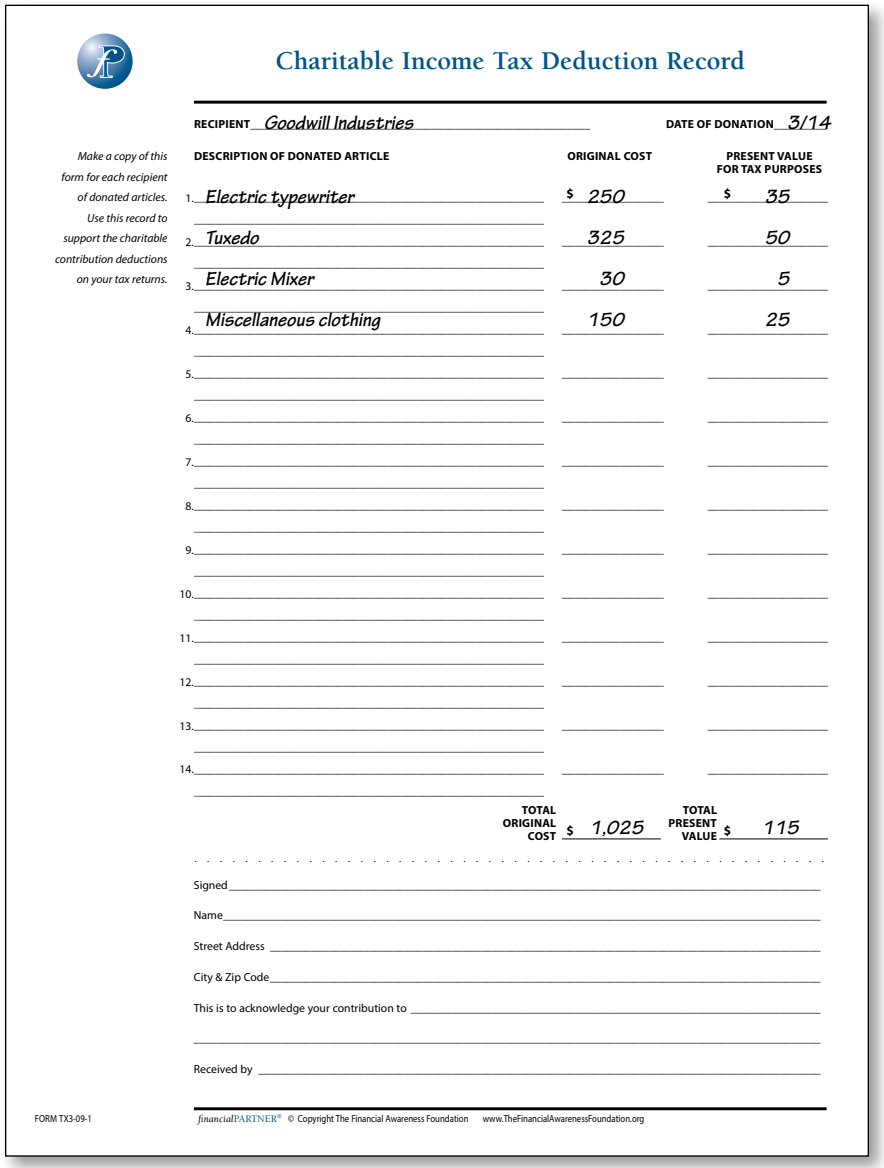
1. **Use this from if you itemize deductions to record your various non-cash charitable gifts.** If your total deduction for all noncash contributions for the year is over $500, you must complete and attach IRS Form 8283, Noncash Charitable Contributions, to your return. Taxpayers donating an item or a group of similar items valued at more than $5,000 must also complete Section B of Form 8283, which generally requires an appraisal by a qualified appraiser. (USA)

Charitable Gifts Can Come in Many Forms

When you decide the time is right to make a charitable gift(s) to your favorite nonprofit organization or cause(s), don't assume that just writing a check is the only option. You have a wide variety of techniques and assets to use to fund charitable gifts, including the following strategies.

- ❑ 1. Outright Gifts of Cash, Investments, Personal Property -
- ❑ 2. Charitable Gift Annuity -
- ❑ 3. Charitable Remainder Annuity -
- ❑ 4. Charitable Remainder Unitrust -
- ❑ 5. Charitable Lead Trusts -
- ❑ 6. Pooled Income Fund -
- ❑ 7. Private Foundation -
- ❑ 8. Community Foundation -
- ❑ 9. Life Estate -
- ❑ 10. Gift Easement -
- ❑ 11. Transfers by Will, Trust or Beneficiary Designation -
- ❑ 12. Partial Interest Donations -
- ❑ 13. Donor Advised Funds -

As tax-efficient charitable giving can get complicated very quickly; be sure to work closely with your tax and financial advisors when planning charitable gifts.



Charitable Income Tax Deduction Record

RECIPIENT Goodwill Industries DATE OF DONATION 3/14

Make a copy of this form for each recipient of donated articles. Use this record to support the charitable contribution deductions on your tax returns.

	DESCRIPTION OF DONATED ARTICLE	ORIGINAL COST	PRESENT VALUE FOR TAX PURPOSES
1.	Electric typewriter	$ 250	$ 35
2.	Tuxedo	325	50
3.	Electric Mixer	30	5
4.	Miscellaneous clothing	150	25
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
	TOTAL ORIGINAL COST	$ 1,025	TOTAL PRESENT VALUE $ 115

Signed _____

Name _____

Street Address _____

City & Zip Code _____

This is to acknowledge your contribution to _____

_____

Received by _____

FORM TX3-09-1

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Let's Review the Essential Principles

Here are the essential principles for tax planning

- ☐ **1. Educate yourself about tax laws.**
- ☐ **2. Maintain organized finances.**
- ☐ **3. Understand the tax implications of transactions before committing—always ask, "What are the tax effects of this transaction?"**
- ☐ **4. Initiate tax planning early and complete it before year-end.**
- ☐ **5. Exercise caution and avoid overly aggressive use of tax-sheltered investments.**
- ☐ **6. Utilize your Six-Steps to Tax Planning Planner.**
- ☐ **7. Share these essential tax planning principles with family and friends.**
- ☐ **8. Avoid Common Mistakes when Dealing with Tax Planning.**

"Taxation is the price which civilized communities pay for the opportunity of remaining civilized."

ALBERT BUSHNELL HART:

Your Personal Financial Plan

Forms: Your *financial*PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.



Action Items: **- 9 out of 11**

- ☐ Check the Forms used below and place them in your forms binder.
- ☐ Update them annually or as your situation changes.

Chapter 9: Tax Planning

- ☐ Tax Planner 156, 157
- ☐ Charitable Income Tax Deduction Record 158

Tax planning is a lifelong process. Look at it as a family game, your "financial money game" and try to involve the entire family — grandparents, parents, and kids, and your tax advisor. Each dollar you save by tax planning goes directly in to your pocket and can help fund your life's most important financial goals.

Next we will be addressing your insurance and risk management.



- ☐ The IRS tells us that they estimate the average time it takes to do an average 1040 tax return about 9 hours of time that includes about 4 hours to complete the forms. (USA)
- ☐ If you have a business interest included within your return you can expect this to increase to 24 hours of time that includes about 6 hours to complete the forms. (USA)

"The best we can do is size up the chances, calculate the risks involved, estimate our ability to deal with them, and then make our plans with confidence."

- Henry Ford

CHAPTER 10

Insurance/Risk Management Planning





"When you have to make a choice, and you don't make it, that is in itself a choice."

William James

Why Insurance / Risk Management?

What would happen if your house burned down or was seriously damaged? If someone stole your car and demolished it? If your personal possessions were burglarized? Would you be covered if a windstorm damaged your roof? If you were sued by someone who slipped and fell on your doorstep, or you injured someone with a golf ball? What would happen to your family if you passed away?

Practicing personal risk management is vital for safeguarding well-being and financial security. It involves:

Protection from Uncertainty: Life's unpredictable, like accidents or illnesses, can have significant financial impacts. By identifying risks and implementing mitigation strategies, individuals can protect themselves.

Safeguarding Financial Stability: Effective risk management shields financial assets from losses caused by market fluctuations or unexpected expenses, ensuring stability during challenges.

Ensuring Long-Term Goals: It's crucial for achieving goals such as retirement planning or home ownership. Proactive risk management keeps individuals on track toward financial well-being.

Peace of Mind: Managing risks provides a sense of security, allowing individuals to focus on their goals without worrying about the unknown.

Responsibly Protecting Loved Ones: Risk management isn't just for oneself but also for ensuring family members' security. Adequate insurance coverage and emergency savings protect loved ones in unforeseen circumstances.

The first principle of insurance is to protect your assets and those of your family. It is very important that you insure what you can't afford to lose. This includes your cash flow! Most people pay little attention to their risk exposure, unless they've had a personal experience that brings it to their attention. Without proper insurance coverage, the best financial plans can be ruined. Being uninsured or underinsured lead to personal financial failure. It is very important that you evaluate your risk exposure and address it properly.

Common Mistakes to Avoid in Insurance/Risk Management Planning

- ☐ 1. Failing to plan.
- ☐ 2. Having insufficient, excessive, or inappropriate insurance coverage.
- ☐ 3. Overpaying for insurance.
- ☐ 4. Not aligning the ownership and beneficiary selections of life insurance with your estate and gift planning.
- ☐ 5. Procrastination.

Preview of What You Will Be Doing

- ☐ 1. Learn about Insurance and Risk Management
- ☐ 2. Going through the Six-Steps to Insurance / Risk Management Planning
- ☐ 3. Summarizing your current Insurance Policies
- ☐ 4. Exploring your Insurance / Risk Management Needs
- ☐ 5. Begin / advance your Insurance / Risk Management Planning
- ☐ 6. Track and monitor your plans
- ☐ 7. Add your competed forms into your FP Forms Binder.

GLOSSARY

- **Business Insurance: Broadly refers to a class of insurance coverage intended for purchase by businesses rather than individuals. Businesses seek insurance to cover potential damage to property, to protect from lawsuit, or contract disputes.**
- **Casualty Insurance: Is a broad category of insurance coverage for individuals, employers, and businesses against loss of property, damage, or other liabilities. Casualty insurance includes vehicle insurance, liability insurance, and theft insurance. In addition to auto and liability insurance, casualty insurance is an umbrella term traditionally used to describe many other types of insurance, including aviation, workers' compensation, and surety bonds.**
- **Financial Insurance: This area of insurance includes life, health, vision, dental, disability and long-term care insurance. Financial insurance is primarily concerned with covering costs related to health, loss of earnings, and the loss of life.**
- Insurance: Is a contract whereby one party undertakes to indemnify or guarantee another against loss by a specified contingency or peril.
- **Life Insurance: This insurance provides coverage for the loss of life. There are various types of life insurance policies marketed under various names, but generally they fall under two categories: term insurance and cash value insurance.**
- **Property & Casualty (Liability) Insurance: Property insurance covers property insured by the party as well as defined content. These policies apply in the event of loss, theft, fire, or other disaster. Casualty insurance also sometimes known as liability insurance. It does not protect your property or assets, it offers you coverage in the event you are sued or threatened with a claim from a third party for bodily injury or property damage. Property and casualty insurance is actually an umbrella term which includes many forms of insurance coverage. Homeowners insurance is one type of property and casualty product, as is renter's insurance, and auto insurance. The term property and casualty insurance typically contain two primary coverage types: property protection coverage and liability coverage.**
- Risk Management: The awareness, forecasting and evaluation of financial risks together with the identification of procedures to avoid or minimize their impact.

Two Kinds of Insurance Classification

There are two general classification of insurance

- **Financial Insurance: life, health, disability, and long-term care insurance**
- **Property & Casualty (Liability) Insurance: property, vehicle, liability, identity theft, and business insurance**

Financial Insurance

Life Insurance: The purpose of life insurance is to protect your dependents in the event that you die before accumulating a sufficient net worth to take care of them after your death. There are various types of life insurance policies marketed under different names, but generally they fall into two categories: term insurance and cash value insurance.

- **Term insurance** is the simplest type of coverage. It gives you protection for a specific period of time. If death occurs during that specific period, the face amount of the policy is paid. Once that period has ended, there are no remaining benefits. This type of policy is usually the least expensive on a year-by-year basis, with premiums gradually increasing with the insured's age. It can be purchased as a one-year annual renewable or as a 5-, 10-, 15-, 20-, or 25-year level-term policy where your premiums stay the same for the length of the policy.
- **Cash value insurance** has a savings element built into the policy. The premiums are higher, but cash values build inside the policy. There are various investment options available to you under cash value life insurance. If your insurance needs are permanent (10 years or more), a good cash value policy could be less expensive over the long term than an annual renewable term policy. Types of cash value policies include whole life, universal, and variable life.



- ☐ With the cost of extended home care and skilled nursing on the rise, consideration should be given to obtaining long-term care coverage. This coverage is not adequately addressed under Medicare or other health insurance policies, and it can be a significant blind spot in most people's risk management. How long could you afford to pay $5,000 to $8,000 per month, or more, for skilled nursing services in the event of a prolonged illness or accident?. (USA)
- ☐ National Median Monthly Cost for Homemaker Service is over $5,700; for a Semi-Private Nursing Home Room $8,670 Genworth Survey - (USA) www.genworth.com/about-us/industry-expertise/cost-of-care.html

Health Insurance: This provides coverage for the cost of doctors' fees, hospitalization, medication, and other related expenses resulting from sickness or accident. Physicians' fees and hospital costs have risen rapidly in recent years and will probably continue to do so. In the absence of insurance, a major illness or accident can quickly exhaust your resources. Medical insurance is often provided as a benefit of employment, but if your company does not offer it, one should be sure to look into and obtain personal coverage that meets their needs and budget. One would also benefit from learning more about proper nutrition, exercise, and properly caring for ones body to reduce healthcare issues and costs.

In the USA there are many types of health insurance plans for those under age 65. For those age 65 and over, coverage is generally provided through:

- **Medicare —** a federal health insurance program for those age 65 or older. Medicare A: the hospital part of Medicare, covers various inpatient services. Medicare B: an optional provision providing coverage of outpatient services, prescription drugs, and other covered costs.

- **Medigap —** Medicare coverage is not comprehensive, so a variety of supplemental insurance policies are offered by private companies to provide coverage for the gap in medical expenses not covered by Medicare A and B.
- **Medicaid —** a joint federal and state program for people of any age who need assistance to pay their medical bills.

Disability Insurance: This insurance provides periodic payments to replace income when the insured is unable to work as a result of illness, injury, or disease. For relatively young people, the probability of partial or total disability is far greater than the probability of loss of life, which makes this form of insurance especially important to protect your income during your working years. A number of states have their own supplemental disability income programs that provide limited benefits over a short period of time. Determine how much income you would have if you became disabled tomorrow. Would it be enough?

Long-Term Care Insurance: This insurance provides money needed to cover the cost of long-term care. With the advancements of medicine and technology, life expectancy is increasing. For some people this is a blessing, while for others it may create serious financial problems. As people age, they are more likely to require hospital and physician care. They also become more susceptible to chronic, disabling conditions that require long-term care in a nursing home or in their own home, which is usually not covered by other insurance.

Property & Casualty Insurance

Homeowner's and Renter's Insurance: This insurance provides comprehensive protection for your dwelling and all its contents, including personal liability for accidents on your property. The value of your home and personal property represent a major portion of your net worth. Most people are not able to self-insure a major loss to their residence or other personal property. In addition, few are able to cover the costs of defending themselves against a lawsuit by someone hurt while on or while using their property.

Vehicle Insurance: This form of insurance covers vehicle liability, medical payments, property damage, and other related exposures. When you sit behind the wheel of a vehicle, you take on a major responsibility. You are liable for any error you or other family members commit causing damage to property or injury to yourself or someone else. Vehicle insurance allows you to pass on a portion of that responsibility to the insurer.

Personal Liability Umbrella: This insurance protects against losses above and beyond those covered by your basic homeowner's, auto, business, and other property liability insurance. It is written in increments of $1 million and requires minimum underlying insurance from your other casualty insurance policies. It is very important that the minimum underlying coverage be maintained so that you are not left exposed in any area. Umbrella policies are generally purchased from the company that insures either your home or your automobile.

An umbrella liability policy will provide additional coverage for you in the event that you or an immediate family member cause a death or injury to another person. It will also provide additional protection in the event someone is seriously hurt while on or using your property. An umbrella policy is relatively inexpensive, around $150 to $350 per year for $1 million in coverage. This is a small price to pay to protect your net worth. (USA).

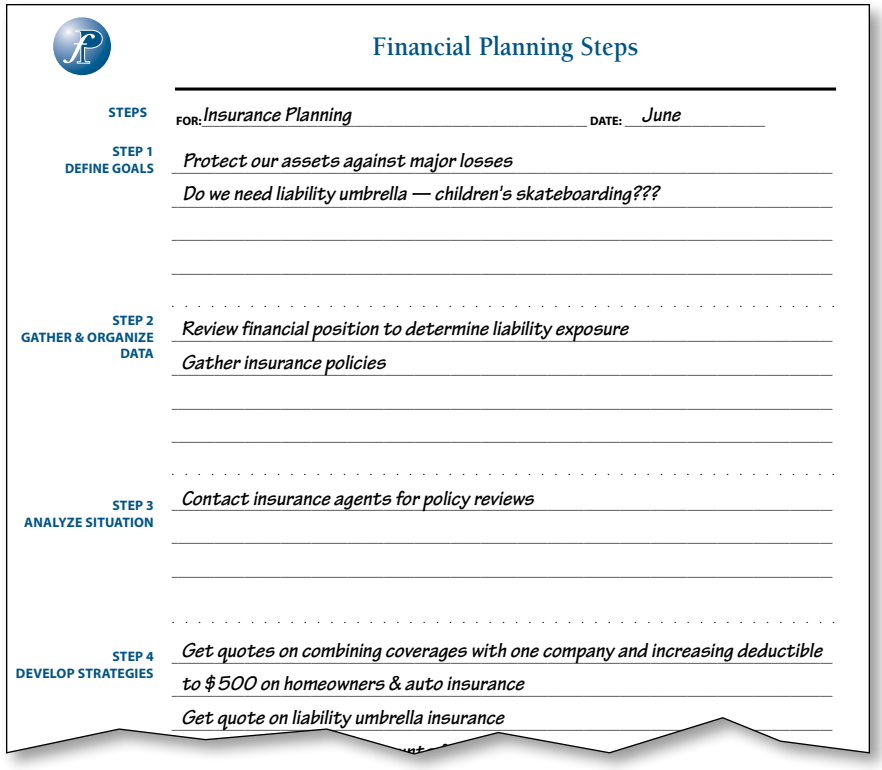
Going Through the Six-Steps

Insurance Planning

1. **Define Your Goals:** The big question here is, How much loss can you afford if you self-insure? Some people feel they must have everything insured in order to be able to sleep at night. Other people would not sleep at night thinking about the premiums they have to pay. Most people fit somewhere in the middle. Where do you stand?
2. **Gather & Organize Your Data:** Review and update your financial position. Review your *Net Worth Statement* and your *Cash Flow Planner,* and note what you have that is vulnerable to damage or loss. Consider these potential losses both for the assets you own and for the cash flow you generate.

   Then gather your insurance policies together. If you have completed organizing your paperwork, as discussed in Chapter 1, all of these policies will be in your *Financial Organizer.* If not, now would be a good time to locate them.
3. **Analyze Your Situation:** Determine your risk exposure by reviewing your existing policies.

   To help you better understand your various types of insurance and risk exposures, complete the separate *Financial and Property & Casualty Insurance Summaries* found at the end of this discussion. Ask your agent(s) for assistance in filling out the forms and analyzing your coverage. As you go through your policies, check to see if they adequately cover your risk exposure in that particular area. For example: Does your property insurance adequately cover the replacement value for that property? If not, adjustments should be made immediately.



Financial Planning Steps

STEPS — FOR: Insurance Planning — DATE: June

STEP 1 DEFINE GOALS
- Protect our assets against major losses
- Do we need liability umbrella — children's skateboarding???

STEP 2 GATHER & ORGANIZE DATA
- Review financial position to determine liability exposure
- Gather insurance policies

STEP 3 ANALYZE SITUATION
- Contact insurance agents for policy reviews

STEP 4 DEVELOP STRATEGIES
- Get quotes on combining coverages with one company and increasing deductible to $500 on homeowners & auto insurance
- Get quote on liability umbrella insurance

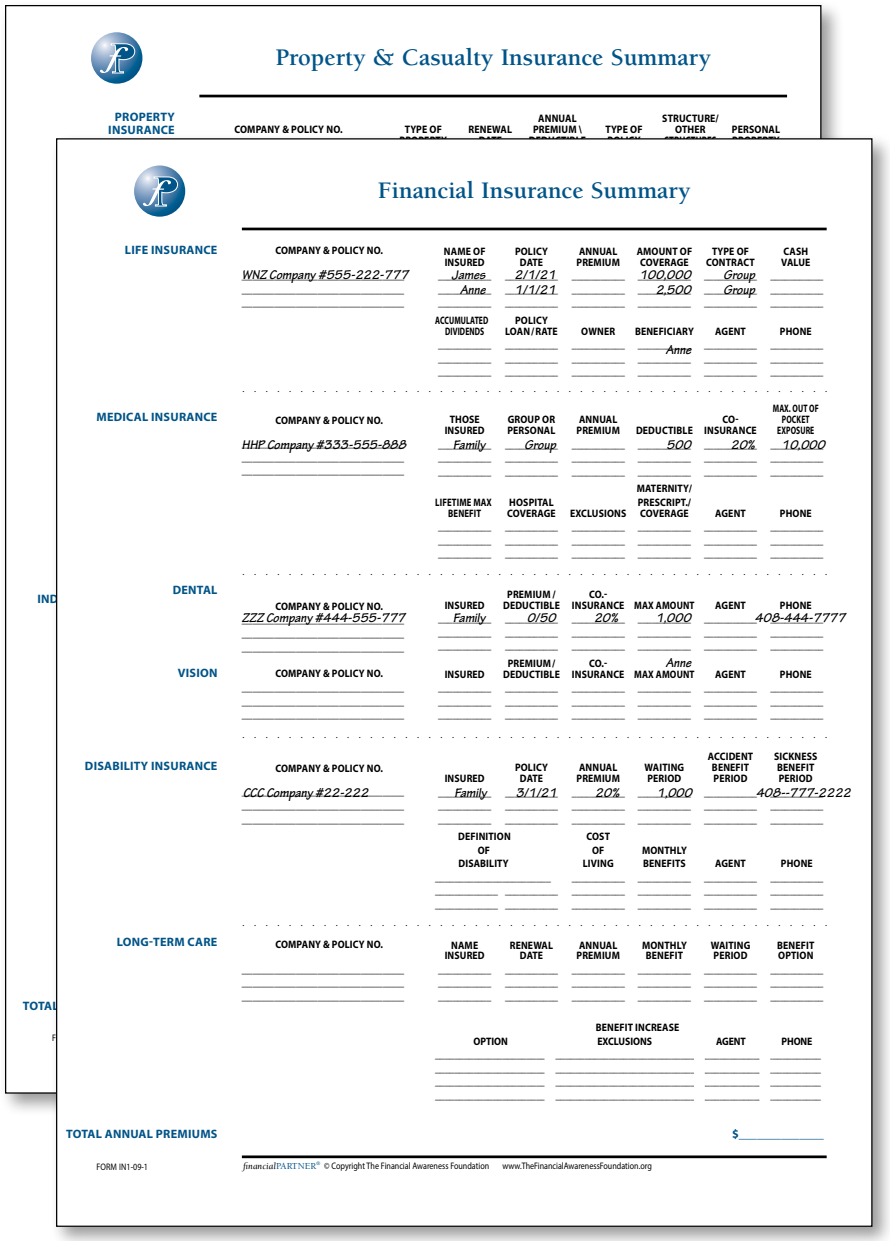
4. **Develop Your Strategies:** Investigate all the options available for providing the coverage you need. Then assess them by looking at both the quality of the company and the cost of premiums.
5. **Implement Your Plan:** Select the adjustments that are needed, and make the changes immediately. Any delays here can be serious.
6. **Track & Monitor Your Progress:** Two months prior to insurance renewal dates, review your insurance coverage in light of any changes in your family situation or your financial position. If appropriate, contact your agent for additional input. Schedule this review on your *Financial Planning Calendar.*

Insurance Policies Summary

The Financial and Property & Casualty Insurance Summaries allow you to recap your various financial and casualty insurance policies in one central location. By completing the summaries, you will learn more about your insurance policies and the areas of your net worth that are properly insured, uninsured, or underinsured. As you become aware of uninsured or underinsured exposures, note on your Things to Do list for further research.

Instructions: *Insurance Policies Summaries*

1. **Locate your insurance policies.**
2. **Complete this outline form for each one of your insurance policies.** Most of this information can be obtained from the cover pages of your insurance policies. You may also want to have your insurance agent assist you with completing these outlines. Check policies both for risk exposure and coverage, as well as the financial condition of the insurance company. Next, determine if there are ways to effectively lower your premium.
3. **Log the policy renewal date on your *Financial Planning Calendar* and make a note to review your policy two months before the actual renewal date.**
4. **Place your insurance policies in your *Financial Organizer*.**
5. **Store these summaries in your *Financial Organizer* or forms binder.**



Property & Casualty Insurance Summary

PROPERTY INSURANCE — COMPANY & POLICY NO. | TYPE OF PROPERTY | RENEWAL DATE | ANNUAL PREMIUM \ DEDUCTIBLE | TYPE OF POLICY | STRUCTURE/ OTHER COVERAGES | PERSONAL PROPERTY

Financial Insurance Summary

LIFE INSURANCE — COMPANY & POLICY NO. | NAME OF INSURED | POLICY DATE | ANNUAL PREMIUM | AMOUNT OF COVERAGE | TYPE OF CONTRACT | CASH VALUE
WNZ Company #555-222-777 | James | 2/1/21 | | 100,000 | Group |
| Anne | 1/1/21 | | 2,500 | Group |
ACCUMULATED DIVIDENDS | POLICY LOAN/RATE | OWNER | BENEFICIARY | AGENT | PHONE
| | | | Anne | | |

MEDICAL INSURANCE — COMPANY & POLICY NO. | THOSE INSURED | GROUP OR PERSONAL | ANNUAL PREMIUM | DEDUCTIBLE | CO-INSURANCE | MAX. OUT OF POCKET EXPOSURE
HHP Company #333-555-888 | Family | Group | | 500 | 20% | 10,000
LIFETIME MAX BENEFIT | HOSPITAL COVERAGE | EXCLUSIONS | MATERNITY/ PRESCRIPT./ COVERAGE | AGENT | PHONE
| | | | | |

DENTAL — COMPANY & POLICY NO. | INSURED | PREMIUM / DEDUCTIBLE | CO.-INSURANCE | MAX AMOUNT | AGENT | PHONE
ZZZ Company #444-555-777 | Family | 0/50 | 20% | 1,000 | | 408-444-7777

VISION — COMPANY & POLICY NO. | INSURED | PREMIUM / DEDUCTIBLE | CO.-INSURANCE | MAX AMOUNT | AGENT | PHONE
| | | | Anne | | |

DISABILITY INSURANCE — COMPANY & POLICY NO. | INSURED | POLICY DATE | ANNUAL PREMIUM | WAITING PERIOD | ACCIDENT BENEFIT PERIOD | SICKNESS BENEFIT PERIOD
CCC Company #22-222 | Family | 3/1/21 | 20% | 1,000 | | 408--777-2222
DEFINITION OF DISABILITY | | COST OF LIVING | MONTHLY BENEFITS | AGENT | PHONE
| | | | | |

LONG-TERM CARE — COMPANY & POLICY NO. | NAME INSURED | RENEWAL DATE | ANNUAL PREMIUM | MONTHLY BENEFIT | WAITING PERIOD | BENEFIT OPTION
| | | | | | |
OPTION | BENEFIT INCREASE EXCLUSIONS | AGENT | PHONE
| | | |

TOTAL ANNUAL PREMIUMS $_____

FORM IN1-09-1

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TIPS & IDEAS

- ☐ The financial planning area of risk management and insurance can be quite confusing and very complex. A good insurance agent is worth her/his weight in gold and is a valuable advisor. There are usually two types of agents: one deals with financial insurance, the other deals with casualty insurance. It is unusual to find one insurance agent well versed in both areas.
- ☐ Get a quote from your insurance agent on increasing your deductible. If you have the cash reserves, and the premium reduction is significant, consider increasing your deductible.
- ☐ There are other types of insurance coverage, such as for flying, recreational vehicles, boating, etc. If you are involved with these or any other activity that could involve property damage or any other personal liability exposure, you should discuss this with your insurance agent. Have your agent explain your exposures and the cost to insure against them.
- ☐ Get quotes on your various property and casualty insurance policies annually. Considerable savings may be available. You should also check with your financial insurance agent to verify the cost of these coverages on a regular basis.
- ☐ Ordinance or Law Coverage — If your property is partially damaged, you may not be able to rebuild or repair it because of a new building ordinance or code change. The cost of demolishing and rebuilding the home is not covered unless you have ordinance and law protection. This coverage is very inexpensive but needs to be added to existing policies. Talk with your agent about this coverage.
- ☐ **Caution:** If you have a health issue or a particular legal problem in your recent history (such as several speeding tickets), discuss this with your agent before making any changes to your policy coverage.
- ☐ Many insurance companies are going through reorganization and consolidation, which may create concern about their stability. To get information about your current insurance company or one that you are considering, you can contact several insurance rating services, such as (USA):
  - A.M. Best Company: 908.439.2200, www.ambest.com
  - Standard & Poor's: 212.438.2400, www.standardandpoors.com/ratings
  - Moody's Investors Services: 212.553.0377, www.moodys.com
  - Duff & Phelps Credit Rating: 866.282.8258, www.duffandphelps.com

  These sources may charge fees for the information, so ask first.
- ☐ Arrange a meeting with your insurance agent to discuss your policies and determine your overall risk exposure. The policies to be reviewed may include life insurance, health insurance, disability insurance, long-term care insurance, vehicle insurance, property insurance, liability insurance, and business insurance.
- ☐ Note that all insurance agents are duly licensed to service your Financial Insurance—life, health, disability, and long-term care insurance and Property & Casualty Insurance —property, vehicle, liability, and business insurance—needs.

Life Insurance, Disability & Long-Term Care Needs

For most families, the main purpose of life insurance is financially assist surviving family members in the event a family's breadwinner passes away. The goal is to provide the necessary capital to allow a surviving spouse and family to live comfortably for a certain period of time.

Determining your life insurance needs is a very personal exercise. Deciding what fixed expenses, like debts or mortgages, to pay off at death or how much income to replace and for how long is ultimately based on your values, and your family and economic situations. There are no right or wrong answers to these questions, but they do need to be addressed.

The calculations to determine the right amount of life insurance for your particular unique situation can be complex, and you will benefit from proper professional expertise, which is strongly encouraged.

The same idea around the life insurance needs calculation can be done for Disability and Long-Term Care.



☐ After you have built a significant living estate and have fulfilled your financial obligation to dependents, you may want to put your life insurance to work in other ways. You may want to use the proceeds to

- Pay for estate taxes and transfer costs so your beneficiaries do not have to liquidate other assets to pay them.
- You may also want to provide certain survivors with a specified dollar amount.
- Benefit a cause or charity to help make our world better

Consult with your financial advisor, insurance agent, or estate and gift planner for details on such options.

You can also consider using web based software for these calculations such as these:

- https://www.360financialliteracy.org/Calculators/Life-Insurance-Calculator
- https://www.360financialliteracy.org/Calculators/Disability-Insurance
- https://www.360financialliteracy.org/Calculators/Long-Term-Care-Calculator

To give you an idea of what is involved, you can use the following worksheet as a framework for calculating your life insurance needs.

Life Insurance Needs Worksheet

NAME James and Anne Sullivan DATE 02/28

		Plan A	Plan B
STEP 1 *Calculate how much annual income your family would require if you were to die within the time frame your income was needed.*	a. What is your current annual gross income?	$ 74,400	$
	b. *Multiply by:* 80% (see instructions)	X .80	X .80
	c. *Equals:* Income replacement need	$ 59,520	$
STEP 2 *Calculate the capital funds you need to produce the income replacement not provided by spouse's work, Social Security, or other sources.*	a. Repeat income replacement need from Step 1c	$ 59,520	$
	b. *Less:* Surviving spouse's annual income	– $ 26,400	– $
	c. *Less:* Annual Social Security survivors' benefits (see Table A)	– $ - *	– $ - *
	d. *Less:* Other regular annual income sources	– $ -	– $
	e. *Equals:* Annual income required from capital fund	$ 33,120	$
	f. *Multiply by:* Table B factor reflecting number of years you want to provide income replacement	X 14.2	X
	g. *Equals:* Estimate of total capital fund for income replacement	$ 470,304	$
STEP 3 *Calculate additional capital needs you'd like to cover for your family.*	a. *Add:* Pay-off mortgage & other debts	+ $	+ $
	b. *Add:* Emergency fund / Cash reserve	+ $	+ $
	c. *Add:* Estate Taxes and Costs	+ $	+ $
	d. *Add:* Children's Education	+ $	+ $
	e. *Add:* Adjustment Period	+ $	+ $
	f. *Add:* Special Gifts	+ $	+ $
	g. *Equals:* Total Additional Capital Needs	$	$
STEP 4 *Calculate the amount of assets and life insurance*	a. *Add:* Personal assets available	+ $ 24,000	+ $
	b. *Add:* Liquid investment assets available	+ $ 33,000	+ $
	c. *Add:* Non-liquid investment assets available	+ $ 140,000	+ $

Instructions: *Life Insurance Needs Worksheet & Tables*

1. **Calculate how much annual income your family would require if** you were to die today.
   a. Enter your total household current gross income; if both you and your spouse work, enter your combined income.
   b. Multiply your total household income by 80% to estimate the amount of income your family would need in the event of your death. This smaller percentage accounts for the fact that there is one less person in the household and changes in lifestyle. You may use a higher or lower percentage, if you prefer.
   c. Multiply a times b. This result is your income replacement need.
2. **Calculate the capital you will need to produce income replacement** not provided by spouse, Social Security, and other sources.
   a. Enter your income replacement need from Step 1c above.
   b. Enter the income your surviving spouse currently earns (or is likely to earn if he or she would return to work).
   c. Refer to Table A, which follows, to estimate the Social Security benefits your family might be entitled to, based on your age and the age of your surviving spouse and children.
   d. Enter any additional income from sources such as trusts, gifts, real estate rentals, deferred compensation, or other family members.
   e. Subtract b, c, and d from a. This now shows you the amount of income that will have to be provided by your current assets and life insurance.
   f. Enter the factor from Table B that reflects the number of years you wish to provide replacement income and your risk tolerance. Deciding on the number of years you want to replace income is **perhaps the most important variable in determining the amount of life insurance you need. The more years you want to provide income, the greater your life insurance needs. Here are some guidelines:**

Table A — Estimated USA Social Security Benefits - 2024

Social Security automatically sends out statements annually to all workers age 25 and older, and provides an estimate of benefits along with a complete earnings history. Individuals may also file Form SSA-7004, Request for Earnings and Benefit Estimate Statement, by mail or request the statement online from the SSA's website. You can also estimate your Social Security benefits online at www.ssa.gov/planners/calculators.htm. There you will find three calculators that can estimate your potential benefit amounts using different retirement dates and different levels of potential future earnings. These calculators show retirement benefits as well as disability and survivor benefit amounts. (USA)

- ☐ Maximum retirement benefits beginning at age 66 are $45,864

For planning purposes, the estimated Average Benefits in 2024 are:

- ☐ Retired worker: $22,884
- ☐ Retired worker and spouse age 66 and over $36,396
- ☐ Widow(er) of worker: $21,276
- ☐ Widow(er) of worker with two children: $43,836
- ☐ Disabled worker: $18,444
- ☐ Disabled worker, spouse, children: $32,620

TIPS & IDEAS

☐ Need cash in a hurry? If you have cash value life insurance, you can borrow against the cash value of your insurance from the insurance company, usually rather quickly and inexpensively.

Note: From Table B, select the column that comes closest to the number of years you wish to provide income replacement for your survivors. Go down the column and select the row that fits your investment style, determined by your Risk Tolerance. The number at the intersection of the column and row is your Table B factor. This factor is a multiplier that helps to determine the capital fund required to replace the income loss of the survivor, assuming an inflation rate of 3.5%.

Table B — Capital Factors			
Years of Income	Risk Tolerance		
	Conservative (5%)	Moderate (7%)	Aggressive (10%)
2	2.0	1.9	1.8
5	4.8	4.5	4.2
7	6.6	6.1	5.5
10	9.2	8.3	7.2
15	13.3	11.5	9.4
20	17.2	14.2	11.0
25	20.7	16.5	12.2

- 0 years — No income replacement makes sense if the surviving spouse is the primary breadwinner and will continue to have a good income.
- 2–5 years — Minimal income replacement can give the surviving spouse a readjustment period to find a job, finish or renew an education, or get training for a new career, after which his or her earning power replaces what was lost.
- Until youngest child reaches age 18 or 22 — Average income replacement is appropriate for families where the surviving spouse is the primary childcare provider. However, this will result in a higher insurance need.
- Lifetime of spouse — Maximum income replacement, in which you replace income until the surviving spouse dies, results in a large need for life insurance. This choice is for families that want the surviving spouse to have an adequate income for life.

g. Multiply e times f to determine the total capital needed to produce income replacement.

3. **Calculate additional capital needs you'd like to cover for your family.**

   a. Enter the amount of debt you would like your life insurance to pay off, such as your mortgage, loans, or credit card debts.

   b. Enter the amount of emergency funds or cash reserves you would like to leave your family. This is typically 3 to 6 months of living expenses.

   c. Enter an estimate of estate taxes and administration costs that you want your insurance to cover. This number is typically low if the estate is going completely to the surviving spouse. However, the services of an attorney, accountant, and other professionals may be required. A useful estimate is $10,000 for estates under $3.5 million that go directly to a spouse and there is no probate involved.

   d. Enter the amount you would like your life insurance to provide to fund your children's education. Annual college costs can range widely depending on the institution, residency, units taken, and regional economies. Try to estimate this entry based on the information you have at present.

   e. Enter an amount for an adjustment period. This might include 3–6 months of living expenses so that your spouse does not have to work for that period of time.

   f. Enter the amount of any special gifts you would like to make to charities, family members, or others.

   g. Total items a through f to determine the amount of additional capital you want covered at your death.

4. **Calculate the net value of assets and life insurance currently available to your family in the event of your death.** This figure should account for any costs involved in liquidation (loans, commissions, etc.).

   a. Enter the net personal assets from your Net Worth Statement that can be liquidated at death to provide for your family.

b. Enter the net liquid investment assets from your Net Worth Statement available at death to provide for your family.

c. Enter the net non-liquid investment assets from Net Worth Statement that could be liquidated at death to provide for your family.

d. Enter the total amount of net life insurance (less any loans) from Schedule 11, available at death to provide for your family.

e. Add a through d to determine the total amount of your current assets and life insurance benefits available at death to your family. This amount helps offset your life insurance needs.

5. **Calculate the amount of additional life insurance needed.**

a. Repeat the result from Step 2g – the total capital required to fund income replacement for the surviving spouse and family.

b. Repeat the result from Step 3g – the additional capital needs to be covered.

c. Repeat the result of Step 4e – the amount of assets and life insurance available at death.

d. Add a and b, then subtract c. The result is an estimate of the amount of additional life insurance you need. If this number is negative (below zero), there is no need for additional insurance. If the negative number is large, you may even have too much life insurance and should consider reducing your costs by lowering the amount of life insurance you already have in place.

This worksheet is designed as a quick "reality check" to assess your current situation. You can use the same approach for your disability and long-term care needs.

As these are complex calculations verify your results by visiting with a qualified financial advisor.

Protect Your Identity

As online activities continue to grow, identity thief can happen to anyone. This can happen when someone steals your personal information to commit fraud. The thief may use your personal information to apply for credit, get medical services, file fraudulent tax returns and other acts that can cost you time and money.

Here are some ways to protect you and family members from identity thief:

- ☐ Don't carry or give out your personal identification number - Social Security Number (SSN) (USA) - unless it is absolutely necessary.
- ☐ Keep your personal and financial information private and secure.
- ☐ Don't let others have access to your hardcopy or digital mail.
- ☐ Review your credit and debit card, bank, credit union and brokerage statements regularly and make sure you approve or made ALL transactions.
- ☐ Safely store your personal and financial information, and shred all discarded financial paperwork.
- ☐ On your digital devices use complex passwords, firewalls and secured connections at all times.
- ☐ Annual check your credit report and score.
- ☐ Consider subscribing to a credit monitoring service.
- ☐ If you are a victim of an identity theft, immediately report it to the Federal Trade Commission (FTC) 877-438-4338. (USA)

If your personal information has been exposed by thief's you may want to consider placing a fraud alert or freeze on your credit reports, and keep an eye out for unauthorized spending within your bank accounts and credit cards.

If Identity Thief happens to you, you may or may not be covered by any of your insurances, or financial institutions. Check with your representative and financial institutions to see how they address this and what are your options.

Action Items - Review The Principles

Here are the essential principles for insurance planning

- ☐ 1. Educate yourself about insurance and risk management.
- ☐ 2. Safeguard assets for yourself and your family that you cannot afford to lose.
- ☐ 3. Assess your risk exposure, explore options, and make informed decisions.
- ☐ 4. Utilize your Six-Steps to Insurance Planning.
- ☐ 5. Annually review and update your Insurance Policies Summary.
- ☐ 6. Coordinate the ownership and beneficiary selections of life insurance with your estate and gift planning.
- ☐ 7. Ensure you have the appropriate amount and type of insurance, avoiding both underinsurance and overpayment.
- ☐ 8. Share these essential insurance principles with friends and family.
- ☐ 9. Avoid Common Mistakes in Insurance and Risk management planning.

"When it comes to insurance / risk management, it is wise to consiprotect what you cannot afford to lose."

Your *financial*PARTNER

Your Personal Financial Plan



Forms: Your *financial*PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.

Action Items: **- 10 out of 11**

- ☐ Check the Forms used below and place them in your forms binder.
- ☐ Update them annually or as your situation changes.

CHAPTER 10: Insurance / Risk Management Planning

- ☐ Financial Insurance Summary 166
- ☐ Property & Casualty Insurance Summary 166
- ☐ Life Insurance, Disability & Long-Term Care Needs Worksheet 168

Insurance and risk management planning is a lifelong process. Protecting what you cannot afford to lose is one of the most important steps you can take toward safeguarding the financial well-being of your family. Use the six-step insurance planning process to guide you through this vital endeavor

CHAPTER 11

Estate & Gift Planning





"The only person who doesn't need an estate and gift plan is one who lives forever."

Your *financial* PARTNER

Addressing Your Estate & Gift Plan

Crafting and addressing your estate and gift plan is a critical aspect of financial management that many individuals overlook. It is important to recognize that everyone possesses an estate and should have a plan in place. Without legally conforming documents like a will, powers of attorney, or a trust, the management and distribution of your assets upon your passing will default to a complex legal process commonly known in many parts of the world as probate, which can be both costly and frustrating for your family and heirs.

Developing your estate and gift plan while you are alive ensures that your assets are managed according to your wishes, especially in the event of sickness, disability or death. This plan encompasses strategies tailored to your goals, including the transfer of property and provisions for your loved ones' care. Implementation begins with drafting and signing essential legal documents such as wills, trusts, and powers of attorney for financial management and healthcare decisions.

Additionally, estate and gift planning involves coordinating how you hold title to your assets, selecting beneficiaries, and potentially transferring certain assets during your lifetime. Regardless of your net worth, estate and gift planning is vital for everyone. It is the only way to maintain control over the distribution and management of your property, while also minimizing time and costs associated with transfers.

While wealthy individuals may utilize complex strategies to reduce taxes and expenses, those with fewer assets may only require a simple will or trust to pass on property and provide for their heirs.

Regardless of the complexity of your situation, an estate and gift plan is an indispensable component of your comprehensive financial planning. By addressing these matters proactively, you ensure your wishes are upheld and your loved ones are cared for according to your intentions.

Common Mistakes to Avoid in Estate & Gift Planning

- ☐ **1. Failing to plan.**
- ☐ **2. Unorganized finances.**
- ☐ **3. Lack of appropriate estate and gift planning documents.**
- ☐ **4. Using outdated estate and gift planning documents.**
- ☐ **5. Relying solely on "do-it-yourself" documents without seeking a second opinion.**
- ☐ **6. Failing to designate backup executors, trustees, and guardians.**
- ☐ **7. Not aligning beneficiaries with your estate and gift plans.**
- ☐ **8. Not coordinating life insurance ownership with your estate plans.**
- ☐ **9. Overlooking property title coordination with your estate plans.**
- ☐ **10. Insufficient coverage in life, disability, long-term care, and property/liability insurance.**
- ☐ **11. Not providing executors and trustees with a comprehensive location sheet.**
- ☐ **12. Failing to discuss your plans with appointed individuals.**
- ☐ **13. Procrastination.**

TIPS & IDEAS

IF YOU DON'T HAVE UP-TO-DATE ESTATE & GIFT PLANNING DOCUMENTS

- Here are a few problems you or your family might encounter

- ☐ You can't find funeral instructions
- ☐ An extensive search for a will may be required
- ☐ The appointment of an estate representative and minor child's guardian becomes much more complicated / expensive
- ☐ Wrong people may inherit
- ☐ The wrong person may pay the estate tax
- ☐ Money may go to children too soon
- ☐ Actions in the probate estate may be delayed and much more expensive

Preview of What You Will Be Doing

- ☐ 1. Learn about the Estate & Gift Planning process
- ☐ 2. Going through the Six-Steps for Estate & Gift Planning
- ☐ 3. Outline your Estate & Gift Planning Goals
- ☐ 4. Completing your Estate & Gift Plan Location Sheet
- ☐ 5. Begin / advance your Estate & Gift Planning
- ☐ 6. Add your competed forms into your FP Forms Binder.

Estate & Gift Planning: The process of developing appropriate strategies to accumulate, preserve, manage, and transfer assets over one's lifetime, disability, and upon death. This is based upon your current personal values and objectives using appropriate legal documents, titling of assets, and beneficiary selections to implement them.

GLOSSARY

Common Estate & Gift Planning Terms

Here are some common estate and gift planning terms used in the USA. Are you familiar with your estate and gift planning terms?

Administrator: The individual or organization approved by a probate court to settle the affairs of a person who died without a valid will.

Advance Health Care Directive: A legal document that gives the person(s) you select the power to make medical and health-care decisions for you in the event that you are unable to make those decisions yourself.

Beneficiary: The person named in an insurance contract, retirement plan, will, or trust agreement who will receive the right to benefits, income, or property, upon the occurrence of some event, such as a death.

Charitable ("Immortality") Trust: A trust that is set up to provide an ongoing current benefit, such as a scholarship, or to grant funds for future generations.

Charitable Lead Trust (CLT): A CLT is often viewed as the opposite of a charitable remainder trust. A donor transfers property to the lead trust, which pays a percentage of the value of the trust assets to a named charity, usually for a term of years. At the end of the trust term, the remaining assets in the trust and any growth it has realized are distributed to your heirs or the beneficiaries you elect. Although there is no income tax deduction when you create a charitable lead trust, your gift or estate tax is greatly discounted and any growth is passed to your heirs' gift and estate tax free.

Charitable Remainder Trust (CRT): A trust into which assets are contributed and which provides a donor with an income-tax deduction and a beneficiary with income over a defined period of time, with the remaining principal going to a charity at the end of the term.

Decanting: Is the process of transferring assets from one trust into another. Trust decanting allows a trustee to establish a new trust with more beneficial trust, eliminating some unfavorable elements within a previous trust.

Donor Advised Fund (DAF): A DAF is a charitable giving vehicle that's administered by a public charity created to manage charitable donations on behalf of individuals, families, or organizations.

Durable Power of Attorney for Financial Management: A legal document that gives the person(s) you select the power to manage your assets in the event that you are unable to do so. It does not cover assets that are in a trust, as these are managed by the trustee.

Estate: The total of all types of property owned and debts incurred by a person at a particular time, usually upon his or her death.

Estate & Gift Planning: The process of developing appropriate strategies to accumulate, preserve, manage, and transfer assets over one's lifetime, disability, and upon death. This is based upon your current personal values and objectives using appropriate legal documents, titling of assets, and beneficiary selections to implement them.

Estate Tax: Taxes collected based on the net value of all the property owned by someone as of their date of death.

Executor: The individual or organization appointed in a will to administer the disposition of an estate according to the instructions set forth in the will.

Fiduciary: A person who assumes responsibility for a position of trust.

Generation-Skipping Tax (GST): A tax applied when the recipient of a gift or bequest is two or more generations younger than the giver (for example, a gift from a grandparent to a grandchild).

Gift Taxes: Tax on the transfer of property by one individual to another while receiving nothing, or less than full value in return.

Guardian of the Person: The individual appointed in a will or by a court to care for minor children or an incompetent adult.

Guardian of the Estate: The individual appointed in a will or by a court to care for the property of minor children or that of an incompetent adult.

Inheritance Tax: The tax paid on the value of property & money received from another person at their death. Not all municipalities have an inheritance tax.

Intestate Succession: The distribution of property when someone dies without leaving a valid will or estate and gift plan, according to the laws of the governing municipality. This process is called "intestate succession" or "intestacy." Who gets what depends on the governing municipality laws.

Irrevocable Trust: A trust in which the *trustor*—the individual who supplies the assets used in setting up a trust—does not retain the right to revoke or amend the trust.

Life Insurance (Wealth Replacement) Trust: A trust that is usually set up as an irrevocable trust for the purpose of receiving life insurance proceeds. Properly structured, proceeds from this trust are estate tax free.

Living (Inter vivos) Trust: A trust that is created while the grantor is alive. It may be revocable or irrevocable.

Payable on Death: Is a beneficiary designation that you can use with your bank accounts. Also called a Totten Trust, Tentative Trust, Informal Trust, Revocable Bank Account Trust, and a 'Poor Man's Trust it offers an easy way to keep money out of probate.

Portability: Beginning for taxpayers dying after 2010 the estate tax exclusion provides for "portable" between spouses. This means that the surviving spouse's exemption is increased by any exemption not used at the first spouse's death. **Caution:** portability is not automatic; to preserve portability and make the unused deceased spouse's exemption available to the surviving spouse, an election must be made on the estate tax return of the first spouse to die.

Power of Appointment: A power or authority, which may be conferred by one person to another to dispose of property.

Power of Attorney: A written document authorizing a person to act as the financial agent or attorney-in-fact in performing specific acts on behalf of another.

Probate: The legal process of administering the non-trust assets of the estate of a deceased person.

Qualified Terminal Interest Property (Q-TIP) Trust: A trust created at death by a will or living trust which provides all of the income to the surviving spouse for life. Upon that survivor's death, assets go to beneficiaries previously designated by the deceased spouse. Properly set up, this trust avoids any estate taxes on the estate of the first spouse. However, at the surviving spouse's death, the Q-TIP will be included within the estate of the surviving spouse. Depending on the overall size, it may be taxed as part of his or her estate.

Testamentary Trust: A trust created by a will to commence upon the death of the person who made the will (the *testator*).

Trust: A legal agreement designed to manage and control certain assets, held by the trustee for the benefit of others.

Trustee: The person, persons or organization appointed by the trustor to manage the assets and distributions of the trust.

Trustor / Grantor / Settlor: The individual who provides the assets used in setting up a trust.

Unified Credit: The estate and gift tax system in the United States is "unified." When computing the estate tax that may be due upon a person's death, the IRS takes into consideration taxable gift transfers by the decedent during his/her lifetime.

Unified Credit (By-Pass) Trust: A trust created either through one's will or through a living trust that allows the unused portion of the unified credit to be placed in trust for a surviving spouse or other beneficiaries.

Will: A legal document through which a person directs the disposition of his or her estate upon death.



If you have a larger estate or complex family situation here are some advanced estate planning strategies and tools to explore and discuss with your financial advisors.

- ☐ Family gifts, and the use of fractional gifts as a discounted interest
- ☐ Family partnerships and private annuities
- ☐ Special use valuations
- ☐ Life insurance, a life Insurance trust / wealth replacement trust, split-dollar
- ☐ Charitable gifts
- ☐ Private and public foundations and donor advised funds
- ☐ Charitable remainder trusts and charitable lead trusts
- ☐ Asset protection trusts
- ☐ Dynasty trusts
- ☐ Private Annuities

Learning the Basics–An Estate & Gift Planning Overview

If you are like many, over the last couple of years you are experiencing or have experienced a significant change in your financial position, your housing, your work, your shopping, and your lifestyle. In estate and gift planning, even during normal times, ordinary life changes can have a material affect on your family estate plans. Unfortunately, you cannot just talk about estate and gift planning because verbal agreements are not legal. You will need to have your attorney put them into writing.

Following are the fundamentals to estate and gift planning with some suggestions for how to save time and money on legal fees and taxes and to get your estate and gift planning house in order, and keep it there over your lifetime.

Start with Your Personal Goals

Identify beneficiaries you want to inherit something from you when you die. Specify how much, what percentage or which specific assets go to each person or charity. Take note of the special needs of your beneficiaries, such as a disability preventing work or an inability to manage money, and identify backup beneficiaries in case your first choices do not survive you.

If you don't have strong feelings about individuals, consider selecting a favorite charity or "cause" to be your primary or secondary beneficiary.

Also consider the timing for distributions to designated recipients. Some beneficiaries can handle a large, lump-sum distribution. Others, such as children, benefit from distributions that are spread out over time.

Identify guardians to raise your minor children should both you and your spouse die or become incapacitated. Also, select guardians of the property to handle your children's inherited assets. Always identify alternates and backups.

Identify executor(s) and trustee(s) to carry out your wishes after your death. You'll need an executor to administer your will, and if you have trusts, you'll also need to name a trustee or trustees to manage them.

For each position, come up with several choices because you don't know who will be willing and able to serve when the time comes. Consider selecting two or, in larger estates, three trustees as a system of checks and balances.

Identify other decision makers to carry out your health and money management choices if you're incapacitated.

For special needs and concerns, list any sensitive family circumstances or concerns you have that may affect your planning, such as prior marriages, ill parents, troubled kids.

Gather Your Personal & Financial Information

- ☐ List full names and addresses for you and your family members
- ☐ List your current advisors
- ☐ List your assets and liabilities at their current values
- ☐ Identify how you hold title to each asset
- ☐ Gather retirement plan and life insurance beneficiary statements
- ☐ Summarize how you make and spend your money
- ☐ Gather employment benefits statements, life insurance policies, long-term care policies, deeds to real property, partnership and business agreements and the last two years of income tax returns
- ☐ Include divorce papers, premarital agreements, existing estate plan documents and any other contractual documents
- ☐ List any questions, concerns and ideas

Seek Out The Right Attorney

Identify several attorneys who specialize in estate & gift planning by getting referrals from a accountant, trust officer, banker, financial advisor, insurance agent, or other trusted financial advisors or financial product providers. Or you can contact the local Bar Association for an attorney near you.

Call the attorneys and ask how many wills and trusts they have prepared this year and in the last 5 years. Ask whether they also handle estate administration after someone dies to see if they're familiar with issues following a death.

Ask how they charge. Estate and gift planning attorneys are specialists, and charge hourly rates while others charge a flat fee for document preparation. Ask if they will provide an introductory meeting with you at no charge. Make sure you are comfortable with your attorney as a person, as he or she should be asking you thought-provoking questions and you'll need to be comfortable discussing them with him or her.

Make the Most of Your First Meeting

Bring your notes and the information from above when you meet with an attorney. This could save one to five hours (or more) of billable time. Discuss your overall goals and see how they can be met.

Ask the attorney about the main documents that need to be prepared:

- ☐ **Will**
- ☐ **Living Trust**
- ☐ **Durable Power of Attorney for Financial Management**
- ☐ **Advance Health Care Directive**

Before leaving the attorney's office, if you are satisfied that you can relate to him or her, request an engagement letter quoting the fee for services and a brief summary of your estate plan—written in terms you can understand—to serve as a record of the decisions made. Confirm that you're taking advantage of all tax-saving possibilities and, when desirable, avoiding probate.

Review & Sign Documents

After you have retained your attorney and he or she has drafted the initial set of your documents for review and approval, note questions and changes in red ink in the margins. Be specific. If you have an estate worth greater than $1 million or a complex family situation, have a copy of your documents sent to another financial professional familiar with estate and gift planning such as your accountant, banker, financial advisors, insurance agent, or any other appropriate qualified estate and gift planning professional for their input. Discuss questions and possible changes with your attorney.

Take Care of Title & Beneficiary Designations

Have your attorney make sure that titles on all your assets, and your beneficiary designations such as life insurance and retirement plans are coordinated with your will and living trust.

Estate & Gift Planning Is Forever

Call your attorney about updating your plan every three years or anytime you have major changes in your personal situation due to births, deaths, marriage or divorce, as well as significant increases or decreases in the size of your estate.

Estate plan documents are technical and very dry; they do not communicate personal feelings. Therefore consider drafting a personal letter to your spouse and family expressing your final thoughts and feelings to them.

It's also important to keep your key financial paperwork readily accessible for those who will be dealing with your affairs if you become incapacitated or when you die.



USA - Estate & Gift Tax Development

Tax Law frequently change; be sure to check with your financial and legal professionals to make sure your Estate & Gift Planning Documents are in proper legal order for your particular situation.

On December 22, 2018 The President signed into law the "Tax Cuts and Jobs Act" (TCJA). This new law contains massive changes to personal and business income taxation. It also touches on Gift / Estate / Generation-Skipping Transfers (GST) Tax Exemptions doubling the estate, gift, and GST tax exemptions. They are indexed for inflation and for 2024 they are - $13.61 million per US domiciliary that is $27.22 million per US couple! Like many individual provisions, these will expire after 2025 unless it is addressed in 2024. This could drop these exemptions by approximately by 50%, causing many more taxable events

- The Federal Gift Tax Exclusion per donee in 2024 is $18,000.
- The top estate, gift, and GST: tax rate is 40%
- Portability: Beginning for taxpayers dying after Dec. 31, 2010 the estate tax exclusion becomes "portable" between spouses. This means that the surviving spouse's exemption is increased by any exemption not used at the first spouse's death. However, this is not automatic; it must elected by timely filing a 706 estate tax return.
- Carryover Basis: For most capital assets transferred at the time of death the beneficiary receives a "stepped up" basis to its fair market value at the date of death.

Check with your financial and legal advisors for updated estate & gift tax information.



Worldwide Income, Estate & Gift Tax Information

USA - Federal & State Tax Information

- **IRS Website**

  https://www.irs.gov/
- **Tax Foundation Website**

  https://taxfoundation.org/state-tax/individual-and-consumption-taxes/
- **Turbo Tax Website**

  https://turbotax.intuit.com/tax-tools/calculators/taxcaster/
- **Kiplinger Website**

  https://www.kiplinger.com/retirement/600892/state-by-state-guide-to-taxes-on-retirees

Global Taxes

- **Tax Foundation Website**

  https://taxfoundation.org/center/global-tax-policy/
- **The Global Company**

  https://www.theglobaleconomy.com/rankings/personal_income_tax_rate/
- **E Y Worldwide Estate & Inheritance Website**

  https://www.ey.com/en_gl/tax-guides/worldwide-estate-and-inheritance-tax-guide
- **PWC Inheritance & Gift Tax Rates**

  https://taxsummaries.pwc.com/quick-charts/inheritance-and-gift-tax-rates

Going Through the Six-Steps

Estate & Gift Planning

1. **Define Your Goals:** What do you want to happen to your assets in the event of death or disability? Have you determined the disposition of your estate? If your beneficiaries predecease you, who are your alternate selections? Do you have any charitable causes that are important to you? How will your assets be distributed, i.e., outright or as an income interest? When will these distributions take place — at your death or over time after your death?



Financial Planning Steps

STEPS — FOR: Estate Planning — DATE: Next month

STEP 1 DEFINE GOALS
- Update Estate Plan — Make sure distribution plans & appointments are current
- Appoint Mike and Martha as guardians for the kids
- Complete beneficiary form for new group life insurance

STEP 2 GATHER & ORGANIZE DATA
- Review assets & liabilities for distribution plan
- Review employee benefits for changes
- Gather Estate Plan documents for review

STEP 3 ANALYZE SITUATION
- Determine what assets are available to produce income at Anne's and my death
- Make a flowchart of Estate Plan
- Review appointments and talk with attorney about guardianship options

STEP 4 DEVELOP STRATEGIES
- Change secondary beneficiary for retirement plan to trust
- Change guardian appointments
- Consider setting up a life insurance trust — now or future?

STEP 5 IMPLEMENT PLAN
- Complete retirement plan beneficiary change form and send in
- Finalize ... to will

- Decisions on the distribution of your assets/estate should take into account the size of the estate, the ages and abilities of the beneficiaries, and your personal desires. For example, a distribution to children over time might be 10% of your estate upon death or at age 18, 25% at age 21, 50% at age 24 or completion of college, and the balance at age 30.
- Many people like to leave a gift to charity in their estate plan because they care about causes, that are important in their lives. Are there any causes you would support in this way?
- The next issue to be dealt with is choosing your appointments. Who will be your executor and, if applicable, trustee and guardians? It is advisable to list at least a first and second alternate for each of your appointments, in case your first choice is unwilling or unable to serve.
- If you have children who are minors, the appointment of a guardian of the person and estate is probably the most important decision you will make. At the court's approval, this person, or persons, will raise your children in a similar manner as you control the finance and are not subject to probate. Consider appointing a family member and their spouse or another close couple who would care for your children.
- Do you have pets? Is so who should take care of them?
- You may want to consider listing multiple executors, trustees, and guardians to serve together in handling the details of your estate. This can provide a system of checks and balances for the appointees and help them avoid oversights or misappropriations. Consider appointing family members, friends, professionals, advisors, or trust companies for this position. These appointees are responsible for managing your money for your beneficiaries. There is risk here — if these people disagree and have problems, they can each be represented in court by counsel that is paid for by the estate, so be very careful in making your selections.
- Living trusts are a popular estate planning tool. Assets held within a living trust are not probated, and can save time and

administrative costs in settling an estate. Be aware that having a living trust does not eliminate the need for trust administration either at the first or second spouse's death. The administration process is a great deal less formal because there are fewer court requirements. However, to get the benefits of the trust, certain details must be attended to, and this is the job of the trustee. For example, leaving a trust for the surviving spouse requires that the trust be funded properly at the first death and in a timely manner.

- If you already have a trust, or you are considering establishing one, make sure that you have informed advisors and reliable trustees. At the time of your death, the trustees must contact the advisors immediately and determine what needs to be done and who is responsible for doing it. Estate and trust administration is complicated and requires special expertise.
- Is estate privacy an issue for you? Do you want your estate to be public record upon your death? Do you have any special gifts you want made to charity? Do you want an elderly parent or friend to be financially cared for? These should be noted and taken care of in your estate plan.

2. **Gather & Organize Your Data:**

The basic tasks to be accomplished here.

- Review and update your financial position.
- Review how you hold title to your assets. Is it consistent with your estate plan? If changes are needed, make a note on your *Things to Do* list.
- Review your insurance and retirement plan beneficiaries. If changes are in order, note them on your *Things To Do* list.
- Did you know that how you hold title to assets has a higher legal priority than your will? For example, if you and your best friend held title to an investment club account as joint tenants and one of you died, all of the property for your children would be transferred to the surviving joint tenant even though you had willed your interest to your spouse.

3. **Analyze Your Situation:** Start by determining your net worth if you were to die today. This can be done by totaling your current assets and subtracting your current liabilities, and adding the value of any life insurance you own.

- If you have a larger estate, or complex assets or family situation explore and discuss with your financial advisors advanced estate planning tools and strategies.

Try sketching a picture or flowchart of your existing estate plan. When you die, how will your assets be distributed under your current plan? Is this what you want? Review your appointments. Have you picked the right people for the job?

- **Executor**
- **Guardian of the Person/of the Property**
- **Trustee**
- **Power of Attorney — Financial Management**
- **Advance Health Care Directive**

4. **Develop Your Strategies:** With the assistance of your estate planning attorney and financial advisor, identify the legal documents that need to be drawn up or adjustments that must be made to existing documents, and determine any other actions needed for your wishes to be known and carried out.

Depending on your estate and gift planning goals and the size and makeup of your estate, your basic estate and gift plan may require the following documents:

- Will – With provisions for distribution of your belongings and pets, possibly a testamentary trust to reduce estate taxes or to protect your beneficiaries with a staggered payout; Executor appointment and guardian appointments to raise minor children, and possibly someone different to manage their assets.

- Living Trust – If your situation has some special circumstances or complexities.
- Power of Attorney for Financial Management
- Advance Health Care Directive (Power of Attorney for Health Care)

To solidify your family estate and gift plans, meet with your spouse or life partner and your estate planning attorney or estate planner to address the particular estate planning documents, techniques, and strategies needed to implement your goals and wishes.

If you have a larger or complex estate or family situation discuss and explore advanced estate planing strategies and tools with your financial advisors.

5. **Implement Your Plan:** Do what needs to be done, such as establish new wills, trusts, advance health care directives and powers of attorney; change alternate designated beneficiaries of retirement plans; and change life insurance policies to trusts. Though estate planning can be done with various financial professionals, the drafting of your legal estate planning documents must be done by a knowledgeable estate planning attorney. Use your *Things to Do* list to check your progress.
6. **Track & Monitor Your Progress:** Check your estate plan annually or any time there are significant changes in your family situation or net worth. Use your *Financial Planning Calendar* to schedule your next review.

Estate Plan & Gift Goals & Documents Outline

The following forms were developed to help you organize and create an outline of the important parts of your estate plan. Completing the ***Estate & Gift Plan Goals Outline*** and the ***Estate & Gift Plan Documents Outline*** will help you better understand your existing situation versus your estate planning goals.

After you have put your estate plan together, you can use these forms to outline your current estate plan. Each year thereafter, establish a set date to review you estate plan goals and update your forms.



Estate Plan & Gift Plan Documents Outline

Estate & Gift Plan Goals Outline

	YOU	
WILLS		
Full Name	First James	Last Sullivan
Date– Will, Drafter's Name	No will — Need to do	
Address, Phone & Email#		
Executor, Phone & Email	Anne Sullivan	
Alternates	#1 Jane Andrews	#2
Guardian of the Person	Anne Sullivan	
Alternates	#1 Pete & Sue Lee	#2
Guardian of the Property	Anne Sullivan,J	
Alternates	#1 Jane Andrews	#2
Trustee, Phone & Email	Anne Sullivan	
Alternates	#1 Jane Andrews	#2
Distribution Plan	My assets should benefit Anne;	
Charitable Gifts	at her death to the kids	
TRUST		
Date–Trust, Drafter's Name	N/A	
Address, Phone & Email#		
Trustee, Phone & Email		
Alternates	#1	#2



Instructions: *Estate & Gift Planning Goals & Documents Outline*

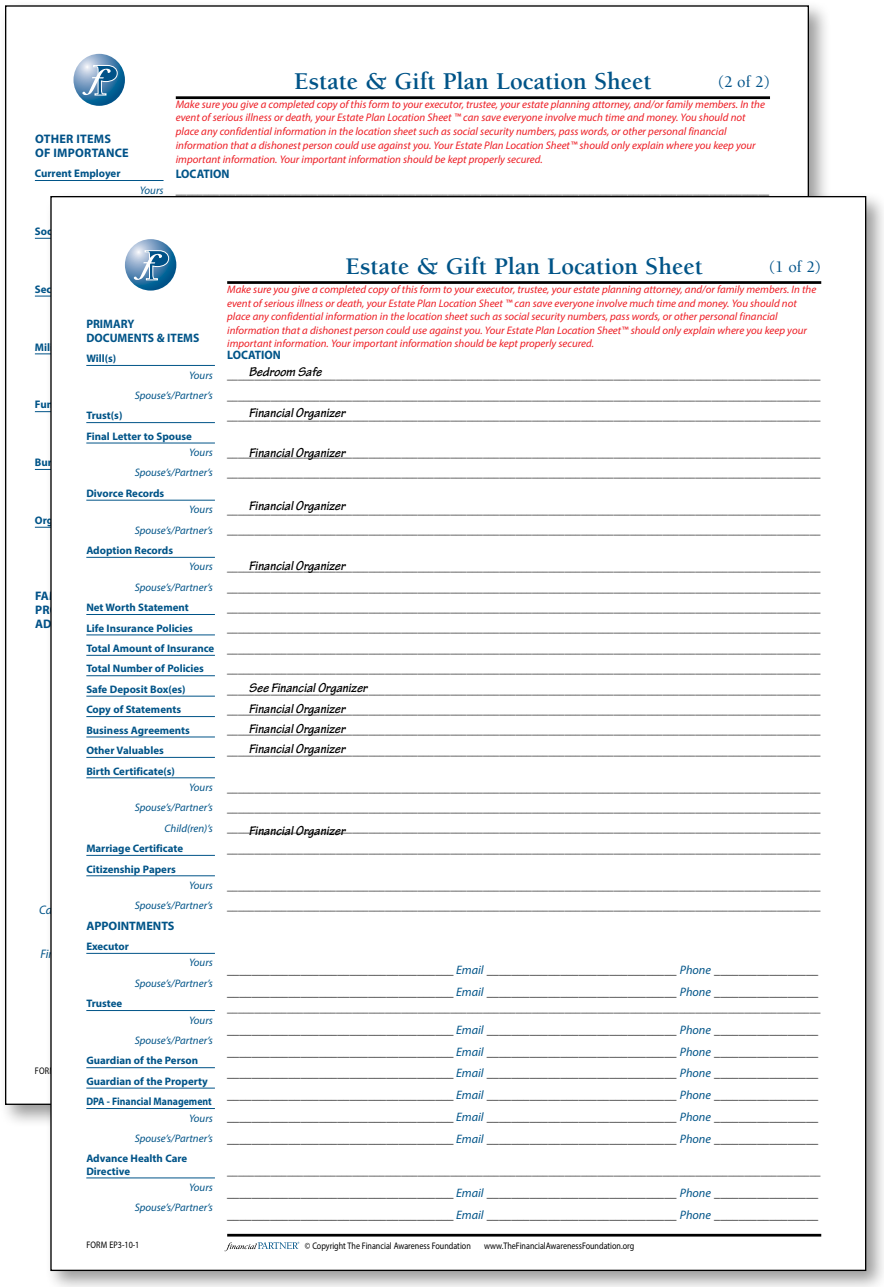
1. **Gather your Estate & Gift plan documents.** If you've completed organizing your financial documents as outlined in Step 1, everything you need should be in your *Financial Organizer.*
2. **In your *Estate & Gift Plan Goals Outline* form, note your appointments and asset distribution and the management plans for your will, trust(s), power of attorney, and advance health care directive.** If you have these existing estate plan documents, outline them in the Estate Plan Documents Outline form; if not, ignore this form.
3. **File this form in your *Financial Organizer* or forms binder.**
4. **After completing the form(s), if your Estate & Gift Plan Goals don't match your Estate & Gift Plan Documents Outline, contact your estate planning attorney or find a qualified estate planning attorney to review this estate and gift planning package with you.** If your situation is complex, or if you have a net worth over $1 million, consider retaining a financial advisor / estate planner to work with you and your attorney. This professional should have a good reputation for estate and gift planning in your community and be someone who is knowledgeable of the existing laws and estate and gift planning strategies and someone to whom you are comfortable with.
5. **Have your attorney (and estate and gift planner, if appropriate) review the above information and suggest alternative strategies for reaching your goals.** Discuss the advantages and disadvantages of living trusts over testamentary trusts, outright distribution versus distributions over time, and the need for life insurance, disability insurance, and long-term care insurance. Go over cost-saving techniques, such as ways of holding title to your various properties and coordinating your ownership and beneficiary selections for insurance and retirement plans. Review the value of making living gifts versus testamentary dispositions, irrevocable life insurance trusts, charitable remainder trusts, charitable lead trusts, and gifts, along with any other estate planning techniques that might be applicable to your situation.
6. **Each year, establish a set date to review your estate & gift plan goals and update your forms.** An ideal time to do this is after you file your income tax return or during ***Estate & Gift Planning Awareness Month***, in October.



- ☐ Finishing Touches- After proper estate plan documents are drafted, reviewed, adjusted and signed, it's important that you:
- ☐ Place your estate & gift plan documents in a financial organizer & store in a fireproof place
- ☐ Coordinate title of your property with your estate plan
- ☐ Review and update your primary and alternate beneficiaries for life insurance and your retirement plans
- ☐ Review your insurance needs; acquire or drop insurance as needed
- ☐ Annually prepare a list of assets & liabilities and make copies of year-end statements and place them with your estate plan documents
- ☐ Complete estate planning location sheet for executor/trustee
- ☐ Address concerns about pets if not addressed in the will
- ☐ Write a final letter to loved ones
- ☐ Consider creating a quality of life statement to accompany your Advance Healthcare Directive
- ☐ Consider a family office annual meeting
- ☐ Consider setting up a Donor Advised Fund
- ☐ Annually review your estate and gift plan documents to make sure they continue to meet your goals and needs.

Estate & Gift Plan Location Sheet

Your *financial*PARTNER provides you with an *Estate & Gift Planning Location Sheet* to help you complete your estate planning. This form indicates where you keep your important financial information, including your *Financial Organizer*. Make sure you give a completed copy of this form to your executor and family members. In the event of serious illness or death, the *Location Sheet* can save everyone involved much time and money.



Estate & Gift Plan Location Sheet (2 of 2)

Make sure you give a completed copy of this form to your executor, trustee, your estate planning attorney, and/or family members. In the event of serious illness or death, your Estate Plan Location Sheet ™ can save everyone involve much time and money. You should not place any confidential information in the location sheet such as social security numbers, pass words, or other personal financial information that a dishonest person could use against you. Your Estate Plan Location Sheet™ should only explain where you keep your important information. Your important information should be kept properly secured.

OTHER ITEMS OF IMPORTANCE

Current Employer — Yours — LOCATION

Estate & Gift Plan Location Sheet (1 of 2)

Make sure you give a completed copy of this form to your executor, trustee, your estate planning attorney, and/or family members. In the event of serious illness or death, your Estate Plan Location Sheet ™ can save everyone involve much time and money. You should not place any confidential information in the location sheet such as social security numbers, pass words, or other personal financial information that a dishonest person could use against you. Your Estate Plan Location Sheet™ should only explain where you keep your important information. Your important information should be kept properly secured.

PRIMARY DOCUMENTS & ITEMS — LOCATION

Will(s)	Yours	Bedroom Safe
	Spouse's/Partner's	
Trust(s)		Financial Organizer
Final Letter to Spouse	Yours	Financial Organizer
	Spouse's/Partner's	
Divorce Records	Yours	Financial Organizer
	Spouse's/Partner's	
Adoption Records	Yours	Financial Organizer
	Spouse's/Partner's	
Net Worth Statement		
Life Insurance Policies		
Total Amount of Insurance		
Total Number of Policies		
Safe Deposit Box(es)		See Financial Organizer
Copy of Statements		Financial Organizer
Business Agreements		Financial Organizer
Other Valuables		Financial Organizer
Birth Certificate(s)	Yours	
	Spouse's/Partner's	
	Child(ren)'s	Financial Organizer
Marriage Certificate		
Citizenship Papers	Yours	
	Spouse's/Partner's	

APPOINTMENTS

Executor	Yours	Email ____ Phone ____
	Spouse's/Partner's	Email ____ Phone ____
Trustee		
	Yours	Email ____ Phone ____
	Spouse's/Partner's	Email ____ Phone ____
Guardian of the Person		Email ____ Phone ____
Guardian of the Property		Email ____ Phone ____
DPA - Financial Management	Yours	Email ____ Phone ____
	Spouse's/Partner's	Email ____ Phone ____
Advance Health Care Directive		
	Yours	Email ____ Phone ____
	Spouse's/Partner's	Email ____ Phone ____

FORM EP3-10-1

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Instructions: *Location Sheet*

1. **Complete the location sheet and make a copy for your executor or a close family member.**
2. **File this form in your *Financial Organizer* or forms binder.**
3. **Review annually and update as necessary.**

TIPS & IDEAS

- ☐ Wills and trusts are usually very impersonal. You may also wish to write a letter to your spouse, children, and loved ones expressing your farewell thoughts.
- ☐ If your parents or children have not discussed their estate & gift plans with you, it may be a good idea to copy the *Estate & Gift Planning Location Sheet* form and ask them to complete it for themselves.

TIPS & IDEAS

ESTATE & GIFT PLANNING PACKAGE FOR YOUR ADVISOR

Prepare an estate planning package prior to meeting with your financial advisor or attorney. This package should consist of copies of the following information from your *Financial Organizer* and *financial*PARTNER forms:.

☐ GENERAL INFORMATION

- Personal Fact Sheets — Part I, Chapter 1/Form GO5
- Family Tree — Part 1, Chapter 1/Form GO12
- Financial Advisors Fact Sheets — Part I, Chapter 1/Form GO10

☐ FINANCIAL POSITION

- Net Worth Statement — Part I, Chapter 2/Form FP0
- Retirement Plans — Part I, Chapter 2/Form FP5
- Cash Flow Planner — Part I, Chapter 3/CF1
- Employment Benefits Summary — Part I, Chapter 4/EB1

☐ INSURANCE / RISK MANAGEMENT

- Life Insurance — Part I, Chapter 2/Form FP11

☐ ESTATE & GIFT PLAN

- Estate & Gift Plan Goals Outline — Part II, Chapter 11, Form EP1
- Estate & Gift Plan Documents Outline — Part II, Chapter 11/ Form EP2

☐ OTHER IMPORTANT ITEMS

- Will and Trust Documents
- Property Agreements
- Powers of Attorney
- Advance Health Care Directive
- Deeds to Real Property
- Partnership Agreements
- Buy/Sell Agreements
- Retirement Plan(s) and Beneficiaries Statement(s)
- Employee Benefits Package
- Divorce and or Property Settlement Agreements
- List of Your Questions, Concerns, and Ideas
- Two Years of Income Tax Returns

By providing your advisors with this information, you could save one to five hours (or more) of their billable time. At $150 to $450 per hour ot more, this could be a significant savings!

Action Items - Review The Principles

Here are the essential principles for estate & gift planning

- ☐ 1. Educate yourself about estate and gift planning.
- ☐ 2. Get organized and maintain organization.
- ☐ 3. Utilize the Six-Steps to A Successful Plan process.
- ☐ 4. Draft and keep your estate planning (EP) and gift planning (GP) documents current.
- ☐ 5. Review your Estate and Gift Planning documents annually.
- ☐ 6. Update beneficiary selections for your life insurance and retirement plans as needed.
- ☐ 7. Ensure property titles align with your estate planning documents.
- ☐ 8. Annually review and update your location sheet; provide copies to your appointments and attorney when necessary.
- ☐ 9. Collect year-end statements for financial accounts and loans annually; store them with your documents.
- ☐ 10. Conduct an annual inventory of assets and liabilities; include it with your Estate and Gift Planning documents.
- ☐ 11. Maintain an appropriate level of life insurance coverage.
- ☐ 12. As your estate approaches or surpasses the federal estate tax exclusion, explore advanced planning techniques and tools.
- ☐ 13. Discuss your plans with your Estate and Gift Plan appointees.
- ☐ 15. Engage in conversations with family about financial, estate, and gift planning.
- ☐ 16. Share these essential planning principles with family and friends.
- ☐ 17. Avoid common mistakes in Estate and Gift Planning.

Your Personal Financial Plan



Forms: Your *financial*PARTNER includes a series of forms and worksheets to assist you in crafting your Personal Financial Plan, while organizing and managing your finances.

Action Items: **- 11 out of 11**

- ☐ Check the Forms used below and place them in your forms binder.
- ☐ Update them annually or as your situation changes.

CHAPTER 11: Estate & Gift Planning - 11 out of 11

- ☐ Estate & Gift Plan Goals & Documents Outline 182
- ☐ Estate & Gift Planning Location Sheets 184

Estate & gift planning is a lifelong process. It is also a very valuable and loving gift to give your family and loved ones.

If you have following and completing the tasks outline within the chapters, you will be financially organized and have you Comprehensive Financial, Estate & Gift Plan.



PART II Financial Planning Overview

As you will now have seen this 'Life Changing Publication' is much more than words about some financial planning topics. This is a complete personal financial management system designed to

1. Introduce you to The FA Infinity Lifelong Learning Symbol and to the secrets and essential principles of smart money management – the foundation to personal finance knowledge
   - Helping you to make better informed lifelong financial decisions
2. Provide you with a clear step-by-step systematic approach to organizing and managing personal finances over one's lifetime
   - Saving you time and money
3. Prepare you with skills to work efficiently with financial service professionals & financial product providers
   - Getting the best results from time & money
4. Develop your updateable personal financial plan to serve as your lifelong roadmap – 'Guide'
   - Giving you the best possibilities of living out a fun, meaningful, and successful career/financial future.

We believe having better personal finance knowledge changes your world & the world around you… FOREVER

"A financial dream isn't a financial goal. A financial dream is something you hope for. A financial goal is something you plan and work toward."

- Peter Kwadwo Asare Nyarko



The following summarizes what you have accomplished and provides you with an recap of the

- Financial Planning Steps
- Common Personal Finance Mistakes to Avoid
- Essential Principles to Smart Money Management

These tools provide you with a visual reference point over the years, to see how you're progressing. They also provide your with a powerful tool to help you make better informed everyday money decisions along with your future financial planning.



OVERVIEW OF THE financial PARTNER FINANCIAL PLANNING PROCESS™

Steps \ Financial Areas	Financial Independence/ Retirement Planning (FIR)	Major Expenditures	Investment Planning
1. Define Goals	☐ When would you like to be financially independent or retire? ☐ How much money will be needed each year? ☐ Where and how will you live? ☐ How long should your money last?	☐ What do you want? ☐ How much does it cost? ☐ Do you wish to make charitable contributions to any organizations?	☐ What are your financial goals? ☐ How much risk are you willing to assume? ☐ What is the target rate of return needed from your investments to reach your goals?
2. Gather & Organize Data	☐ Review and update your financial position.	☐ Review and update your financial position.	☐ Review and update your financial position.
3. Analyze Situation	☐ Prepare financial calculation. Project the future value of your income needs, income sources, investment assets, and savings to the targeted time of your FIR. What do they look like? ☐ Compare your goals to projected situation. ☐ Adjust the above variables until your projects meet your goals.	☐ Prepare financial calculation. ☐ Do you really need it? ☐ Budget — Does it support this expenditure now or in the future? ☐ Can you delay the purchase? ☐ Can you buy it for less? ☐ Could you finance it? ☐ Should you start a savings plan for this item?	☐ Are your assets allocated properly for you? ☐ Are your investments generating appropriate returns for you? ☐ Do your return expectations match your risk tolerance? ☐ What is a reasonable target rate of return for you? ☐ Do you need the advice of a professional?
4. Develop Strategies	☐ Put more money into your 401(k) plan. ☐ Generate higher returns. ☐ Delay the time for FIR. ☐ Lower income needs. ☐ Outline investment plans.	☐ Identify where the funds should come from. ☐ Outline investment plans.	☐ Identify investment alternatives and techniques. ☐ Seek assistance from financial advisors.
5. Implement Plan	☐ Identify what needs to be done, and take action.	☐ Identify what needs to be done, and take action.	☐ Identify what needs to be done, and take action.
6. Track & Monitor Progress	☐ Annually	☐ Annually	☐ Quarterly or Annually



OVERVIEW OF THE *financial* PARTNER FINANCIAL PLANNING PROCESS™

Tax Planning	Insurance/Risk Mgt. Planning	Estate & Gift Planning	Financial Areas / Steps
☐ Are you using all the tax strategies to pay less tax? ☐ Are you concerned about being audited?	☐ How much can you afford?	☐ What do you want to happen to your assets in the event of death of disability? ☐ Do you wish your estate to provide charitable contributions to any organizations?	**1. Define Goals**
☐ Outline taxable income and deductible expenses.	☐ Review and update your financial position. ☐ Gather your insurance policies.	☐ Review and update your financial position. ☐ Note how you hold title to property. ☐ Note insurance and retirement plan beneficiaries.	**2. Gather & Organize Data**
☐ Prepare a current tax position calculation. ☐ If you are paying more than your fair share, why? ☐ Meet with your tax advisor.	☐ Determine risk exposure. ☐ Review insurance policies: ☐ Life (perform needs analysis) ☐ Health ☐ Disability (perform needs analysis) ☐ Long-term care ☐ Audit your Social Security account ☐ Vehicle ☐ Property ☐ Liability ☐ Umbrella policy ☐ Meet with your insurance agent(s).	☐ Review your existing estate plan. Does it reflect what you want? ☐ Be sure you fully understand your title to property holdings. ☐ Review your appointments. Are they best suited for the job? ☐ Executor ☐ Guardians of the Person/Property ☐ Trustee ☐ Power of Attorney/Health Care Directive ☐ If estate is over tax free transfer limits? if so do a tax calculation. ☐ Meet with your financial advisors and attorney.	**3. Analyze Situation**
☐ Identify tax-reduction strategies.	☐ Adjust insurance policies. ☐ Shop for better coverage.	☐ Identify legal documents needed or adjustments to existing documents: ☐ Will ☐ Trust(s) ☐ Power of Attorney ☐ Advance Health Care Directive ☐ Identify cost-reduction techniques.	**4. Develop Strategies**
☐ Identify what needs to be done, and take action.	☐ Identify what needs to be done, and take action.	☐ Identify what needs to be done, and take action.	**5. Implement Plan**
☐ Quarterly or Annually	☐ Two months prior to policy renewal date	☐ Annually or after a change in your personal situation	**6. Track & Monitor Progress**

Common Personal Finance Mistakes to Avoid

1. Paperwork	2. Net Worth	3. Cash Flow	4. Employment Benefits	5. Goals	6. Financial Independence / Retirement Planning
1. Being disorganized. 2. Maintaining multiple To-Do Lists. 3. Not storing primary documents in a central location, making it difficult for you or someone else to locate them during emergencies. 4. Failing to build and track your social capital. 5. Not utilizing financial advisors and product providers effectively. 6. Neglecting to seek a second opinion on significant transactions. 7. Not regularly checking your credit report and score. 8. Failing to protect your confidential information and identity. 9. Procrastination.	1. Failing to list and analyze what you own and owe annually. 2. Not comprehending your assets and liabilities. 3. Accumulating debt due to overspending. 4. Taking on high-interest debt without immediate repayment plans. 5. Neglecting to update asset titles in line with your estate plans. 6. Failing to keep beneficiary selections current. 7. Lacking sufficient cash reserves or a backup line of credit. 8. Procrastination.	1. Spending more than you earn. 2. Incurring debt due to overspending. 3. Failing to systematically track your income and expenditures. 4. Not employing sound cash flow management techniques. 5. Succumbing to impulse spending and peer pressure expenditures. 6. Lacking a sufficient emergency cash reserve and backup credit. 7. Not educating family members—parents, children, and grandchildren—about the essential principles of smart money management. 8. Procrastination.	1. Failing to understand your benefits and their tax implications. 2. Not utilizing benefits wisely. 3. Neglecting to keep beneficiary selections current. 4. Not actively managing your retirement or deferred compensation plans. 5. Holding too much of your net worth in company stock. 6. Procrastination.	1. Failing to set personal and financial goals. 2. Living unhappily and not maximizing your life's potential. 3. Avoiding asking questions. 4. Failing to contribute to improvements and problem-solving. 5. Lacking a neutral mindset. 6. Procrastination.	1. Failing to plan for the future. 2. Not understanding the concepts of compounding and the time value of money. 3. Neglecting to calculate the income needed at your Financial Independence Retirement (FIR) and the capital required to accumulate. 4. Not initiating a savings and investment plan early on. 5. Failing to invest wisely and prudently. 6. Relying solely on the equity of your home to fund your future. 7. Assuming an inheritance will suffice for your future financial needs. 8. Overlooking inflation when estimating future living expenses. 9. Not being prepared for potential medical emergencies. 10. Ignoring the implications of a longer life expectancy. 11. Procrastination.

Common Personal Finance Mistakes to Avoid

7. Major Expenditures Planning	8. Investing Planning	9. Tax Planning	10. Insurance / Risk Management Planning	11. Estate & Gift Planning
1. Failing to plan for the future. 2. Living day-to-day without setting specific goals. 3. Making impulse purchases influenced by peer pressure or marketing tactics. 4. Opting for financing when waiting and paying cash would have been wiser. 5. Not conducting product research before making a purchase. 6. Having unrealistic expectations about your ability to afford major expenses. 7. Procrastination.	1. Unorganized finances. 2. Investing without clearly defined objectives and a structured plan. 3. Lacking understanding of your current and potential investments. 4. Not recognizing your own or your spouse/partner's risk tolerance. 5. Overlooking fees and costs associated with your investments. 6. Improper asset allocation. 7. Insufficient diversification in your investment portfolio. 8. Being sold investments rather than actively selecting them. 9. Making hasty investment decisions out of panic. 10. Neglecting the principles of compounding and the time value of money. 11. Not utilizing investment advisors effectively. 12. Failing to seek a second opinion on significant investment decisions. 13. Procrastination.	1. Unorganized finances. 2. Lack of proactive tax planning. 3. Failing to capitalize on available tax deductions and credits. 4. Consistently receiving tax refunds, indicating inefficient tax planning. 5. Not utilizing salary reduction options available within retirement plans. 6. Neglecting to seek tax advice before entering into significant transactions. 7. Incorrectly entering tax data into tax preparation software. 8. Aggressively using tax shelters without proper understanding. 9. Procrastination.	1. Failing to plan. 2. Having insufficient, excessive, or inappropriate insurance coverage. 3. Overpaying for insurance. 4. Not aligning the ownership and beneficiary selections of life insurance with your estate and gift planning. 5. Procrastination.	1. Failing to plan. 2. Unorganized finances. 3. Lack of appropriate estate and gift planning documents. 4. Using outdated estate and gift planning documents. 5. Relying solely on "do-it-yourself" documents without seeking a second opinion. 6. Failing to designate backup executors, trustees, and guardians. 7. Not aligning beneficiaries with your estate and gift plans. 8. Not coordinating life insurance ownership with your estate plans. 9. Overlooking property title coordination with your estate plans. 10. Insufficient coverage in life, disability, long-term care, and property/liability insurance. 11. Not providing executors and trustees with a comprehensive location sheet. 12. Failing to discuss your plans with appointed individuals. 13. Procrastination.



The Essential Principles to Smart Money Management™

1. Paperwork	2. Net Worth	3. Cash Flow	4. Employment Benefits	5. Goals	6. Financial Independence / Retirement Planning
1. Start and maintain only one Things to Do List. 2. Organize your primary documents in a central location for easy access during emergencies. 3. Keep your filing system up-to-date. 4. Maintain a Financial Planning Calendar. 5. Keep your Personal and Family Fact Sheets current. 6. Effectively build and track your social capital. 7. Wisely select and utilize advisors and product providers. 8. Always seek a second opinion on important transactions. 9. Annually review and check your credit report and credit scores. 10. Safeguard your confidential information and identity for you and your family. 11. Share these essential principles with family and friends. 12. Avoid Common Mistakes in Organizing Paperwork. 13. Commit to getting and staying organized.	1. Understand what you own and owe. 2. Annually list your assets and liabilities. 3. Compare your net worth statement annually with the previous year and evaluate your progress. 4. Check property titles and beneficiary selections annually to ensure they align with your estate and gift planning wishes. 5. Build an appropriate cash reserve and establish backup credit. 6. Avoid incurring debt due to overspending. 7. Steer clear of high-interest debt. 8. Share these essential principles with family and friends. 9. Avoid Common Mistakes in Knowing Where You Stand financially.	1. Identify your income sources and understand your spending habits. 2. Utilize cash management techniques to live within your means. 3. Develop a cash flow plan, ideally with your partner. 4. Build an appropriate cash reserve and establish backup credit. 5. Control impulse spending and resist peer pressure expenditures. 6. Effectively manage your cash flow. 7. Avoid incurring debt due to overspending. 8. Steer clear of high-interest debt. 9. Share these essential principles with friends and family. 10. Avoid Common Mistakes in Cash Flow Management.	1. Outline your employment benefits and review them annually. 2. Educate yourself about the tax treatment of your employment benefits. 3. Verify beneficiary selections on insurance and retirement plans. 4. Evaluate your health insurance options. 5. Annually review your retirement and tax-deferred plans to ensure proper management. 6. Maintain a current resume for potential opportunities that may arise. 7. Share these essential principles with family and friends. 8. Avoid Common Mistakes in Managing Employment Benefits.	1. Define what's truly important to you personally, for your family, and charitably. 2. Regularly review and update your priorities in personal, financial, and charitable aspects. 3. Be proactive by asking questions, problem-solving, being creative, and collaborating. 4. Maintain a neutral mindset in decision-making. 5. Share these essential principles with friends and family. 6. Avoid Common Mistakes in Goal Setting.	1. Learn about financial independence and retirement planning. 2. Understand the concepts of compounding and the time value of money. 3. Calculate the income needed at your Financial Independence Retirement (FIR) and determine the capital required to accumulate. 4. Initiate your savings and investing plans as soon as possible. 5. Utilize your Six Steps to FIR Planning Process. 6. Annually update and review your FIR projections. 7. Share these essential principles with friends and family. 8. Avoid Common Mistakes in Dealing with FIR Planning.

The Essential Principles to Smart Money Management™

7. Major Expenditures Planning	8. Investing Planning	9. Tax Planning	10. Insurance / Risk Management Planning	11. Estate & Gift Planning
1. Learn about your major expenditures before buying. 2. Avoid buying major expenditures your can't afford. 3. Avoid impulse buying of major expenditures. 4. Prioritizing planned major expenditures. 5. Use your Six-Steps for Major Expenditures Process. 6. Share these essential principles with friends & family. 7. Avoid the Common Mistakes in Dealing with Major Expenditures.	1. Learn about various types of investments. 2. Determine your own and your spouse/partner's risk tolerance. 3. Avoid investing without establishing clear objectives and a structured plan. 4. Understand the strong correlation between risk and potential reward. 5. Recognize that a longer time horizon allows for taking on more risk. 6. Acknowledge that all investments come with some level of risk. 7. Utilize your Six-Steps to Investment Planning Process. 8. Avoid overpaying fees associated with your investments. 9. Implement proper asset allocation strategies. 10. Ensure sufficient diversification in your investment portfolio. 11. Annually update your Investment Policy Statement and Plan. 12. Actively select investments rather than being sold on them. 13. Utilize investment advisors effectively and judiciously. 14. Seek a second opinion before making significant investment decisions. 15. Share these essential investment principles with family and friends. 16. Avoid Common Mistakes in Investment Planning.	1. Educate yourself about tax laws. 2. Maintain organized finances. 3. Understand the tax implications of transactions before committing—always ask, "What are the tax effects of this transaction?" 4. Initiate tax planning early and complete it before year-end. 5. Exercise caution and avoid overly aggressive use of tax-sheltered investments. 6. Utilize your Six-Steps to Tax Planning Planner. 7. Share these essential tax planning principles with family and friends. 8. Avoid Common Mistakes when Dealing with Tax Planning.	1. Educate yourself about insurance and risk management. 2. Safeguard assets for yourself and your family that you cannot afford to lose. 3. Assess your risk exposure, explore options, and make informed decisions. 4. Utilize your Six-Steps to Insurance Planning. 5. Annually review and update your Insurance Policies Summary. 6. Coordinate the ownership and beneficiary selections of life insurance with your estate and gift planning. 7. Ensure you have the appropriate amount and type of insurance, avoiding both underinsurance and overpayment. 8. Share these essential insurance principles with friends and family. 9. Avoid Common Mistakes in Insurance / Risk Management Planning.	1. Educate yourself about estate and gift planning. 2. Get organized and maintain organization. 3. Utilize the Six-Steps to A Successful Plan process. 4. Draft and keep your estate planning (EP) and gift planning (GP) documents current. 5. Review your Estate and Gift Planning documents annually. 6. Update beneficiary selections for your life insurance and retirement plans as needed. 7. Ensure property titles align with your estate planning documents. 8. Annually review and update your location sheet; provide copies to your appointments and attorney when necessary. 9. Collect year-end statements for financial accounts and loans annually; store them with your documents. 10. Conduct an annual inventory of assets and liabilities; include it with your Estate and Gift Planning documents. 11. Maintain an appropriate level of life insurance coverage. 12. As your estate approaches or surpasses the federal estate tax exclusion, explore advanced planning techniques and tools. 13. Discuss your plans with your Estate and Gift Plan appointees. 14. Engage in conversations with family about financial, estate, and gift planning. 15. Share these essential planning principles with family and friends. 16. Avoid Common Mistakes in Estate & Gift Planning.

12 Month Financial Fitness Plan

January * Organize paperwork—saves time/money * If bankable review credit report * Protect your identity	**May** * Review insurance policies & risk management—protect your assets	**September** * Review spending plans—plan for year-end gifting & spending
February * Update & review your net worth statement & spending plans - Know where you stand * Gather tax return info, if required	**June** * Review employment benefits—discover your hidden paycheck	**October** * Review & Update Estate & Gift Plans—protect yourself & your loved ones
March * Review investments & plans for major expenditures—help make your dreams come true	**July** * Speak with kids about the essential principles to smart money—help them live a happier & better life	**November** * Set goals for the coming year—determine what you want to prioritize * If appropriate finalize tax plans
April * Review your retirement plan—achieve a comfortable retirement * If appropriate file tax return and begin tax planning – may save you money	**August** * Talk with parents about their estate & financial plans—protect family assets & head off problems	**December** * Schedule an Annual Family Financial Meeting—review the year / set future goals * Finalize family & charitable gift * Happy holidays



Personal finance doesn't have to be daunting or overwhelming; try TFAF-12 Month Financial Fitness Plan

https://www.home.thefinancialawarenessfoundation.org/pdf/TFAF-12MonthFinFitnessCalendar.pdf

Celebrate Your Accomplishments

Congratulations! You are now in control and prepared to manage your finances. No matter what your financial condition is today, you can improve your future if you continue taking appropriate action.

Your *financial* PARTNER is here to guide you and keep you in control of your finances. By working with your *financial* PARTNER, you have learned a complete personal financial management system — a clear, step-by-step system designed to bring all the essential principles of smart financial management into action.

You now have coordinated all the major components of your comprehensive personal financial management system.

- ☐ **Keep an updated Things To Do list**
- ☐ **Keep your paperwork organized and current**
- ☐ **Keep a Financial Planning Calendar current for action dates**
- ☐ **Annually get an accurate picture of your net worth**
- ☐ **Use a workable cash flow management system**
- ☐ **Make the most of your employment benefits**
- ☐ **Save money with cost-cutting and money-making strategies**
- ☐ **Review and refine your personal and financial goals annually**
- ☐ **Annually check your Financial Independence & Retirement (FIR) numbers**
- ☐ **Prudently invest for Financial Independence & Retirement (FIR) and for your major expenditures**
- ☐ **Annually develop and implement your tax-reduction plans**
- ☐ **Purchase only the insurance you and your family need**
- ☐ **Keep your estate & gift plans current while you pass on values, knowledge & assets to future generations to make their lives & the world a better place**
- ☐ **Track and monitor your progress**

Financial planning is a lifelong process. It can be easy and very rewarding once you understand the essential principles to smart personal finance management and the six step process. Your *financial* PARTNER is here to coach and support you every step of the way.

To find out more about your *financial* PARTNER tools and services, and ***The Improving Financial Awareness & Financial Literacy Movement*** be sure to complete your Registration Form at the beginning of the guidebook and return it to us, and visit us at

www.TheFinancialAwarenessFoundation.org.

Best wishes and to your good fortune,

financial PARTNER

"Tell me & I forget.

Teach me & I remember.

Involve me & I learn."

BENJAMIN FRANKLIN

We believe that NOW is the TIME for

- *PERSONAL MONEY MANAGEMENT - Better personal finance knowledge changes your world & the world around you… FOREVER*
- *PROBLEM-SOLVING – Making Things Better*
- *COLLABORATION – Working Together*
- *CREATIVITY – Thinking Outside the Box*
- *NEUTRAL MIND – Open to Seeing the Big Picture Positive & Negative*
- *ETHICS – Doing the Right Thing, Do No Harm*

For you, your family, your company, your country, our WORLD!

TFAF

Glossary

A Collection of Financial Terms

401(k): An employer-sponsored retirement plan that permits employees to divert a pretax percentage of their gross pay into the plan and avoid current taxes on that income. Investment earnings from this plan accumulate tax free until they are withdrawn. (The name comes from the actual federal tax code.)

AEP®: Accredited Estate Planner® designation is awarded by the National Association of Estate Planners & Councils to recognized estate planning professionals who meet special requirements of education, experience, knowledge, professional reputation, and character. 888.226.2224, www.naepc.org/search_councils.web

Accidental Death & Dismemberment Insurance: A policy that pays a benefit if the insured dies by other than natural causes. It also pays a benefit if the insured loses sight, hearing, speech, or the use of a limb from an accident.

Accumulated Annuity: An annuity contract that provides payments to be postponed until a specified period of time has elapsed — for example, 10 years or when the annuitant reaches a certain age. The annuity can be purchased in one lump sum or with periodic (after-tax) payments until the withdrawing process begins.

Adjusted Gross Income: The amount remaining after certain adjustments are subtracted from a taxpayer's gross income.

Administrator: The individual or organization approved by a probate court to settle the affairs of the person dying without a valid will.

Advance Health Care Directive: A legal document that gives the person(s) you select the power to make medical and health-care decisions for you in the event that you are unable to make those decisions yourself.

The American Opportunity Tax Credit (TAOTC): The American opportunity tax credit (AOTC) is a credit for qualified education expenses paid for an eligible student for the first four years of higher education..

Alternative Minimum Tax (AMT): A complicated income tax that is activated when there are excessive deductions and tax benefits.

Annuity: A contract that you purchase from an insurance company which stipulates that a certain sum will be paid on a regular basis over a specific amount of time or a lifetime.

Annuity, Accumulated: An annuity contract that provides payments to be postponed until a specified period of time has elapsed — for example, 10 years or when the annuitant reaches a certain age. The annuity can be purchased in one lump sum or with periodic (after-tax) payments until the withdrawing process begins.

Annuity, Deferred (Accumulated): An annuity whose contract provides that payments to the annuitant be postponed until a specified period of time has elapsed, for example, 10 years or when the annuitant reaches a certain age. It can be purchased in one lump sum or with periodic (after-tax) payments until the withdrawing process begins.

Annuity, Fixed: Always pays a set amount of income for the life of the contract. The investment risk is borne by the insurance company.

Annuity, Immediate Fixed: Begins payments as soon as you purchase the contract and always pays a set amount of income for the life of the contract. The investment risk is borne by the insurance company.

Annuity, Private: An annuity contract that is entered into by private parties, not an insurance company.

Annuity, Tax-Sheltered (TSA) or 403(b) Plan: Similar to a 401(k) plan, but set up for public employees and employees of nonprofit organizations.

Annuity, Variable: A regular monthly payment that varies in amount based on the performance of the securities held in the insurance company's portfolio. These annuities are covered by insurance company laws that shelter gains from current taxation. They carry more stock market risk than fixed annuities, but have a greater potential for appreciation.

Asset Allocation: Spreading investment dollars among a variety of asset classes such as cash equivalents, stocks, bonds, real estate, and precious metals.

Asset Classes: A group of investments that have similar financial characteristics, behave similarly in the marketplace, and are subject to similar laws, regulations, and taxes. The main asset classes are cash and cash equivalents, bonds bond mutual funds and other fixed-income investments, stocks and stock mutual funds, and Other assets that include individually owned real estate, small businesses, partnerships, venture capital, life insurance and hard assets.

Assets: What you own of value; also what is owed to you.

Assets, Liquid: Assets that have the ability to quickly convert from an investment portfolio into cash without suffering a noticeable loss in value. Stocks and bonds of highly traded companies are considered liquid, while real estate is illiquid.

Asset Protection Trust (APT): A financial-planning trust vehicle that holds an individual's assets with the purpose of shielding them from creditors. Asset protection trusts offer the strongest protection you can find from creditors, lawsuits, or any judgments against your estate.

Automatic Withdrawal: A regular monthly withdrawal from a checking, savings, or other type of cash account to automatically pay a bill such as a mortgage, utility, or insurance premium.

Balance Sheet: A financial form that lists, as of a specific date, the financial assets and liabilities of a person, family, or business, and shows the difference (net worth) between the two.

Bit Coin: A digital currency (also called crypto-currency) that is not backed by any country's central bank or government. Bitcoins can be traded for goods or services with vendors who accept Bitcoins as payment.

Bearer Bonds: Bonds that do not have the owner's name registered on the books of the issuer. Interest and principal, when due, are payable to the holder.

Beneficiary: The person named in an insurance contract, retirement plan, will, or trust agreement who will receive the right to benefits, income, or property, upon the occurrence of some event, such as a death.

Benefits, Employment: An important part of your compensation package, they may include health insurance, life insurance, and retirement plans. Many benefits can be tax free to the individual.

Benefits, Insurance: The amount of money to be paid to the insured or the insured's beneficiary by the insurer according to the terms of the insurance contract.

Bond: Basically an IOU or promissory note that can be issued by a corporation or a government agency. You lend money by purchasing the bond, and in return you receive a certain amount of fixed interest over the lifetime of the bond, and then get your money back at the maturity date.

Bonds, Corporate: Bonds issued by corporations are backed by corporate assets. In case of default, the bondholders have a legal claim on these assets. The holder of a corporate bond is a creditor of the corporation, not a part owner as is a shareholder.

Bonds, High-/Low-Quality: Bond rating companies, such as Standard & Poor's and Moody's, judge bonds on the ability of the issuer to fulfill its obligations to repay interest and the principal when due. The highest quality bonds are rated triple-A, while a low quality bond would be rated C or D.

Bonds, Intermediate: Bonds that have a maturity of three to 10 years.

Bonds, Long-Term: Bonds that have a maturity over nine years.

Bonds, Municipal: A method by which state or local government agencies borrow money. Income from these bonds is exempt from federal income taxes.

Bonds, Short-Term: Bonds that have a maturity of under three years.

Bonds, Treasury: See Treasury Bonds.

Bonds, U.S. Government Savings: Savings certificates issued by the government. They are sold at less than their face value but may be cashed in for their full value after a specified length of time.

Capital: Accumulated assets or net worth.

Capital Asset: Any property intended for use or possession over a long period of time. In a business it would include buildings and equipment; for individuals it can be homes, jewelry, household furnishings, automobiles, stocks, etc.

Cash/Cash Equivalents: Includes checking and savings accounts, certificates of deposit, money market accounts, savings bonds, money market funds, treasuries with a maturity date of under three months, and cash on hand.

Cash Flow: Where your income comes from and where it goes (expenses).

Cash Surrender Value: The amount of money an insurance policyholder would receive if the policy were cashed in. This would be made up of the policyholder's cash within the policy, plus any unused premiums, plus any dividends, less any principal and interest on any loans.

Casualty Insurance: Is a broad category of insurance coverage for individuals, employers, and businesses against loss of property, damage,

or other liabilities. Casualty insurance includes vehicle insurance, liability insurance, and theft insurance. In addition to auto and liability insurance, casualty insurance is an umbrella term traditionally used to describe many other types of insurance, including aviation, workers' compensation, and surety bonds.

Certificate of Deposit (CD): A type of savings account usually issued by commercial banks and credit unions, offers higher interest rates than those associated with regular savings accounts. The deposit gains value over an agreed-upon duration, but it could be subject to fees if withdrawn early.

CEBS®: Certified Employee Benefit Specialist®—Is a professional that's gone through employee benefit training. International Foundation of Employee Benefit Plans, 888.334.3327, www.ifebp.org

CFA: Chartered Financial Analyst, member of the Association for Investment Management & Research (AIMR), 800.247.8132.

CFP®: Certified Financial Planner®, is licensed by the Certified Financial Planner Board of Standards, Inc. (CFP Board) 800.487.1497, www.cfp.net/ .

Charitable Gift Annuity: A method of planned giving whereby a contract between the donor and the charity provides for an annuity to the donor (or a person of the donor's choice) for life, in exchange for a gift. Such gift annuities also offer the donor income tax, capital gains tax, and estate tax benefits.

Charitable ("Immortality") Trust: A trust that is set up to provide an ongoing current benefit, such as a scholarship, or to grant funds for future generations.

Charitable Lead Trust (CLT): A CLT is often viewed as the opposite of a charitable remainder trust. A donor transfers property to the lead trust, which pays a percentage of the value of the trust assets to a named charity, usually for a term of years. At the end of the trust term, the remaining assets in the trust and any growth it has realized are distributed to your heirs or the beneficiaries you elect. Although there is no income tax deduction when you create a charitable lead trust, your gift or estate tax can be greatly discounted and any growth is passed to your heirs gift and estate tax free.

Charitable Remainder Trust (CRT): A trust into which assets are contributed that provides a donor with an income-tax deduction and a beneficiary with a current income over a period of time, with the remaining principal going to a charity.

Chart of Accounts: A systematically arranged list of accounts applicable to a specific concern, giving account names and numbers if any.

ChFC®: Chartered Financial Consultant®, member of the Society of Financial Professionals, 888.243.2258, www.financialpro.org.

CLU®: Chartered Life Underwriter®, member of the Society of Financial Professionals, 888.243.2258, www.financialpro.org.

Collateral: Security pledged by a borrower on a loan.

Common Stock: A share of ownership in a corporation. Common stockholders are last in line if a company goes under and thus have more risk than bondholders or preferred stockholders. In return they could gain more reward in the form of capital appreciation.

Community Property (CP): Property held equally (in community) by husband and wife, which has accumulated during marriage (except through inheritance or gift). Community property laws are in effect in eight states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington.

Compounding Returns: The earning on earnings from invested principal when it is left to accumulate. This can be interest, dividends, or growth through appreciation.

Compound Interest: Earning interest on both the money you've saved and the interest you earn.

Comprehensive Financial Planning The process of developing a complete strategy and plan to have the best probability to reach and maintain a defined set of short, intermediate and long-term personal and financial goals. This lifelong process includes: Defining goals and needs, Gathering and organizing your relevant financial data, analyzing the information, Identifying possible strategies, Selecting and implementing the appropriate strategies, Tracking and monitoring the process. The areas addressed by comprehensive financial planning includes: Getting Organized - Organizing appropriate personal and financial data; which includes hard copy and digital paperwork and records; Inventorying what you own and owe – Your Net Worth; Understanding how you make and spend your money – Your Cash Flow; Dealing with employment benefits; Financial Planning - Establishing personal and financial goals, Addressing financial independence and retirement planning, Major expenditure planning – like buying a car, a home, funding education, …; Investment Planning, Tax Planning & Preparation, Insurance / Risk Management Planning, Estate and Gift Planning. To develop, implement, and/or manage a comprehensive financial plan usually requires input and assistance from various financial service advisors and financial product providers that many include attorneys, bankers, Certified Financial Planners®, Certified Public Accountants, Certified Trust and Financial Advisors, Chartered Financial

Consultants®, and Chartered Life Underwriters® and other appropriate credentialed and licensed financial service professionals.

Conflict of Interest: A situation where one person's best interest is not in the best interest of another person or organization to which that individual owes trustworthiness.

Convertible Securities: Various forms of securities that can be exchanged for another form of security. These typically have a predefined conversion ratio. Convertible preferred stocks or bonds are frequently exchanged for common stock upon a liquidity event.

Corporation: A business that has been chartered by a state to be a legal entity owned by stockholders. Regarded by the courts as an artificial person, it may own property, incur debts, sue, or be sued. Its owners have limited liability, in that they can lose only what they have invested.

Corporation, "C": The most common form of corporation used by larger companies, although it can also be a single person.. A "C" corporation gives its shareholders liability protection, but the IRS can tax the owners twice: it will tax the corporation for the profit and then tax the shareholders upon a distribution. Tax losses for the corporation cannot be passed on to be declared by individual shareholders.

Corporation, "S": Similar to a general partnership, except that it gives shareholders the liability protection of a corporation. (Shareholders may deduct losses from their taxes only to the extent of their equity investment.) "S" corporations are limited to 100 shareholders.

Coverdell Education Savings Account (ESA): Set up to fund your children's education costs, an ESA is an account to which nondeductible annual contributions of up to $2000, per child, may be made until the child turns 18. The funds grow tax free and can be used for the child's qualified higher-education expenses without incurring taxes. There are income earnings limits to qualify for a ESA.

Cost Basis: The price you paid for an asset plus or minus any tax adjustments. In the case of stocks or mutual funds, your cost basis would be what you paid for it plus commissions, plus any capital gains, interest or dividends reinvested. If you receive stock or mutual funds as a gift, your basis is the basis of the donor, not the market value of the gift at the time of the transfer.

CPA: Certified Public Accountant, an accountant who has fulfilled certain requirements of the American Institute of Certified Public Accountants, 888.777.7077, www.aicpa.org

CPA/PFS: Certified Public Accountant/ Personal Financial Specialist, an accountant who has fulfilled certain requirements of the American Institute of Certified Public Accountants to be a CPA plus additional requirement to be a PFS, 888.777.7077, www.aicpa.org

Credit Card: is usually a thin rectangular piece of plastic issued by a bank or financial services company with a unique identification code on it, that allows cardholders to borrow funds with which to pay for goods and services with merchants that accept cards for payment.

Credit Report / Credit Score: Credit reports contain information about your bill payment history, loans, current debt, and other financial information. They show where you work and live and whether you've been sued, arrested, or filed for bankruptcy. You can obtain a free credit report annually from www.annualcreditreport.com/. A credit score is a number that rates your credit risk at one point in time. It can help creditors determine whether to give you credit; decide the terms you are offered, or the rate you will pay for the loan. A credit score is not available for free with your credit report, but is available for a fee.

CTFA: Certified Trust & Financial Advisor, is a certification from the American Bankers Association, 800.226-5377, www.aba.com/About+ABA/abainfo.htm.

Current Value: The fair market value of real or personal property. The price a willing buyer will pay a willing seller in a non-distressed sale environment.

Debt: Is something that is owed or that one is bound to pay to or perform for another; it can also be an obligation the must be repaid at some time. TFAF-06/23/23

Debt-Bad: Is referred to debt that is used to acquire unnecessary goods or services (i.e. keeping up with the 'Jones', or trying to impress people you do not know or like), under favorable or unfavorable (distressed conditions) terms and conditions, when there may be a reasonable plan or no possible plan for repayment. TFAF-06/23/23

Debit Card: Is a card issued by a bank allowing the holder to transfer money electronically to another bank account when making a purchase.

Debt-Good: Is referred to debt that is intentionally incurred by an informed borrower, under favorable (non-distressed) terms and conditions, for a favorable purpose, when there a reasonable plan for repayment. TFAF-06/23/23

Decanting: Is the process of transferring assets from one trust into another. Trust decanting allows a trustee to establish a new trust with more beneficial trust, eliminating some unfavorable elements within a previous trust.

Debit Card: Is a card issued by a bank allowing the holder to transfer money electronically to another bank account when making a purchase.

Deferred (Accumulated) Annuity: An annuity whose contract provides that payments to the annuitant be postponed until a specified period of time has elapsed, for example, 10 years or when the annuitant reaches a certain age. It can be purchased in one lump sum or with periodic (after-tax) payments until the withdrawing process begins.

Deferred Compensation Plan: A form of retirement plan or compensation, generally limited to management personnel, in which both the payment of compensation and the income tax on the compensation can be deferred for a period of years or until after retirement.

Defined Contribution Pension Plan: Employer-sponsored retirement plans, such as 401(k) plan, in which the employee is responsible for making a portion of the contributions toward the plan. The employer may or may not match the employee's contributions.

Depreciation: Decline in the dollar value of an asset with use or over time.

Discretionary Spending: Spending — of funds available after mandatory spending — over which you have control or decision power, such as meals out or entertainment.

Diversification: The portfolio strategy of reducing risk by investing in a variety of assets. It is closely related to asset allocation and is based on the principle of not putting all your eggs in one basket. It includes allocating assets over a wide range of asset classes along with a range of holding within each asset class. Dividend: A share of company profits distributed to stockholders.

Domestic Fixed Income: Includes U.S. domestic debt instruments, such as corporate or government bonds, certificates of deposit, deeds of trust, and notes receivable, with a maturity date of over three months.

Domestic Stocks: Includes U.S. stocks of larger companies, smaller companies, venture capital holdings, equity income, and convertible securities.

Donor Advised Fund (DAF): A DAF is a charitable giving vehicle that's administered by a public charity created to manage charitable donations on behalf of individuals, families, or organizations.

Dreams: A series of thoughts, images, or emotions; something that satisfies a wish.

Durable Power of Attorney for Financial Management: A legal document that gives the person(s) you select the power to manage your assets in the event that you are unable to do so. It does not cover assets that are in a trust, as these are managed by the trustee.

Durable Power of Attorney for Health Care: This legal document gives the person(s) that you select the power to make medical and health care decisions for you in the event that you are unable to make those decisions yourself. In some states this may also be referred to as an Advance Healthcare Directive.

Dynasty Trust: A long-term trust created to pass wealth from generation to generation without incurring transfer taxes, such as the gift tax, estate tax.

Educational Savings Account – Coverdell (ESA): Set up to fund your children's education costs, an ESA is an account to which nondeductible annual contributions of up to $2000, per child, may be made until the child turns 18. The funds grow tax free and can be used for the child's qualified higher-education expenses without incurring taxes. There are income earnings limits to qualify for a ESA.

Emerging Market Stocks: Stocks of companies from third world nations: newly developing markets traditionally have low liquidity, high risks, and the potential for high returns.

Equity Income: A characteristic of a company or mutual fund that has high dividends, such as a utility or a convertible bond.

Essential Principles of Smart Money Management: A collection of financial doctrines that pertain to the eleven components of personal financial management – the foundation to personal finance knowledge: paperwork, net worth, cash flow, employment benefits, personal & family goals, financial independence / retirement planning, major expenditures planning, investment planning, tax planning, insurance planning / risk management, estate and gift planning. "Learning, understanding, and using the essential principles to smart money management are very important as they provide you with the tools to address everyday money decisions in a more informed manner. These special empowerment tools are designed to you: Make wiser informed lifelong money decisions; Work more efficiently with financial professionals & product providers to get the best results from time & money; Get and keep their financial house in order by having a current financial, estate and gift plans; Pass on your values, knowledge and assets to future generations and your charitable causes to help make this a better world; Have the highest probability to reach your family dreams while you live out a financially successful life."

Estate: The total of all types of property owned and debts incurred by a person at a particular time, usually upon his or her death.

Estate & Gift Plan: The act of arranging of one's financial affairs while living so that in the event of incompetency or death the assets and financial obligations are taken care of according to the persons written plans. This

is usually based upon ones current personal values and objectives using appropriate legal documents that are executed properly. They typically include a will, powers-of-attorney for both healthcare and property management, and possible a trust or trusts; titling of assets, and beneficiary selections to implement them.

Estate Planning Law Specialist (EPLS): The Estate Law Specialist Board, Inc., an attorney-run subsidiary of the National Association of Estate Planners & Councils in Cleveland, Ohio, is the only American Bar Association-accredited program for certification of an attorney as an Estate Planning Law Specialist (EPLS). 888.226.2224, www.naepc.org/estate_law.web

Estate Tax: Taxes collected based on the net value of all the property owned by someone as of their date of death.

Executor: The individual or organization appointed in a will to administer the disposition of an estate according to the instructions in the will.

FPA (Financial Planning Association), 800.322.4237, www.FPNET.org

Fair Market Value: The price a willing buyer will pay a willing seller in a non-distressed sale environment.

Fiduciary: A person who assumes responsibility for a position of trust.

Financial Awareness: Being aware of how your make, spend and manage your money; your current and future financial situation and transactions, and the financial circumstances around you and the world

Financial Capabilities: The combination of knowledge, skills and self-efficacy needed to make and exercise money management decisions that best fit the circumstances of one's life, within an enabling environment that includes, but is not limited to, access to appropriate financial services and financial products.

Financial Education: Teaches the principles, knowledge, skills and attitudes that people can use to adopt good money management practices and make timely informed lifelong everyday financial decisions around organizing and protecting financial data, goal setting, earning, spending, savings, borrowing, investing, protecting, risking and gifting.

Financial Goal: Objectives you define for how you save, invest and spend your resources. Something that you can put in writing that is specific, measurable, attainable, realistic, and time related.

Financial Independence: The ability to do what you want, when you want, without having to concern yourself with "outside" financing.

Financial Inclusion: A comprehensive term defined as the availability and equality of opportunities to access financial services. It refers to a process by which individuals and businesses can access appropriate, affordable, and timely financial products and services. These include banking, loan, equity, and insurance products.

Financial Planning: Financial Planning is a process that consists of

1. Defining goals and needs
2. Gathering and organizing relevant financial data
3. Analyzing the information
4. Identifying possible strategies
5. Selecting and implementing the appropriate strategies
6. Tracking and monitoring the process.

The areas addressed by financial planning includes: Getting Organized - Organizing appropriate personal and financial data; which includes hard copy and digital paperwork and records; Inventorying what you own and owe – Your Net Worth; Understanding how you make and spend your money – Your Cash Flow; Dealing with employment benefits; Financial Planning - Establishing personal and financial goals, Addressing financial independence and retirement planning, Major expenditure planning – like buying a car, a home, funding education, …; Investment Planning, Tax Planning & Preparation, Insurance / Risk Management Planning, Estate and Gift Planning.

Financial Planning, Comprehensive: The process of developing a complete strategy and plan to have the best probability to reach and maintain a defined set of short, intermediate and long-term personal and financial goals.

This lifelong process includes: Defining goals and needs, Gathering and organizing your relevant financial data, analyzing the information, Identifying possible strategies, Selecting and implementing the appropriate strategies, Tracking and monitoring the process.

The areas addressed by comprehensive financial planning includes: Getting Organized - Organizing appropriate personal and financial data; which includes hard copy and digital paperwork and records; Inventorying what you own and owe – Your Net Worth; Understanding how you make and spend your money – Your Cash Flow; Dealing with employment benefits; Financial Planning - Establishing personal and financial goals, Addressing financial independence and retirement planning, Major expenditure planning – like buying a car, a home, funding education, …; Investment Planning, Tax Planning & Preparation, Insurance / Risk Management Planning, Estate and Gift Planning.

To develop, implement, and/or manage a comprehensive financial plan usually requires input and assistance from various financial service advisors and financial

product providers that many include attorneys, bankers, Certified Financial Planners®, Certified Public Accountants, Certified Trust and Financial Advisors, Chartered Financial Consultants®, and Chartered Life Underwriters® and other appropriate credentialed and licensed financial service professionals.

Financial Literacy - The understanding and the effective use of a set of skills and knowledge, the essential principles of smart money management - the foundation of personal finance knowledge. This serves as the foundation of personal finance comprehension, empowering individuals to approach everyday financial choices with informed decision-making."

Getting Financially Organized – 1. Organizing paperwork 2. Inventorying what you own and owe (Net Worth) 3. Managing Cash Flow 4. Understanding your Employment Benefits

Financial Planning – 5. Personal and Financial Goals 6. Financial Independence / Retirement Planning 7. Major Expenditure Planning 8. Investment Planning 9. Tax Planning 10. Insurance / Risk Management Planning 11. Estate and Gift Planning.

This empowers people to



- Make wiser informed lifelong money decisions
- Work more efficiently with financial professionals & product providers to get the best results from time & money
- Get and keep their financial house in order by having current financial, estate, and gift plans
- Pass on values, knowledge, and assets to future generations and charitable causes to help make this a better world
- Have the highest probability of reaching family dreams while living out a financially successful life.

Common industry definitions of Financial Literacy highlight a 'set of skills' or 'skill set' and a 'body of knowledge' crucial for informed financial decision-making, yet the specifics of this 'skill-set' remain ambiguous. We firmly suggest that this skill-set comprises the elements outlined in The FA Infinity Lifelong Learning Symbol further addressed along with the 'essential principles of smart money management' within the TFAF Personal Financial Publication Set.

The following are some other's definitions of Financial Literacy

- Financial Literacy and Education Commission describes financial literacy as: "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being."
- The OECD defines financial literacy: A combination of awareness, knowledge, skill, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.
- National Financial Educators Council: Possessing the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual's personal, family and global community goals.
- Jump$tart: Financial literacy is the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security. Financial literacy is not an absolute state; it is a continuum of abilities that is subject to variables such as age, family, culture, and residence. Financial literacy refers to an evolving state of competency that enables each individual to respond effectively to ever-changing personal and economic circumstances.
- Investopedia: Financial literacy is the ability to understand and effectively apply various financial skills, including personal financial management, budgeting, and investing. Financial literacy helps individuals become self-sufficient so that they can achieve financial stability.
- The Center for Financial Inclusion: The combination of knowledge, skills, attitudes and ultimately behaviors that translate into sound financial decisions and appropriate use of financial services.

"Learning, understanding, and using the essential principles to smart money management - the foundation to personal finance knowledge are very important as they provide you with the tools to address everyday money decisions in a more informed manner." – 12/15/23

Fixed Annuity: An annuity that always pays a set amount of income for the life of the contract. The investment risk is borne by the insurance company.

Fixed Income: Includes company, U.S. government, or foreign bonds that are issued directly or are part of a mutual fund, and other domestic or foreign debt instruments, such as certificates of deposit, deeds of trust, and notes receivable, with a maturity date of over one year.

FPA: Financial Planning Association, 800.322.4237, www.fpanet.org/.

Futures Contract: An agreement to buy a certain amount of a commodity (such as corn, soybeans, or gold) or even Treasury Bills or currency, at a stipulated price at a specified future month. As the time draws closer to the purchase date, the price of the contract can fluctuate widely up and down due to rain in Iowa or any number of variables, hopes and fears. A good way to make or lose a lot of money in just a few minutes.

General Partnership: A partnership in which each partner shares in the control and management of the business, and each partner is personally liable for the full amount of partnership indebtedness.

Generation-Skipping Tax (GST): A tax applied when the recipient of a gift or bequest is two or more generations younger than the giver (for example, a gift from a grandparent to a grandchild).

Gift Plan: The process of developing a strategy for making a gift to family, friends, a nonprofit or cause. This gift can be arranged in the present and allocated currently or at a future date through a will or trust.

Gift Taxes: Tax on the transfer of property by one individual to another while receiving nothing, or less than full value in return.

Goal-Financial: Objectives you define for how you save, invest and spend your resources. Something that you can put in writing that is specific, measurable, attainable, realistic, and time related.

Goal – Personal: Objectives on how to spend your time around such things as family life, self-improvement, community activities, health & exercise, hobbies & special interests, recreation & travel, etc.

Growth Stocks: A characteristic attributed to the stock of a company that has invested its capital and used its assets to realize a rate of return well in excess of the cost of that capital and assets.

Guardian of the Person: The person appointed in a will or by a court to care for minor children or an incompetent adult.

Guardian of the Property: The person appointed in a will or by a court to care for the property of minor children or an incompetent adult.

Hard Assets: Tangible assets such as precious metals, gems, art, antiques, and collectibles.

Health Maintenance Organization (HMO): An organization which contracts with a group of physicians and hospitals to provide services to individuals who subscribe to its health plan, either privately or through their employer. A fixed, prepaid fee is charged for services, regardless of the expense of the care rendered.

Hedge: An investment position intended to offset potential losses/gains that may be incurred by a companion investment. A hedge is used to reduce substantial losses/gains incurred by having a large amount of assets in a single position. It is a risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, or securities.

HIPPA (The Health Insurance Portability and Accountability Act) Authorization / Release: Is a separate document or language incorporated into an Advance Healthcare Directive. This allows you to name an individual who can have access to your medical information so that your health care provider or insurance company will have no reservations about sharing your protected medical information with them.

Home Equity Conversion Mortgage (HECM): HECM also known as a is a reverse mortgage: loan available to homeowners that are age 62 years or older. The reverse mortgage allows the borrower to convert part of their equity in their homes into cash. This can come in the form of a lump sum, equal monthly payments as long as the homeowner lives in the home, equal monthly payments for a fixed period of time, a draw on any amount at any time until the line of credit is exhausted; or any combination. A reverse mortgage does not become due if pay your requirements such as property taxes, homeowners insurance and maintenance, until the borrow no longer occupies the residence.

Home Equity Line of Credit: A line of credit using the equity in your home as collateral. The interest paid may be deductible even if the funds were used to buy a car.

Hope Scholarship Credit: This credit has been replaced with The American Opportunity Tax Credit (TAOTC).

Immediate Fixed Annuity: Begins payments as soon as you purchase the contract and always pays a set amount of income for the life of the contract. The investment risk is borne by the insurance company.

Immortality (Charitable) Trust: A trust that is set up in your name to provide an ongoing benefit, such as a scholarship or to grant funds for future generations.

Incentive Stock Option (ISO): An employee stock option plan that grants key employees options to purchase company stock at a predetermined price without incurring a tax liability at the time the option is granted or when exercised. It may create an alternative minimum tax exposure.

Income Risk: The risk that income which you are expecting does not occur.

Income Tax: Tax on income.

In-Force Ledger Illustration: A report prepared by an insurance company to illustrate the current and future values of an existing life insurance policy.

Index: Statistical composite that measures changes in the economy or in financial markets, often expressed in percentage changes from a base year or from the previous month.

Index Fund: A mutual fund whose portfolio matches that of a broad-based index such as Standard & Poor's index, and whose performance therefore matches its particular market as a whole.

Individual Retirement Account (IRA): A retirement plan account that is available to a qualified worker with income limitations, that you can open and obtain a tax deduction for cash contributions up to $6,000 ($7,000 if you are over age 50) annually. Subject to certain limitations, each spouse is entitled to deduct up to $6,000 ($7,000 if you are over age 50), providing the couple's combined earned income is at least that amount. These funds grow tax deferred.

Inheritance Tax: The tax paid on the value of property and money received from another person at their death. Not all states have an inheritance tax.

Inflation: Is a raise in the prices of goods and services over a given period of time. It can also be looked at as a decline in purchasing power during the time period.

Insider Trading Rules: It is against the law to buy or sell stocks in a company about which you have "insider" information that is unavailable to the general public.

Insurance: A contract whereby one party undertakes to indemnify or guarantee another against loss by a specified contingency or peril.

Insurance, Accidental Death & Dismemberment: A policy that pays a benefit if the insured dies by other than natural causes. It also pays a benefit if the insured loses sight, hearing, speech, or the use of a limb from an accident.

Insurance Business: Business insurance refers broadly to a class of insurance coverage intended for purchase by businesses rather than individuals. Businesses seek insurance to cover potential damage to property, to protect from lawsuit, or contract disputes.

Insurance, Cash Value Life: This type of life insurance has a savings element built into the policy. The premiums are higher, but cash values can build inside the policy. If your insurance needs are long-term (10 years or more), a good participating cash value-type policy could be less expensive than an annual renewable term policy.

Insurance, Casualty: This area of insurance includes Vehicle, Property, Business, and Liability Insurance. Casualty Insurance is primarily concerned with insurance covering losses due to property damage and legal liability to third persons.

Insurance, Disability: This insurance provides periodic payments to replace income when the insured is unable to work as a result of illness, injury, or disease.

Insurance, Financial: This area of insurance includes life, health, vision, dental, disability and long-term care insurance. Financial insurance is primarily concerned with covering costs related to health, loss of earnings, and the loss of life.

Insurance, Health: This insurance provides coverage for the cost of doctors' fees, hospitalization, medication, and other related medical expenses resulting from sickness or accident. Medical insurance is often provided as a valuable benefit by employers.

Insurance, Health Maintenance Organization (HMO): Coverage for medical services provided by physicians and hospitals who have contracted with the HMO. A fixed, prepaid fee is charged for services, regardless of the expense of the care rendered. Policies are often received as a benefit of employment but can be purchased privately as well.

Insurance, Life: This insurance provides coverage for the loss of life. There are various types of life insurance policies marketed under various names, but generally they fall under two categories: term insurance and cash value insurance.

Insurance, Long-Term Care: This insurance provides money needed to cover the costs of long-term care in a nursing home or in the insured's residence.

Insurance, Personal Liability Umbrella: This insurance protects against losses above and beyond those covered by basic homeowner's, automobile, business, and other property liability insurance. It is usually written in increments of $1 million requires minimum underlying insurance from the casualty insurance policies.

Insurance, Preferred Provider Organization (PPO): Coverage for medical services provided by a limited group of physicians and hospitals who have contracted with the PPO. Generally, only services rendered to subscribers by member physicians and hospitals are covered in full. Policies are usually marketed through an insurance company.

Insurance, Property & Casualty (Liability): Property insurance covers property insured by the party as well as defined content. These policies apply in the event of loss, theft, fire, or other disaster. Casualty insurance also sometimes known as liability insurance. It does not protect your property or assets, it offers you coverage in the event you are sued or threatened with a claim from a third party for bodily injury or property damage. Property and casualty insurance is actually an umbrella term which includes many forms of insurance coverage. Homeowners insurance is one type of property and casualty product, as is renter's insurance, and auto insurance. The term property and casualty insurance typically contain two primary coverage types: property protection coverage and liability coverage.

Insurance, Term Life: This insurance provides a death benefit if death occurs while the policy is in force. It provides protection for a specific period of time. Once the period ends there are no death benefits or cash values. This type of life insurance is usually the least expensive on a year-by-year basis, with premiums gradually increasing each year as the insured ages.

Insurance, Universal Life: This policy combines term and whole life. It has a death benefit and cash values. The policy is flexible and allows you to adjust premium payments between the death benefit and the cash values.

Insurance, Variable Life: This is also a combination of term and whole life. It has a death benefit and cash value. Like universal life, the policy is flexible and allows you to adjust premium payments between the death benefit and the cash value. Variable life policies also allow you additional flexibility in that you can invest in various combinations of money market, stock, or bond funds.

Insurance, Whole Life: See Insurance, Cash Value Life.

Interest: The money paid for the use of someone's money; for the Saver it is the money paid for the use of their money; Bower it is the money paid for using someone else's money.

Interest Compounded: Earning interest on both the money you've saved and the interest you earn.

International Fixed Income: Shares in a fund that includes foreign debt instruments.

International Stocks: Shares in any company incorporated and listed on an overseas/foreign stock exchange.

Intestate Succession: The distribution of property when someone dies without leaving a valid will or estate and gift plan, according to the laws of the governing municipality. This process is called "intestate succession" or "intestacy." Who gets what depends on the governing municipality laws.

Irrevocable Trust: A trust in which the trustor, the individual who supplies that assets used in setting up a trust, does not retain the right to revoke or amend the trust.

Investing: Expending money, time or assets with the expectation of achieving a profit. Investments are used to generate a higher return that what the bank pays for a safe guaranteed return. Achieving a profit from investing is never for sure, so have a plan, do your research and don't risk more than you can afford to lose.

Joint Tenancy with Rights of Survivorship (JT): A method of ownership in which two or more persons can hold equal or unequal percentages in real estate, financial investments, or personal property. If one dies, his or her share automatically goes to the others, even if a will specifies otherwise.

Joint Venture Company: An organization of two or more persons or companies that is formed for the purpose of working on a project together.

Keogh: A program by which self-employed individuals may make tax-deferred contributions to a retirement plan.

Large Companies with a capitalization of more than $1 billion.

Lease: An agreement that is entered into between a lessee and lessor, where the lessor provides certain property to the lessee under defined conditions for consideration.

Liabilities: What you owe. Your debts.

Life Insurance (Wealth Replacement) Trust: A trust that is usually set up as an irrevocable trust for the purpose of receiving life insurance. Properly structured, proceeds from this trust are estate tax and income tax free.

Lifetime Learning Credit: A 20% credit available against federal income taxes which is applied to the first $10,000 of qualified expenses (these include educational expenses to acquire or improve job skills). This credit



applies to college juniors, seniors, graduate students, or working Americans pursuing job training skills. These credits apply to expenses paid for an academic year. This credit is phased out as income increases.

Limited Liability Company: An LLC is a state-approved hybrid entity where the principal assets of the owners (other than their interest in the LLC) are not subject to the risk of creditor claims for the company's business debt. All owners participate in management, and profits and losses can be shared as agreed upon by the members. Most LLCs are designed to be taxed as partnerships, thereby avoiding the double layer of taxation encountered in a "C" corporation.

Limited Partnership: A partnership in which there must be at least one general partner who is responsible for the management and debts of the company, and one or more limited partners who have no control over management and are liable for indebtedness only to the extent of their investment.

Liquidity: The ability to quickly convert an investment portfolio to cash without suffering a noticeable loss in value. Stocks and bonds of widely traded companies are considered highly liquid, while real estate and limited partnership interests are not liquid.

Living (Inter vivos) Trust: A trust that is created while the grantor is alive. It may be revocable or irrevocable.

Loan, Fixed or Variable Rate: Fixed or variable rate refers to the interest rate charged on the loan. Fixed-rate loans charge a set annual interest rate for a specific number of years, for example, 5% interest per year for 15 years. Variable-rate loans normally start with a reduced rate for a short period of time, called a "teaser rate." Due to this teaser rate, variable-rate loans are usually less expensive in the short term. In the long term, depending on what happens to interest rates, either loan could be better. Variable-rate loans have the potential of lower payments if interest rates are stable or go down, but they also have the risk of higher payments if interest rates go up.

Loan, Revolving: A loan that can be paid down or borrowed against, such as a credit card or a line of credit.

Loan, Term: A loan that is repaid over a specified period of time.

Loan/Promissory Note: A written promise to pay back borrowed funds.

Loan, Second Mortgage: A loan secured by property that is secondary to a first mortgage. This is typically a home remodeling loan or a debt consolidation loan. The term is usually for three to 15 years.

Loan, Student: A special loan designed to help a student and his or her family fund the high costs of education. Examples include extra-credit loans, Stafford loans, Sallie Mae loans, and Educational Resources Institute loans. For information regarding these and other loan programs, contact the specific school you are interested in or specific financial institution that markets such loans.

Long-term Appreciated Assets: Assets that are held for more than one year.

Major Expenditure: Expenditures that fall outside of your everyday cost of living.

Mandatory Spending: Required spending, such as a mortgage, lease payments, loan payments, and other necessities.

Master Account: A checking or money market account that is used as a control account where wages and investment income are deposited before being dispersed to spending accounts.

Matching Contribution: The funds paid by an employer in a defined benefit plan, such as a 401(k), to match the contributions of an employee. Some employers match dollar for dollar up to a limit; others match a fraction of the employee contribution, such as 25 or 50 cents on the dollar.

Mean, Median, and Mode: Are different measures of the center in a numerical data set. Mean: The "average" number; found by adding all data points and dividing by the number of data points. Median: The middle number; found by ordering all data points and picking out the middle one. Mode: The most frequent number—that is, the number that occurs the highest number of times

Medicaid: a joint federal and state program for people of any age who need assistance to pay their medical bills.

Medicare: a federal health insurance program for those 65 or older. Medicare A, the hospital part of Medicare, covers various inpatient services. Medicare B is an optional provision providing coverage of outpatient services, prescription drugs, and other covered costs. Medicare coverage is not comprehensive.

Medigap: any of a variety of supplemental insurance policies offered by private companies to provide coverage for medical expenses not covered by Medicare A and B.

Memorandum of Intent (MOI) The confirmation document of intent and a kind of a Letter of Intent (LOI) that is a half way to the signing of a full contract. It is a legal status and a fairly brief document with the principal framework of the contract and expected that a full contract will be completed.

Memorandum of Understanding (MOU) A nonbinding agreement between two or more parties outlining the terms and details of an understanding, including each parties' requirements and responsibilities. An MOU is often the first stage in the formation of a formal contract.

Money: A commodity accepted by general consent as a medium of economic exchange, commonly referred to as currency. It is the medium in which prices and values are expressed. It circulates from person to person and country to country, facilitating trade, and it is the principal measure of wealth. Before money, people acquired and exchanged goods through bartering. Historians believe metal objects were first used as money as early as 5,000 B.C.

Money Market Fund: A mutual fund whose investments are in high-yield money market instruments such as federal securities and certificates of deposit.

Mortgage: Sometimes called a deed of trust. It is a loan on property using the property as security for the loan.

Municipal Bonds: A method by which state or local government agencies borrow money. Income from these bonds is exempt from federal income taxes.

Mutual Fund: A portfolio of any combination of stocks, bonds, or government securities bought and sold by a money manager.

Mutual Fund, Balanced: A fund that has a combination of stocks and fixed income investments.

Mutual Fund, Blended: A fund that combines growth and value.

Mutual Fund, Closed-Ended: A type of pooled investment fund that has only a fixed number of shares to sell, and no more. Shares might be sold over the counter or on the stock exchange.

Mutual Fund, Open-Ended: The majority of mutual funds are open-end companies. They do not have a fixed number of shares; they issue more shares as investors want them. The price is based on the net asset value (NAV) of the underlying investments in the fund.

Negotiable Instrument: Unconditional order to pay an amount of money, easily transferable from one person to another, such as a check or promissory note.

NAEPC (National Association of Estate Planners and Councils): 888.226.2224, www.NAEPC.org

NAPFA (National Association of Personal Financial Advisors): 888.333.6659, www.napfa.org

Net Asset Value (NAV): Calculated by most mutual funds after the close of the exchanges each day, by taking the closing market value of all securities owned plus all other assets such as cash, subtracting all liabilities, then dividing the result by the total number of shares outstanding.

Net Worth: Total assets minus total liabilities.

Neutral Mindset: Judgement free thinking; avoiding prejudices, bias, preconceptions, not positive or negative, open minded thinking, asking questions, addressing the situation, problem solving, making things better, the best we can.

No-Load Fund: A mutual fund that charges no commission on the purchase of its shares because there are no salespeople.

Non-qualified Stock Option (NQSO): These are granted to key individuals as a right to purchase company stock at a predetermined price. When the option is exercised, the difference between the option price and the fair market value is taxed as compensation.

Nontaxable Accounts: Savings and investment accounts in which the interest, dividends, or gains earned are not taxable until withdrawn. Such accounts include IRAs, 401(k)s, pension and profit-sharing plans, other retirement plans, annuities, and cash value life insurance.

Note Receivable/Loan: A written promise to repay borrowed funds.

Option: A purchased right to buy or sell a fixed amount of stock for a specified amount within a limited period of time.

Over the Counter: This is the principal market for bonds of all types. Actually conducted over the telephone, it also deals with stocks of companies without sufficient shares, stockholders, or earnings to warrant listing on an exchange.

Payable on Death: Is a beneficiary designation that you can use with your bank accounts. Also called a Totten Trust, Tentative Trust, Informal Trust, Revocable Bank Account Trust, and a 'Poor Man's Trust it offers an easy way to keep money out of probate.

Payroll Tax: Payroll taxes are taxes imposed on employers and employees, usually based on a percentage of the employee's wages. They consist of deductions from the employee's paycheck, and taxes owed by the employer on the employee's wages such as: federal income tax withholding (based on withholding tables in Publication 15), employee and employer FICA tax for Social Security, Medicare, Unemployment Taxes for federal and state, state income tax withholding, various local tax withholding (such as city, county, or school district taxes, state disability or unemployment insurance).

Pension Plan: Money set aside to provide income or annuities to retired or disabled employees.

Periodic Spending Fund: A cash flow management account used to hold cash until expenditures, such as taxes, insurance premiums paid quarterly, or other periodic expenditures, are due.

Personal Finance: involves the financial decisions and management activities of an individual or household around the elements of handling what you own and owe, and what you earn, spend and gift. It addresses organizing your financial paperwork, inventorying what you own and owe, determining how you make and spend or gift your money, your employment benefits (your hidden paycheck), defining your personal and financial goals and needs, planning for and dealing with financial independence and retirement, major expenditures, investments, taxes, risk management and insurances, and estate and gift planning.

Planned Giving: A contribution or a gift that is arranged in the present and allocated presently or at a future date. Commonly donated / gifted through a will or trust.

POLST (Physician Orders Life Sustaining Treatment) Form: A medical order that is always signed by a doctor and, depending upon the state, the patient. The POLST form is designed to be recognized and actionable throughout the entire medical community, and is for patients with life-limiting illnesses or progressive frailty.

Pooled Income Fund: A method of planned giving whereby gifts of cash or stock are "pooled" by the receiving charity into a special fund and invested. Each year, the donors receive their proportionate share of the investment income earned by the fund as well as significant income tax, capital gains tax, and estate tax benefits. At the donor's death, the donor's contributions to the fund pass directly to the charity.

Portability: Beginning for taxpayers dying after Dec. 31, 2010 the estate tax exclusion becomes "portable" between spouses. This means that the surviving spouse's exemption is increased by any exemption not used at the first spouse's death.

Power of Appointment: A power or authority, which may be conferred by one person to another to dispose of property.

Power of Attorney: A written instrument, authorizing a person to act as the agent, or attorney-in-fact, and perform specific acts on behalf of another.

Power of Attorney for Health Care: A document that gives an agent or your appointee the power to make medical and health care decisions for you in the event you are unable to make those decisions yourself.

Power of Attorney for Financial Management: A document that gives your appointee the power to act on your behalf pertaining to assets outside a trust in the event you are unable to do so.

Preferred Provider Organization (PPO): A health insurance organization which contracts with a limited group of physicians and hospitals to provide services to individuals who subscribe to its health plan. Generally, only services rendered to members by physicians and hospitals within the PPO are covered in full.

Preferred Stock: A class of stock that is entitled to dividends and liquidated preferences prior to common stockholders. These generally pay less income than bonds issued by the same company.

Periodic Spending Fund: A cash flow management account used to hold cash until expenditures such as taxes, quarterly insurance premiums, or other periodic expenditures are due.

Primary Documents: One-of-a-kind documents such as stock confirmations, employee benefit statements, notes, deeds of trust, tax returns, insurance policies, wills, trusts, etc.

Prime Rate: The lowest interest rate charged by commercial banks to their most creditworthy customers.

Principal: The sum on which interest accrues (as distinguished from interest or income); also, a person who authorizes another person to represent him or her in a business transaction.

Principal Risk: The risk of losing part or all of the original investment.

Private Annuity: An annuity contract that is entered into by private parties, not an insurance company.

Probate: The legal process of administering the non-trust assets of the estate of a deceased person.

Profit-Sharing Plan: Any plan in which a portion of the profits of a company are set aside for distribution to its employees.

Purchase Lease: A lease entered into that is really a purchase; typically at the end of this lease, there is a $1 buyout.

Purchasing Power Risk: This is a consequence of inflation. If an investment's total return doesn't exceed the rate of inflation during the investment's holding period, the investor suffers a loss of purchasing power.

Qualified Terminal Interest Property (QTIP) Trust: A trust created at death by a will or living trust which provides all of the income to the surviving spouse for life. Upon that survivor's death, assets go to beneficiaries previously designated by the deceased spouse. Properly set up, this trust avoids any estate taxes on the estate of the first spouse. However, at the surviving spouse's death, the QTIP is included in the estate of the surviving spouse. Depending on the overall size, it may be taxed as part of his or her estate.

RIA (Registered Investment Advisor): State Department of Corporations; and Financial Industry Regulatory Authority 301.590.6500, www.finra.org

Rate of Return: The cumulative earnings from an asset over a defined period of time, usually one year. The rate of return might include interest, dividends, appreciation, tax savings, or a combination of these. Rate of return is expressed as a percentage of the beginning principal amount, for example, a 5% rate of return.

Real Estate Investment Trust (REIT): An unincorporated association that invests in mortgages or real property and sells shares to the public.

Retained Life Estate: A method of planned giving whereby a personal residence or vacation home is given to charity, with the donor retaining the right to live in the property for life as well as receiving significant income tax, capital gains tax, and estate tax benefits.

Reverse Mortgage: Also known as a Home Equity Conversion Mortgage (HECM) is a loan available to homeowners that are age 62 years or older. The reverse mortgage allows the borrower to convert part of their equity in their homes into cash. This can come in the form of a lump sum, equal monthly payments as long as the homeowner lives in the home, equal monthly payments for a fixed period of time, a draw on any amount at any time until the line of credit is exhausted; or any combination. A reverse mortgage does not become due if pay your requirements such as property taxes, homeowners insurance and maintenance, until the borrow no longer occupies the residence.

Revolving Credit: A loan that can be paid down or borrowed against, such as a credit card or line of credit.

Rights of Survivorship: In joint tenancy, the right of a survivor to acquire the share of the property of the joint tenant who dies.

Risk Management: The awareness, forecasting and evaluation of financial risks together with the identification of procedures to avoid or minimize their impact

Roth IRA or Backloaded IRA: An Individual Retirement Account to which qualified workers may make nondeductible contributions. The funds grow tax free. Up to $10,000 can be used for first-time home purchase by the worker, the worker's spouse or lineal ancestors and descendents of the taxpayer. After age 59½, the account holder may withdraw any or all proceeds without incurring federal income tax, if certain conditions are met.

SEP (Simplified Employee Pension Plan): A qualified plan which accepts the employee's and the employer's contributions into the employee's IRA.

Second Mortgage Loan: A loan secured by property that is secondary to a first mortgage. This is typically a home remodeling loan or a debt consolidation loan. The term is usually from 3 to 15 years.

Separate Property: Ownership of property solely in one person's name. The property was acquired either prior to marriage or as a gift or inheritance.

Simplified Employee Pension Plan (SEP): A qualified plan which accepts the employee's and the employer's contributions into the employee's IRA.

Six Steps to Successful Financial Planning



Small Companies: Companies that have capitalization value of under $1 billion.

Social Capital: Connections, networks and relationships amongst people your meet.

Social Security: The protection that a society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a breadwinner.

Sole Proprietorship: An unincorporated business having only one owner.

Special Needs Trust: A special needs trust is set up for a person with special needs to help increase their quality of life while supplementing any benefits the person with special needs may receive from government programs without reducing benefits.

Spending Account: A checking or money market account that is used to control monthly spending by having a predetermined amount deposited into it each month.

Standard Deviation: A specific measure of volatility; generally, the more volatile the investment, the greater the risk to your principal.

Stocks: Are a type of an asset that gives the owner (stockholder) a share of ownership in a company. Stocks also are called "equities." They can be acquired directly within the equity markets.

Stock Mutual Funds: The pooling of money to a professional fund manager that acquires and manages a selection of stocks for its shareholders, for a fee.

Stock Dividend: The issue of new stock from a corporation, proportionately to its shareholders based on the current stockholders' holdings. Stock dividends do not represent a distribution of earnings.

Stock Option: A purchased right to buy or sell a fixed amount of a given stock for a specified amount within a limited period of time. It can also be an employee benefit, allowing the employee to purchase stock, usually at below market value.

Stock Option, Incentive (ISO): An employee stock option plan that grants key employees options to purchase company stock at a predetermined price without incurring a tax liability at the time the option is granted or when exercised. It may create an alternative minimum tax exposure.

Stock Option, Regular (RSO): Also known as Statutory Stock Options, these are granted to key individuals as a right to purchase company stock at a predetermined price. When the option is exercised, the difference between the option price and the exercise price is taxed as compensation.

Stock Split: A division of outstanding shares into a greater number of shares. The shareholder retains the same percentage of ownership with a different number of shares.

Student Loans: Special loans designed to help students and families fund the high costs of education. Examples include extra-credit loans, Stafford loans, Sallie Mae loans, and Educational Resources Institute loans. For information regarding these and other loan programs, contact the specific school you are interested in or a specific financial institution that markets such loans.

Tax, Alternative Minimum (AMT): A complicated income tax that is activated when there are excessive deductions and tax benefits.

Tax, Capital Gains: Are taxes incurred on the gains created on the sale of assets held for investments. They may be adjusted for items such as the type of asset such as stocks and bonds and mutual funds, real estate, collectibles; holding periods such as short-term - under 12 months and over 12 months - long term, your tax bracket and marital status.

Tax, Employment: Taxes that an employer is required to withhold from an employees paycheck; it can also include additional taxes that the employer may be required to match or pay based on payroll.

Tax, Estate: Taxes collected based on the net value of all the property owned by someone as of their date of death.

Tax, Generation-Skipping: The tax generally applies after application of exemptions and deductions, when the beneficiary belonging to a generation younger than that of the party who is making a gift is skipped to an even younger generation (for example, from a grandparent to a grandchild). This tax is at a flat rate, equal to the highest estate and gift-tax rate.

Tax, Gift: Tax on the transfer of property by one individual to another while receiving nothing, or less than full value in return.

Tax, Inheritance: The tax paid on the value of property and money received from another person after their death.

Tax, Net Investment Income Tax (NIT): Is imposed at a rate of 3.8% to certain net investment income of individuals, estates and trusts that have income above the statutory threshold amounts. For modified adjusted incomes over $250,000 for married filing jointly, $200,000 for singles.

Tax, Property: Some cities, counties, and states collect tax on property such as real estate, automobiles, and business property.

Tax Risk: The risk that the IRS will change the tax laws or disallow a tax deduction and you will owe penalties and back interest.

Tax, Sales: Some states, counties, and cities tax retail sales. Only Alaska, Delaware, Montana, New Hampshire, and Oregon have no sales tax.

Tax, Self-Employment: Tax levied on small business based on their earnings.

Tax-Sheltered Annuity (TSA) or 403(b) Plan: Similar to a 401(k) plan, but set up for public employees and employees of nonprofit organizations.

Taxable Accounts: Savings and investment accounts in which the interest, dividends, or gains earned on the accounts must be declared on your tax return.

Tenancy-in-Common (TIC): Two or more holders of equal or unequal shares of property which cannot be sold without the consent of the others, and which carry no rights of survivorship, as in joint tenancy.

Term Life: Provides a cash benefit if death occurs while the policy is in force. The insurance protection is for a specific limited period of time. Once the period ends there are no death benefits or cash values. This type of life insurance is usually the least expensive on a year-by-year basis, with premiums gradually increasing each year.

Term Loan (Credit): A loan that is repaid over a specified period of time.

Time Value of Money: Is an essential principle of smart financial management that asserts money is worth more today than money received in the future due to the potential earning power of money. $100 invested today at 8% will grow to $108 in one year. At 8%, $100 received in one year is only worth $92.59 (divide $100 by 1.08). Due to money's potential to increase in value over time, you and your advisors can use the time value of money to calculate how much you need to invest and at what rate-of-return to reach certain future goals.

Testamentary Trust: A trust that is created by will upon the death of the person who made the will (the *testator).*

Treasury Bill: (T-Bill) A money-market security that represents liquid short-term government financing with maturities ranging from a few days to 52 weeks. Treasury Bills may be purchased free from the Federal Reserve Bank or for a small fee through financial institutions.

Treasury Bond: A negotiable debt issued by the federal government with a minimum face value of $1,000 and a maturity of 10 years or longer. Bonds and notes are purchased at auction or from the Federal Reserve Bank, commercial banks, or brokerage firms.

Treasury Note: Purchased the same way as treasury bonds, except they mature in two to 10 years. The minimum denomination for a treasury note is $5,000 for two or three year maturities, and $10,000 for maturities longer than three years.

Trust Accounts: Accounts that contain the assets of the trust.

Trust, Charitable (Immortality): A trust that is set up in your name to provide an ongoing benefit, such as a scholarship or to grant funds for future generations.

Trust, Charitable Remainder (CRT): A trust into which assets are contributed that provide a donor with an income-tax deduction and a beneficiary with income over a period of time, with the remaining principal going to charity.

Trust Fund: A fund held by one person (trustee) for the benefit of another, according to the provisions of a formal trust agreement.

Trust, Irrevocable: A trust in which the trustor does not retain the right to revoke or amend the trust.

Trust, Life Insurance (Wealth Replacement): A trust that is usually set up as an irrevocable trust for the purpose of receiving life insurance proceeds estate tax free.

Trust, Living (Inter vivos): A trust that is created while the grantor is alive.

Trust Officers: Officers in a trust company, such as a commercial bank.

Trustor/Grantor/Settlor: The individual who provides the assets used in setting up a trust.

Trust, Special Needs: A special needs trust is set up for a person with special needs to help increase their quality of life while supplementing any benefits the person with special needs may receive from government programs without reducing benefits.

Trust, Qualified Terminal Interest Property (QTIP): A trust created at death by a will or living trust which provides all of the income to the surviving spouse for life. Upon that survivor's death, assets go to beneficiaries previously designated by the first spouse who died. Properly set up, this trust will avoid any taxes on the estate of the first spouse, but will be included in and may be taxed as part of the estate of the surviving spouse.

Trust: A legal agreement designed to manage and control certain assets, held by the trustee for the benefit of others.

Trustee: The person, persons, or organization appointed by the trustor to manage the assets and distributions of the trust.

Trustor / Grantor / Settlor: The individual who provides the assets used in setting up a trust.

Unified Credit: The estate and gift tax system in the United States is "unified." When computing the estate tax that may be due upon a person's death, the IRS takes into consideration taxable gift transfers by the decedent during his/her lifetime.

Unified Credit (By-Pass) Trust: A trust created either through one's will or a living trust that allows the unused portion of the unified credit to be placed in trust for a surviving spouse or other beneficiaries.

U.S. Government Savings Bonds: Savings certificates issued by the government. They are sold at less than their face value but may be cashed in for their full value after a specified length of time.

Value Spending: Get clear on your personal values. Filter every financial decision around them to help make wiser financial decisions. Value based spending allows you to get the most benefits from your spending.

Value Stocks: An investment style of selecting companies that are considered currently to be undervalued.

Values: A person's or society's beliefs about good behavior and what things are important; the principles that help you to decide what is right and wrong, and how to behave.

Variable Annuity: A regular monthly payment that varies in amount based on the performance of the securities held in the insurance company's portfolio. These annuities are covered by insurance company laws that

shelter gains from current taxation. They carry more stock market risk than fixed annuities, but have a greater potential for appreciation.

Variable Life: Also a combination of term and whole life. It has a death benefit and cash values. Like universal life, this policy is flexible and allows you to adjust the allocation of premium payments between the death benefit and the cash values. Variable life policies offer additional flexibility by allowing you to invest cash values in various combinations of money market, stock or bond funds.

Venture Capital: Pre-publicly traded equity investment that has a limited market for trading.

Will: A legal document through which a person directs the disposition of his or her estate upon death.



"No matter what anybody tells you, words and ideas can change the world."

JOHN KEATING



Essential Principles of Smart Money Management are a collection of financial doctrines that pertain to the eleven components of personal financial management – the foundation to personal finance knowledge: paperwork, net worth, cash flow, employment benefits, goals, financial independence / retirement planning, major expenditures planning, investment planning, tax planning, insurance planning / risk management, estate &gift planning.

"Learning, understanding, and using the essential principles to smart money management are very important as they provide you with the tools to address everyday money decisions in a more informed manner - and provide you with the best probability to live happier, productive and fulfilling lives."

Your *financial* PARTNER.



International Appendix



"The best money or financial advice is to educate yourself financially."

- Peter Kwadwo Asare Nyarko

Are Your Country's Financial Principles Different

We are not taught at home or school about planning for our future and why it's important to have a current financial, estate and gift plans to protect themselves and our families. We have a collection of serious problems resulting in a high percentage of poverty coupled with a lack of financial awareness resulting in a serious financial illiteracy epidemic. This places a HUGE growing amount of pressure on families and friends, employers, NGO's and nonprofits; as well as the ultimate safety net the government. This is not just a local epidemic it's an international one.

Earning and building personal wealth and managing personal finances today are more complicated and more important than ever. We're living longer and need to earn more, save more, and invest more wisely to build financial resources to care for ourselves and families. Many of us are insecure with our work and the future of our homes. We see our money being drained by the high cost of food and water, healthcare, housing, education, and taxes while dealing with the uncertainty of investments and our local and global economy. We worry about the future, or unfortunately in many cases, simply try not to think about it.

Most people are not taught the essential principles to smart money management – the foundation to personal finance knowledge - at home or in school. Thus they don't have the proper tools to address everyday money decisions in an informed manner. This jeopardizes their financial and physical wellness, their ability to realistically achieve and maintain their personal and family financial dreams, let alone enjoy a financially secure debt free future.

As you go through the materials please note any definitions; cultural, geographical, religious, and legal and tax law differences, from the materials presented, that affect your financial planning.

International Appendix

Your Country



As you go through the materials please note any definitions; cultural, geographical, religious, and legal and tax law differences, from the materials presented, that affect your financial planning.

TIPS & IDEAS

Worldwide Tax Information

USA - Federal & State Tax Information

- IRS Website
  https://www.irs.gov/
- Tax Foundation Website
  https://taxfoundation.org/state-tax/individual-and-consumption-taxes/
- Turbo Tax Website
  https://turbotax.intuit.com/tax-tools/calculators/taxcaster/
- Kiplinger Website
  https://www.kiplinger.com/retirement/600892/state-by-state-guide-to-taxes-on-retirees

Global Taxes

- Tax Foundation Website
  https://taxfoundation.org/center/global-tax-policy/
- The Global Company
  https://www.theglobaleconomy.com/rankings/personal_income_tax_rate/
- E Y Worldwide Estate & Inheritance Website
  https://www.ey.com/en_gl/tax-guides/worldwide-estate-and-inheritance-tax-guide
- PWC Inheritance & Gift Tax Rates
  https://taxsummaries.pwc.com/quick-charts/inheritance-and-gift-tax-rates

1. Paperwork

2. Net Worth

3. Cash Flow

4. Employment Benefits

5. Goals



6. Financial Independence / Retirement Planning

7. Major Expenditure Planning



8. Investment Planning

9. Tax Planning



10. Insurance / Risk Management Planning

11. Estate & Gift Planning





12. Other Localized Notes



We believe having better personal finance knowledge changes your world and the world around you… FOREVER!

The FINANCIAL AWARENESS Foundation

"Your Financial Partner"

Improving Financial Awareness & Financial Literacy™

We hope you enjoy *financial*PARTNER Guidebook and Personal Financial Management System and find it to be very special and valued tool. In the spirit of improving financial awareness and financial literacy you are welcome to share it with your family and friends and encourage them to get their financial house in order with an up-to-date financial, estate and gift plan.

If you are a member of a municipality, academic institution, financial service or nonprofit organization, membership organization, or larger employer and would be interested in customized or co-branded versions of our publications and would like to learn about **The Improving Financial Awareness & Financial Literacy Movement,** and our improving financial awareness & financial literacy programs and content please contact us..

If you found our materials valuable to you and your family please consider making a generous charitable contribution to **The Financial Awareness Foundation** to assist us in helping others. We welcome your assistance and support.

If you would like to discuss how you can make a 'meaningful difference' as an ambassador, volunteer, sponsorship, supporter or donor please contact us directly.

Thanks for your consideration and support. Wishing you all the very best,



Valentino Sabuco, Executive Director
The Financial Awareness Foundation

A 501(c)(3) US based Nonprofit Organization Dedicated to Significantly "Improving financial awareness & financial literacy…" SM

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Direct: +1 707.322.1597

DONATE NOW
Become a Supporter Today

"Education is the most powerful weapon which you can use to change the world."

NELSON MANDELA



The FINANCIAL AWARENESS Foundation

Improving Financial Awareness & Financial Literacy™

Donor Contribution Form

Have You Ever Heard Someone Say…

"I'm too young to do estate or financial planning."

"Doesn't the government provide for that?" *"Estate and financial planning is too complicated and expensive."*

"All my property is titled in joint tenancy with my spouse so I don't need a will." *"Estate and financial planning is only for the rich."*

We believe having better personal finance knowledge changes your world and the world around you… FOREVER!

The Financial Awareness Foundation is a 501(c)(3) nonprofit organization. We serve as a nonpolitical "financial awareness advocate" for the general public, the financial service, nonprofit, and educational professionals and their organizations, municipalities, and employers. Our mission is to significantly help solve a major social problem dealing with the lack of financial awareness and the financial illiteracy epidemic. We believe EVERYONE needs to be financially aware and financially literate. If not, how would **YOU**

- **Make informed lifelong money decisions?** - Giving YOU the best possibilities of living out a fun, meaningful, and personally fulfilling career/financial future.
- **Organize and manage YOUR personal finances over YOUR lifetime?** - Saving YOU time and money.
- **Work efficiently with financial service professionals & financial product providers?** - Getting the best results from YOUR time & money.
- **Craft YOUR Estate and Gift Plan?** - Passing on YOUR values, knowledge and assets to future generations and YOUR charitable causes to help make this a better world. Ending inherited poverty for all.
- **Create a dynamic financial blueprint 'YOUR PERSONAL FINANCIAL PLAN' to act as YOUR guiding tool?** - This empowers YOU to steer through life's uncertainties, taking charge of YOUR finances while effectively meeting short-term goals.

Further, it lays a strong foundation for **YOUR** financial journey, fostering confidence and purpose along the way. Without this empowerment, will **YOU** become a burden on family and friends, employers, local nonprofits, and the ultimate safety-net the local and national government?

HELP US TO REACH MORE PEOPLE!

If you see our materials and work to be meaningful please consider making a 'Tax-deductible Contribution' to **The Financial Awareness Foundation.** **Thank YOU** for your consideration.

To make YOUR tax deductible online contribution Click here

DONATE NOW
Become a Supporter Today

https://home.thefinancialawarenessfoundation.org/donationgateway.html

Or send YOUR check payable to

The Financial Awareness Foundation
959 Golf Course Drive, #273
Rohnert Park, Sonoma County, CA 94928 USA

Some Background Information

The Financial Awareness Foundation & Our Work

1.	TFAF Annual Report& Business Plan https://home.thefinancialawarenessfoundation.org/pdf/TFAF-FoundationReport&BusPlan.pdf
2.	TFAF - Introduction Factsheet https://home.thefinancialawarenessfoundation.org/pdf/TheFAFoundationFactSheet.pdf
3.	The Improving Financial Awareness & Literacy Movement Worldwide https://home.thefinancialawarenessfoundation.org/pdf/TheMovementWorldWide.pdf
4.	The Improving Financial Awareness & Financial Literacy Movement in Africa https://home.thefinancialawarenessfoundation.org/pdf/TFAF-Africa-TUFA-FLM.pdf
4.	Complimentary – TFAF Personal Financial Publication Set https://home.thefinancialawarenessfoundation.org/publications.html https://thefamovement.org/personal-finance-knowledges/#gift-of-personal-finance-knowledge
5.	Become a TFAF Ambassador, Strategic Partner, Volunteer & Supporter https://home.thefinancialawarenessfoundation.org/pdf/CFLE-TFAF-Ghana-Ambassador-SP-Vol.pdf
6.	Websites TFAF Brochure https://home.thefinancialawarenessfoundation.org/index.html The Movement (Under Construction) https://thefamovement.org/
7.	About Valentino Sabuco Executive Director, The Financial Awareness Foundation https://home.thefinancialawarenessfoundation.org/pdf/Sabuco-TFAF-Intro.pdf

The Improving Financial Awareness & Financial Literacy Movement, spearheaded by The Financial Awareness Foundation, is committed to significantly improving financial awareness and financial literacy, domestically and worldwide.

We strongly believe that financial awareness & financial literacy are fundamental life skills – not commonly taught at home or at school – required to live a successful life in today's world. As we work more internationally, we are learning that other key life skills are also not being taught, such as

- PROBLEM-SOLVING – Making things better
- COLLABORATION – Working together
- CREATIVITY – Thinking outside the box
- NEUTRAL MIND – open to seeing the big picture both positive & negative
- PROACTIVE LISTENING & EFFECTIVE COMMUNICATIONS – getting and delivering the message
- ETHICS – Doing the right thing / Doing no harm

Without these fundamentals, no wonder we have so many social and political challenges.

The Movement functions as a pivotal communication platform aimed at accelerating substantial strides within financial awareness and financial literacy and much more. We achieve this by:

- Acting as a catalyst for crucial improvements in human equality and economic stainability. (Females and youth – 75% of the world's population seem to be grossly underserved worldwide)
- By touching, impacting, and empowering individuals worldwide, we aim to equip them with essential financial awareness and financial literacy skills, along with other vital life skills. This initiative is designed to foster improvements in the lives of individuals and their families.
- Contributing to the fortification and stabilization of local, regional, national, international, and global economies by generating new higher-paying, environmentally conscious jobs.
- Fostering the growth of high-quality businesses for financial service advisors and providers, simultaneously educating consumers about essential financial products/services while ensuring their protection from misuse and misrepresentation
- Playing a key role in the effort to end hunger and eradicate inherited poverty universally.
- And this marks just the outset of our multifaceted impact.

The Movement has now expanded into 5 continents within over a dozen countries, and growing strong…Help us do more…



We are looking for new countries, social change organizations / philanthropists and impact venture capitalists to help us to further expand and accelerate the growth of The Movement.

If you find the above materials of interest and would like to discuss this further, please let us know and we will arrange a mutually convenient time to speak.

Thanks for your consideration.

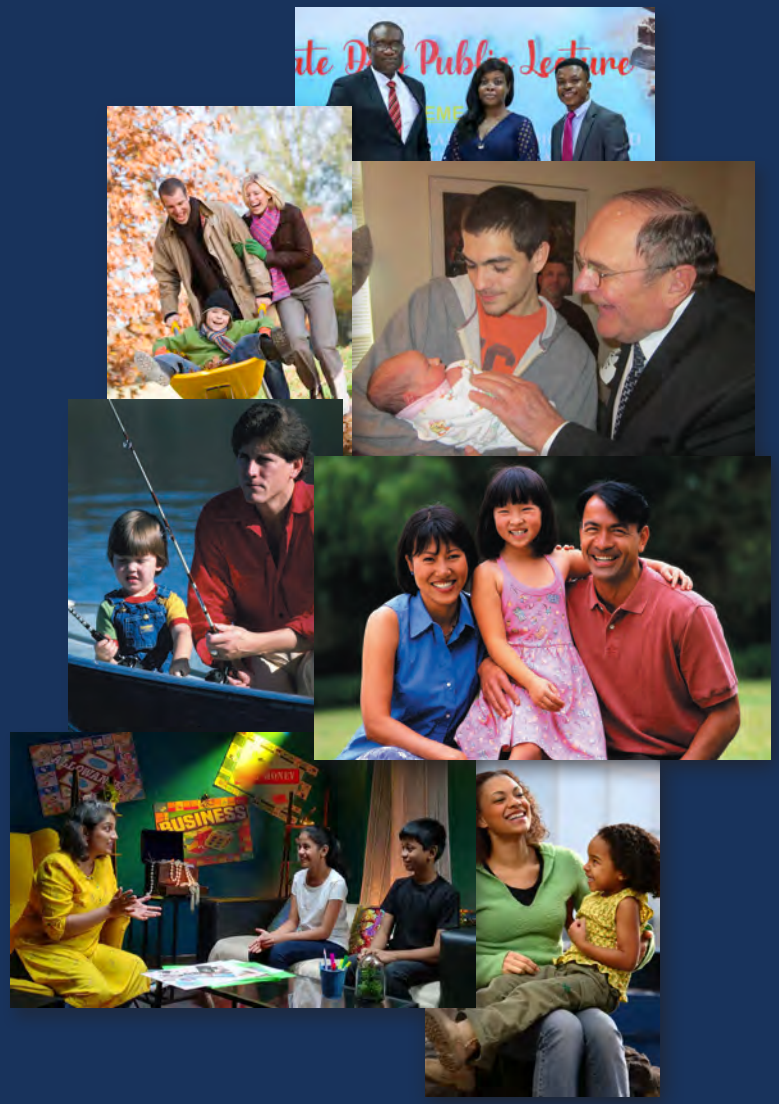
Wishing you all the very best,

Valentino

Valentino Sabuco, Executive Director
The Financial Awareness Foundation
v.sabuco@TheFinancialAwarenessFoundation.org

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All the tools you need to organize, plan & manage your finances



Do you want more control over your finances and to feel more secure about your economic future? All the tools to accomplish this—and more—are right here in your hands.

The *financial* PARTNER System could change your life. The *financial* PARTNER is more than just another source of financial information and advice. It is a complete personal financial management system—a clear step-by-step process designed to help organize your affairs and use the essential principles of smart money management.

Don't wait. Begin now to create your personal financial plan. Open this guidebook and learn how to get your financial house in order make financial security and success yours.

Having better personal finance knowledge changes your world and the world around you… FOREVER!

The FINANCIAL AWARENESS Foundation

"Your financial PARTNER" ™

A 501(c)(3) Nonprofit Dedicated to Significantly

"Improving financial awareness & financial literacy" ™

A Financially Green Organization ™

www.TheFinancialAwarenessFoundation.org

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