

# - *CONFIDENTIAL REPORT* -

Prepared Especially For:

*John & Mary Sample*

August 2008

Prepared By:

**Smart T. Advisor**

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# - *CONFIDENTIAL REPORT* -

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# **- CONFIDENTIAL REPORT -**

## **FINANCIAL PLAN INTRODUCTION**

This confidential report was created for your personal use and future reference only. Each section is designed to give you a better understanding of your financial circumstances, and what's projected for the future. The report reflects your financial standing today and where you are likely to be in the event of your disability, death or retirement. It will provide valuable information for years to come.

The goal of this financial plan is to make the greatest possible use of your present and expected financial resources. The plan assumes your expressed willingness, and ability, to take on an appropriate level of risk; and also to make the cash and investment commitments required.

Your report coordinates all of your assets, liabilities, sources of incomes, and puts them into perspective when compared to your stated goals and objectives. Needs or deficiencies are identified, and recommendations are included to illustrate how you may improve your arrangements.

Supplementary information is also included to help clarify some issues.

Periodic review will be necessary to keep your report up to date and pertinent to your life. If, after a thorough review of the plan, you feel you'd like to make different assumptions, we'll be happy to make adjustments based on whatever assumptions you may wish to adopt.

The value of this plan lies in its implementation. Once your plan accurately reflects what you're personally trying to accomplish, and the more rapidly these changes are made, the more likely the desired results will be achieved.

No financial plan is of any value unless it is implemented promptly. Our services are available to assist you in these endeavors.

The Cost benefit ratio: The total fee for constructing your financial plan was \$1,500. According to our projections, the difference in your net worth in ten years between the current version (assuming you continued going down the road you're currently on), and the proposed version (following all of our recommendations) is roughly \$380,000.

This number divided by the total fee is 253. So for every dollar you spent on our fee, the value of our plan returns \$253 to you. The cost benefit ratio in 30 years is 560.

# **- CONFIDENTIAL REPORT -**

## **Disclaimer**

This financial plan was designed from the personal information and documents furnished to us by you, and it is based on your expression of the personal objectives and your attitudes. It is essential that the tax and legal planning steps be considered only with the advice of your attorney, CPA, and your other financial advisors, which we will be happy to coordinate with. This plan is not to be construed as offering legal or accounting advice. You are encouraged to discuss this plan and its findings with your attorney and accountant.

These reports show ballpark estimates of your future financial situation, and are intended only as a basis for discussion with your professional advisors. The estimates shown in this report are based on many assumptions that may or may not occur. Both principal value and investment returns will fluctuate over time. No warranty as to correctness is given and no liability is accepted for any error, or omission, or any loss, which may arise from relying on this data.

Every effort has been made to assure the highest reasonable degree of accuracy in your financial plan. However, due to the dynamic nature of our economic and tax environments, no guarantees or assurances can be given regarding the profitability or tax benefits of any investment. The only assurance is that over time, every investment program is likely to produce some losses on the road to achieving long-term gains.

This plan is only as accurate as the information on which it was based. If the data originally supplied to us is incorrect, the plan will reflect these inaccuracies, and these errors will project into the future at a magnified rate. Certain assumptions made by us, or you, may also limit the accuracy of the data. Please review your data carefully. Also, the further into the future this plan projects, the more inaccurate it becomes. As a result, your plan should be updated at least annually to ensure its continued accuracy.

Where rates of return, taxes, and inflation estimates are used to simulate investment results, they should not be construed as guarantees or warranties of profitability. Computerized performance projections of assets, portfolios, and markets are to be considered as statistical models based on past performance only. Past performance is no guarantee of any future results. No warranty as to correctness is given and no liability is accepted for any error, or omission, or any loss, which may arise from relying on this data. No investment, strategy, or recommendations in this report is insured by the FDIC, any governmental agency, or other corporation.

Where tax benefits are illustrated they are based on the best information currently available. Various proposals are made from time to time to change the tax laws, and it seems probable

that many of our current tax laws will undergo changes during the years illustrated in this financial plan. Some of these proposals, if enacted, might have a serious adverse effect on tax consequences of some of the investment strategies proposed. On the other hand, some proposals may significantly enhance your position if enacted.

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# **- CONFIDENTIAL REPORT -**

## **LEVEL OF CLIENT SERVICES**

**Based on the amount of your assets we manage, you are considered a Level 4 client.**

You are entitled to various services depending on your account size. We have four general tiers, or levels, of services:

- Level 1: Accounts under \$100,000
- Level 2: Accounts from \$100,000, to \$250,000
- Level 3: Accounts from \$251,000 to \$500,000
- Level 4: Accounts over \$500,000

We will automatically upgrade your Level when your account reaches the higher threshold. We will only downgrade your Level if your account size falls below a threshold due to withdrawals. We will not downgrade your account due to market fluctuations.

Any product (e.g., written financial plans) or service that you are not automatically entitled to may be purchased for an additional fee. Please refer to the Client Agreement for prices and fees.

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### **LEVEL I SERVICES**

#### **Accounts under \$100,000**

- 1.0 Identify your personal financial objectives and priorities with personal meetings, the use of comprehensive fact finding questionnaires, and follow-up phone calls. Identify and clarify your personal objectives and priorities. Analyze and quantify your personal risk limits, return expectations, constraints, and preferences.. Analysis of overall financial situation, investments, and risk management (insurance policies).
- 1.1 Develop and prioritize strategies and tactics for achieving your objectives.
- 1.2 Manage investment portfolio(s) according to the model determined by your risk-tolerance category (found by our investment fact-finder).
- 1.3 Generate one retirement report annually upon the completion of the retirement fact finder.
- 1.4 Morningstar reports on currently held and recommended stocks and mutual funds.

- 1.5 Our staff will be available during normal business hours to respond to your questions and requests. While normal business hours are weekdays from 8:00 AM to 4:30 PM Mountain time (when daylight savings time is in affect), we will monitor voice- and e-mail during off hours. Please note that investment trading instructions will not be executed via e-mail.
  - 1.6 In-person meetings up to four times per year to discuss concerns and changes.
  - 1.7 Discuss economic, investment, financial, and market conditions.
  - 1.8 No charge for phone calls. Toll-free number for long distance calls.
  - 1.9 Newsletters and other mailings of interest.
  - 1.10 Routine client service work.
  - 1.11 On-line access to your account information.
  - 1.12 Monthly investment portfolio statements showing all transactions, and other account activity (deposits/withdrawals/dividends/interest/capital gains/sales/purchases/distributions/settlements). Portfolio holdings by asset (share and dollar amounts) and whether dividends are reinvested into the fund or retained as cash.
  - 1.13 Evaluate and recommend changes in your cash flow including spending, gifting, investments, and income tax withholding.
  - 1.14 Review and recommend changes as needed.
  - 1.15 Annual rebalancing of investment asset classes.
- 

### **LEVEL TWO SERVICES**

#### **Accounts Between \$100,000 and \$250,000**

- 2.0 All Level One Services listed above, unless noted below.
  - 2.1 Manage investment portfolio(s) on a personalized basis according to our five-asset class tool. Determine custom asset allocation guidelines based on your personal circumstances.
  - 2.2 Semi-annual rebalancing of investment asset classes.
  - 2.3 In-person meetings up to six times per year to discuss concerns and changes.
- 

### **LEVEL THREE SERVICES**

#### **ACCOUNTS FROM \$250,000 TO \$500,000**

- 3.0 All Level Two Services listed above, unless noted below.
- 3.1 Manage investment portfolio(s) on a personalized basis according to our eight-asset class tool. Determine custom asset allocation guidelines based on your personal circumstances. Other assets you may hold elsewhere may be included in the asset allocation report (e.g., 401(k)).
- 3.2 Semi-annual rebalancing of investment asset classes.
- 3.3 401(k) planning and allocation for active employees.

- 3.4 In-person meetings up to eight times per year to discuss your concerns and changes.
  - 3.5 Joint meetings with other advisors such as attorneys and CPAs.
  - 3.6 Analysis of stock options and their tax implications.
  - 3.7 Quarterly performance review of investment accounts.
    - Time weighted rate of return: Quarter to date  
Year to date  
Last 12 months  
Inception of account to date
    - The four above rates of return compared to benchmark economic indexes.
  - 3.8 Calculate required minimum distribution for IRAs under our management.
  - 3.9 Provide a discussions of estate planning basics and coordination with your attorneys.
- 

**LEVEL FOUR SERVICES**  
**ACCOUNTS OVER \$500,000**

- 4.0 All Level Three Services listed above, unless noted below.
- 4.1 Create and maintain a personalized Investment Policy Statement (IPS).
- 4.2 Perform custom portfolio optimization at the actual asset level (not the asset class level). This optimizes the asset allocation to help reduce risk and increase return.
- 4.3 Perform investment research and analysis of investments you're interested in, including a cursory look at stocks.
- 4.4 Unlimited (within reason) in-person meetings to discuss any concerns or possible changes. We recommend personal meetings no less than twice per year.
- 4.5 If you don't having a working relationship with an attorney, CPA, or mortgage broker, we can help you select one
- 4.6 On an annual basis, analyze and provide IRR (internal rates of return) for any rental real estate properties you may hold.
- 4.7 Review of insurance, wills, estate plans, etc.
- 4.8 The following financial planning reports upon completion of the pertinent fact finder:
  - Cash Flow (income and expense) summary
  - Net Worth Statement
  - College Funding Report.
  - Retirement Planning Report.
  - Disability Analysis.
  - Survivors Needs Analysis (life insurance report)
  - Estate Planning Summary (detailed reviews are available for additional fees)
  - Other Custom Reports.

# **- CONFIDENTIAL REPORT -**

## **Interview Notes, Assumptions, Concerns, and Goals**

### **- JOHN & MARY SAMPLE -**

#### **FINANCIAL PLANNING INTERVIEW NOTES**

In 2007, John is 45 and Mary is 40 years of age.

Your answers to our questionnaire scored 100 out of a possible 192 points (a score of 192 would indicate maximum tolerance for investment risk). This determines that you have a moderate risk tolerance (the five risk categories are Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive). This gauges your ability to assume risk. Your willingness to assume risk is about the same as your ability to assume risk.

There are two time frames for the investment portfolio. Both are considered to be long-term. Because your health is excellent for your ages, your combined life expectancy is over 25 years. The second time frame occurs when the remains of the portfolio will pass to your heirs.

The purpose of this investment account is to provide retirement income for John and Mary Sample.

Other than providing for your children's education, you indicated that you foresee several future needs for significant withdrawals from the portfolio, so your liquidity needs are high. These long-term financial goals begin after retirement, and include purchasing a high-end RV, boat, expensive trips and vacations annually, a cabin in Montana, and new vehicles every seven years.

Your current income needs from the portfolio are minimal, calling for a total-return approach that focuses more on long-term capital gains than on the generation of current income.

There are no particular preferences, constraints, legal, regulatory, or unique needs noted for either your personal or qualified portfolios.

Your liquid assets are currently sufficient to provide the cash reserves needed for emergencies.

#### **FINANCIAL PLANNING GOALS**

John wishes to retire in ten years, and Mary wishes to continue working part time while John is retires.

Your main financial goal is to maintain a balanced portfolio to provide adequate retirement income. Your stated annual retirement income goal is \$50,000 of net, after-tax, spendable dollars. This income stream will be constructed to attempt to increase at an average annual inflation rate of around 3.50% over your life expectancy. This income stream will also be constructed to attempt to continue through John's age of 100.

Maintain adequate disability and survivor income to maintain current living standards without depleting capital if one or both parents were to pass away.

Restructure income and assets to achieve current tax liabilities.

Completely fund college educations for all four children.

Increase the average rate of return on investments.

### **FINANCIAL PLANNING CONCERNS**

Being insured for major property or investment losses is a concern.

Assure proper estate distribution according to your wishes and maintain sufficient liquidity to cover estate settlement expenses.

Managing your cash flow to eliminate unneeded expenditures is a concern.

Have the mortgage paid off in 2021, credit cards in 2014, vehicles in 2015, and student loans in 2008.

Obstacles you feel will impede your goals are poor health, taxes, possible changes in employment, disability, and inflation.

John is concerned about the performance and stability of his life insurance company.

Jane expressed concern about how their rental real estate was performing and didn't understand if they were making money on it or not.

### **FINANCIAL PLAN ASSUMPTIONS**

Your current marginal tax bracket:	28%
Your average tax bracket:	25%
Average annual inflation rate:	3.50%
Bonds:	5%
Bond Mutual Funds:	6%
Equities:	8% - 12%
Annuities:	5%
Inflation:	3%
Average Tax Bracket:	20%
Social Security Inclusion:	50%
Social Security COLA Rate:	2%
John's Age to Collect Social Security:	62
Mary's Age to Collect Social Security:	62
John's Life Expectancy:	100
Mary's Life Expectancy:	100
Personal Residence Growth Rate:	2.5%
Personal Property Growth Rate:	2.5%
Rental Real Estate Growth Rate:	7%
Inflation Rate of College Expenses:	5%

# FAMILY BUDGET AND CASH FLOW REPORT EXPLANATION

## REAL WORLD PERSONAL FINANCIAL SOFTWARE

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Micheal Fulford , CFA [toolssupport@earthlink.net](mailto:toolssupport@earthlink.net) <http://www.toolsformoney.com/>

## OVERVIEW OF THE BUDGETING AND CASH FLOW REPORTS

This text is to help you understand the overall concepts, and the technical details, of the family budgeting and cash flow reports that follow.

The data used to generate the reports came from a combination of fact finders, your financial statements, assumptions, and estimates. These values change daily, so there will always be a level of inaccuracy that can't be avoided.

The budgeting reports have three major sections: Fixed expenses, variable expenses, and debt payments. Fixed expenses are those that are relatively constant every month – like insurance premiums and cable TV bills. Variable expenses are those that vary greatly from month to month – like food, clothing, and entertainment. Debt payments show money going to repay loans.

These three sections display their monthly totals at the bottom.

The chart, *Snapshot of Major Expense Categories*, helps in understanding what major categories your money is going into.

Replacement costs are a commonly overlooked part of family budgeting. It's also the biggest reason why people's budgets never seem to add up. In the reports, major items that need to be replaced or serviced periodically are accounted for on a monthly basis. Most families neglect to account for these, and then when mundane and common things happen, like \$10,000 needs to be spent on a new roof, this could be disastrous for the family budget for years to come. So it's critical to account for these items on an ongoing basis.

### Drilling Down Into the Details

The details are on the following pages. They are shown both for normal times, and if the breadwinner were to become disabled. Disability is a very real danger, so it needs to be accounted for in a serious manner.

The section, *Budget Totals with Debt* shows how much money is needed to pay all expenses on an hourly (assuming a 40-hour work week), daily, weekly, monthly, and annual basis. The top section shows how much net income (take home paycheck) is needed to pay everything. The bottom section displays how much is needed to pay for everything, including taxes. This is called “gross.”

The section below, *Budget Totals without Debt* displays the same information as above, but assuming all debt was paid off. This is important psychologically to see how things would be different if there were no debt payment to make anymore.

The section below, *Budget Category Percentages*, displays the percentages of the three major categories (fixed, variable, and debt). The middle and bottom sections display percentages spent on taxes in a few different formats.

In the next section, incomes are displayed both gross and net of taxes on an hourly, daily, weekly, monthly, and annual basis.

The next section, *Surplus or Deficit*, displays the current amount of surplus or deficit. If there is a surplus, that means that more money is coming into the family budget than is being spent. This should be put to use funding financial planning objectives. A deficit means that more money is being spent than is being contributed to the family’s budget.

The next section displays how much in disability insurance is needed to generate enough money to fund the family’s budget assuming both breadwinners were disabled.

Hopefully, the graphs and charts are self-explanatory. They just display the same information as discussed above, but for future years (e.g., when retired). There are several that display results in different ways to provide the most value to everyone.

### **Additional Information**

The report details very important information as it displays your current and future standard of living. It also reveals surpluses that can be put to productive uses, like funding vital financial planning goals and objectives. It also reveals very dangerous deficits. If so, expense items should be reduced ASAP to bring the budget into balance.

The income sections include all sources of income that you told us about that help fund your family budget. Amounts from interest or mutual fund dividends that are reinvested are not shown here.

# Budget and Cash Flow Results

<b>Budget Totals With Debt</b>	
Hourly Totals (net average based on 40 hour work week):	\$41.08
Daily Budget Totals (net average daily income needed):	\$236.32
Weekly Budget Totals (net weekly cash needed):	1,643
Monthly Budget Totals (net monthly cash needed):	\$7,149
Annual Budget Totals (net annual cash income needed):	\$85,783
Hourly Totals (gross average based on 40 hour work week):	\$48.41
Daily Budget Totals (gross average daily income needed):	\$278.47
Weekly Budget Totals (gross weekly cash needed):	1,936
Monthly Budget Totals (gross monthly cash needed):	\$8,424
Annual Budget Totals (gross annual cash income needed):	\$101,083

<b>Budget Totals Without Debt</b>	
Hourly Totals (net average based on 40 hour work week):	\$33.90
Daily Budget Totals (net average daily income needed):	\$195.00
Weekly Budget Totals (net weekly cash needed):	1,356
Monthly Budget Totals (net monthly cash needed):	5,899
Annual Budget Totals (net annual cash income needed):	\$70,783
Hourly Totals (gross average based on 40 hour work week):	\$41.23
Daily Budget Totals (gross average daily income needed):	\$237.14
Weekly Budget Totals (gross weekly cash needed):	\$1,649.10
Monthly Budget Totals (gross monthly cash needed):	\$7,174
Annual Budget Totals (gross annual cash income needed):	\$86,083

<b>Budget Category Percentages</b>	
Percent of Total Gross Budget Spent on Fixed Expenses:	37.0%
Percent Total Gross Budget Spent on Variable Expenses:	48.1%
Percent of Total Gross Budget Spent On Debt Repayment:	14.8%
Percent of Total Gross Budget Spent On Federal Taxes:	8.9%
Percent of Total Gross Budget Spent On FICA Taxes:	4.5%
Percent of Total Gross Budget Spent On State Taxes:	1.2%
Percent of Total Gross Budget Spent On Local Taxes:	<u>0.6%</u>
Percent of Total Gross Budget Spent On All Taxes:	15.1%
Average/Effective Tax Rate (% gross income spent on taxes):	16.1%
Percent of Total Net Income Spent On Taxes:	19.2%

## John's Incomes

Hourly Totals (net average based on 40 hour work week):	\$29.16
Daily Net Income Totals:	\$167.72
Weekly Net Income Totals:	\$1,166
Monthly Net Incomes:	\$5,074
Annual Net Incomes:	\$60,883

Hourly Totals (gross average based on 40 hour work week):	\$34.77
Daily Gross Income Totals:	\$200.00
Weekly Gross Income Totals:	\$1,391
Monthly Gross Incomes:	\$6,050
Annual Gross Incomes:	\$72,600

## Mary's Incomes

Hourly Totals (net average based on 40 hour work week):	\$8.92
Daily Net Income Totals:	\$51.29
Weekly Net Income Totals:	\$357
Monthly Net Incomes:	\$1,551
Annual Net Incomes:	\$18,617

Hourly Totals (gross average based on 40 hour work week):	\$10.63
Daily Gross Income Totals:	\$61.16
Weekly Gross Income Totals:	\$425
Monthly Gross Incomes:	\$1,850
Annual Gross Incomes:	\$22,200

## Sample's Combined Incomes

Hourly Totals (net average based on 40 hour work week):	\$38.07
Daily Net Income Totals:	\$219.01
Weekly Net Income Totals:	\$1,523
Monthly Net Incomes:	\$6,625
Annual Net Incomes:	\$79,500

Hourly Totals (gross average based on 40 hour work week):	\$45.40
Daily Gross Income Totals:	\$261.16
Weekly Gross Income Totals:	\$1,816
Monthly Gross Incomes:	\$7,900
Annual Gross Incomes:	\$94,800

## Surplus or Deficit With Debt

Hourly Totals (net average based on 40 hour work week):	-\$3.01
Daily Net Surplus or Deficit:	-\$17.31
Weekly Net Surplus or Deficit:	-\$120
Monthly Net Surplus or Deficit:	-\$524
Annual Net Surplus or Deficit:	-\$6,283
Percent Total Net Income In Surplus Or Deficit:	-7.0%
Hourly Totals (gross average based on 40 hour work week):	
Daily Gross Surplus or Deficit:	-\$20.64
Weekly Gross Surplus or Deficit:	-\$144
Monthly Gross Surplus or Deficit:	-\$624
Annual Gross Surplus or Deficit:	-\$7,492
Percent Total Gross Income In Surplus Or Deficit:	-7.9%

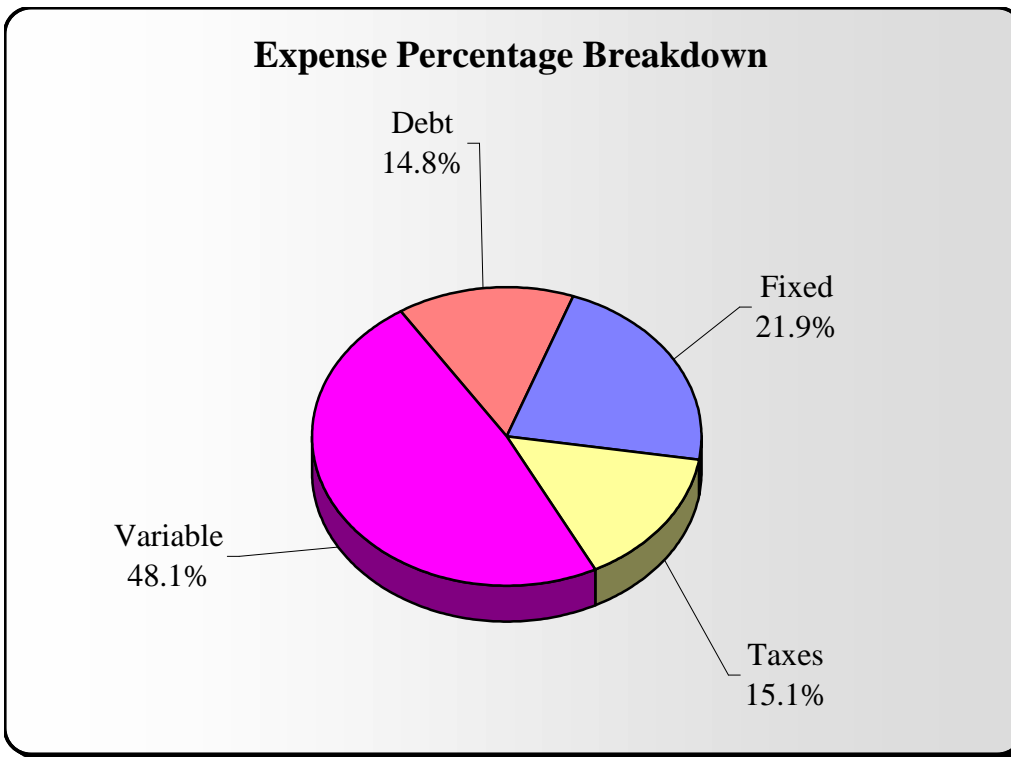
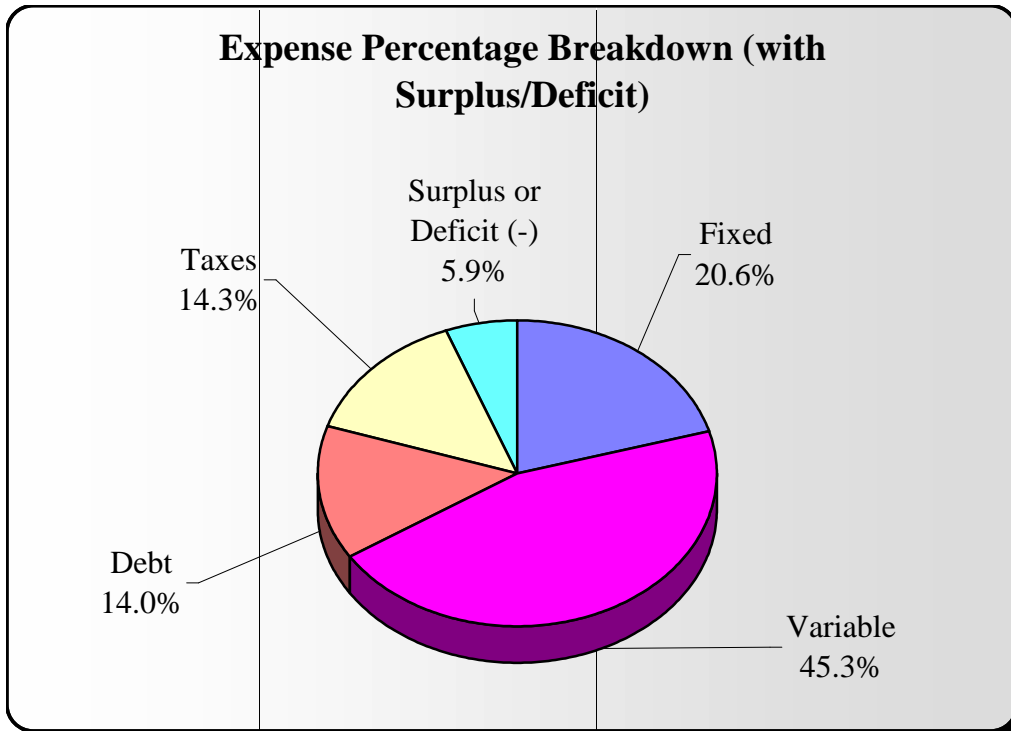
## Surplus or Deficit Without Debt

Hourly Totals (net average based on 40 hour work week):	\$4.17
Daily Net Surplus or Deficit:	\$24.01
Weekly Net Surplus or Deficit:	\$167
Monthly Net Surplus or Deficit:	\$726
Annual Net Surplus or Deficit:	\$8,717
Percent Total Net Income In Surplus Or Deficit:	9.7%
Hourly Totals (gross average based on 40 hour work week):	
Daily Gross Surplus or Deficit:	\$28.63
Weekly Gross Surplus or Deficit:	\$199
Monthly Gross Surplus or Deficit:	\$866
Annual Gross Surplus or Deficit:	\$10,394
Percent Total Gross Income In Surplus Or Deficit:	11.0%

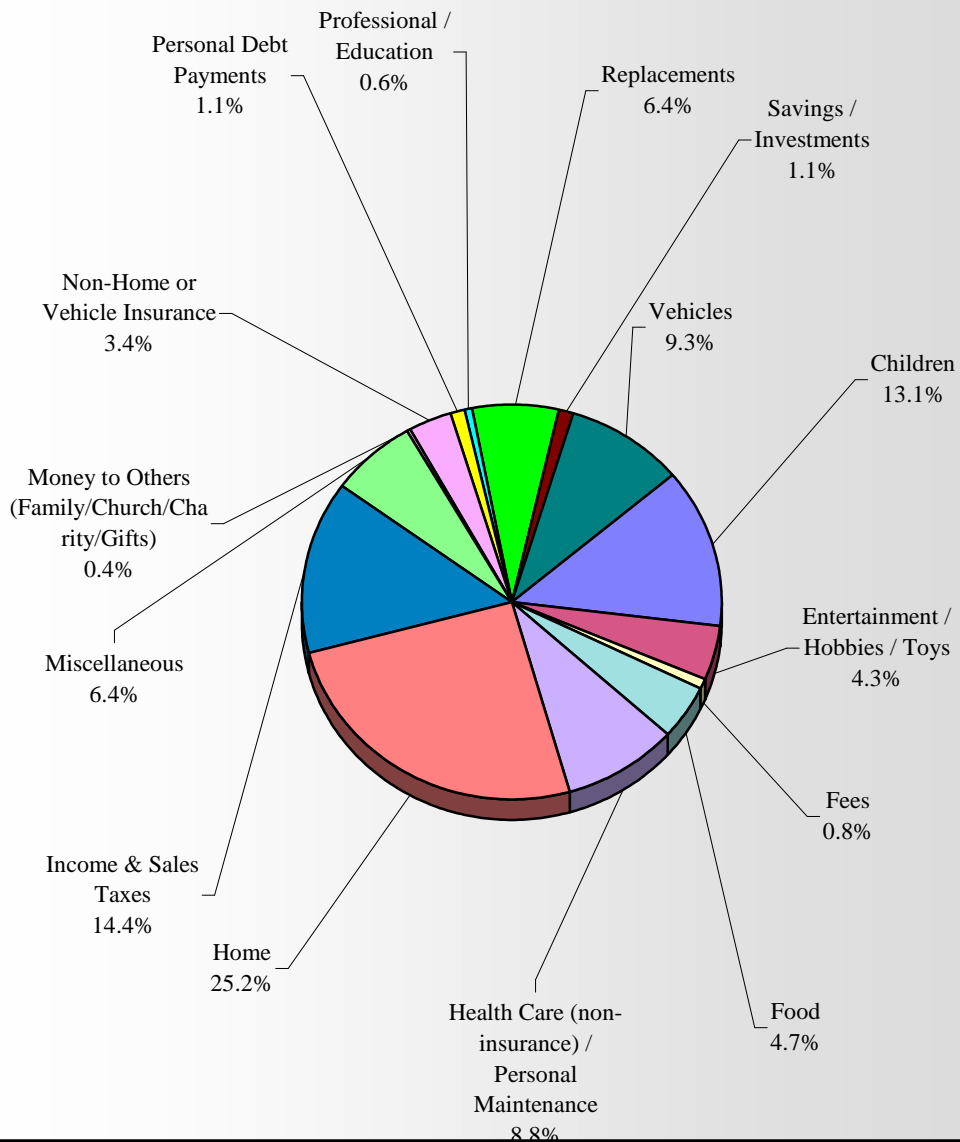
## Percentage of Total Gross Income

John's Percentage of Total Gross Income:	76.6%
Mary's Percentage of Total Gross Income:	23.4%
John's Percentage of Total Gross Income if John is Disabled:	14.0%
Mary's Percentage of Total Gross Income if Mary is Disabled:	5.5%

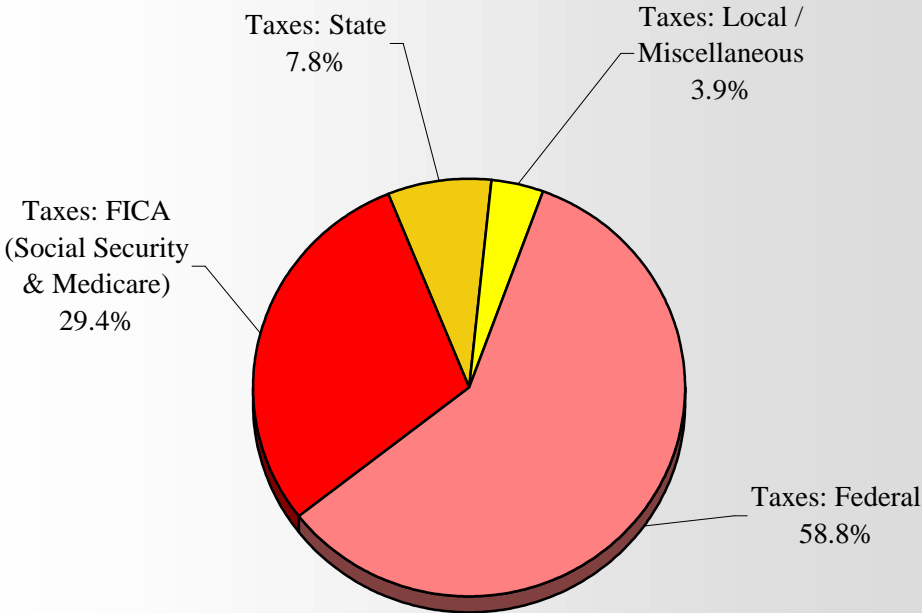
# Budget and Cash Flow Results



## End of Current Year Major Expense Categories

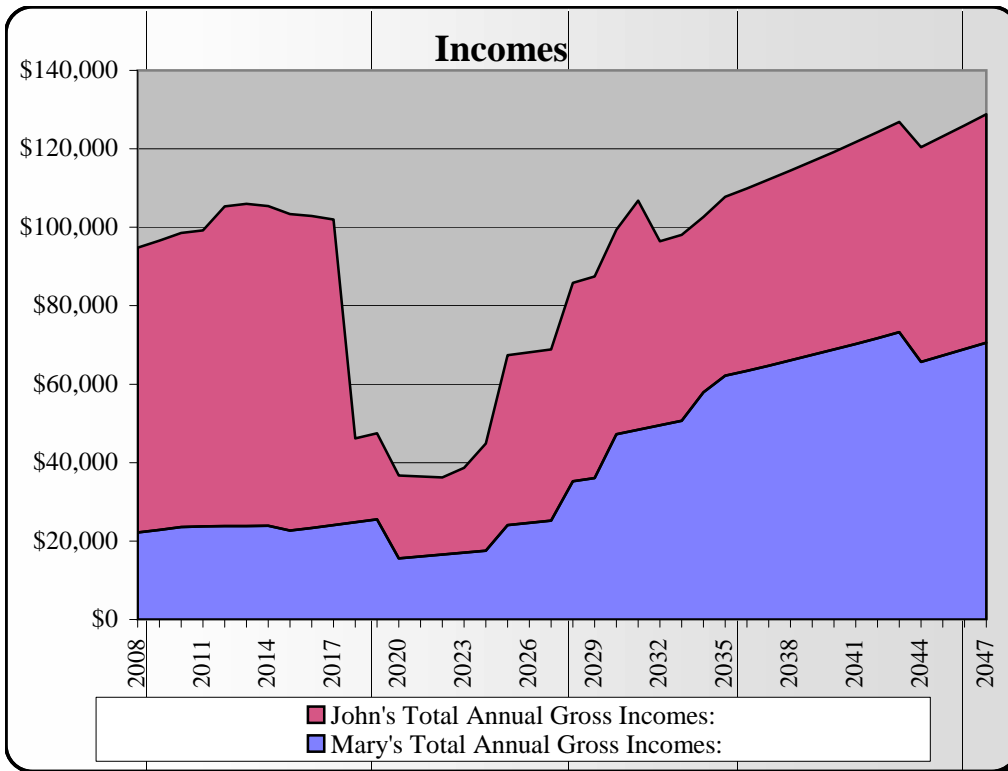
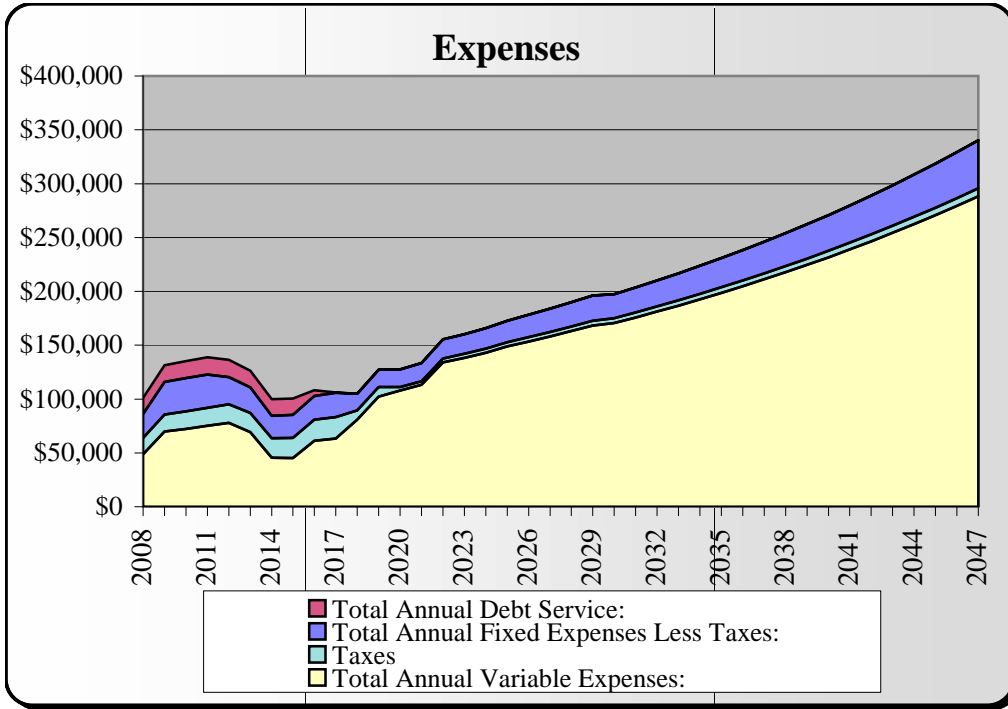


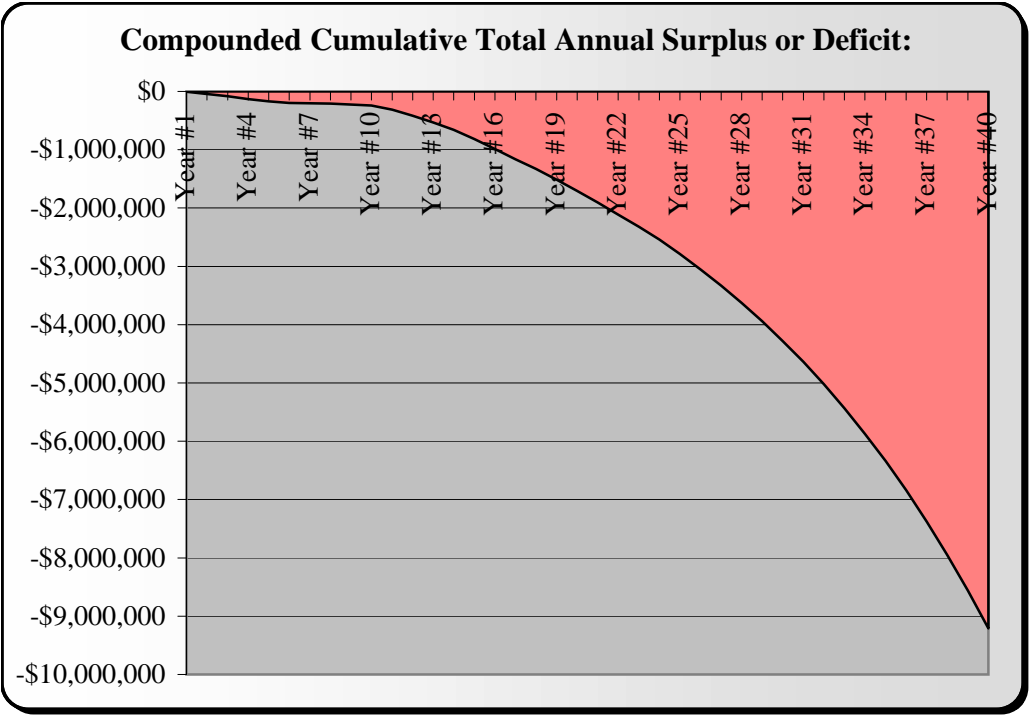
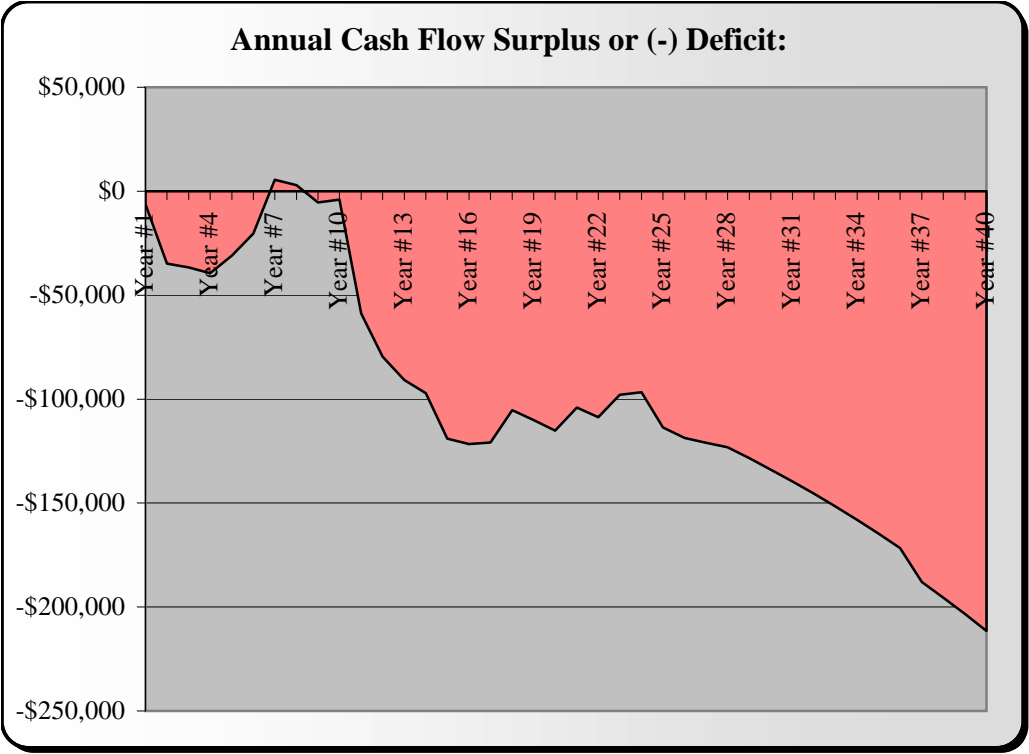
**Taxes as a Percent of Income Taxes**

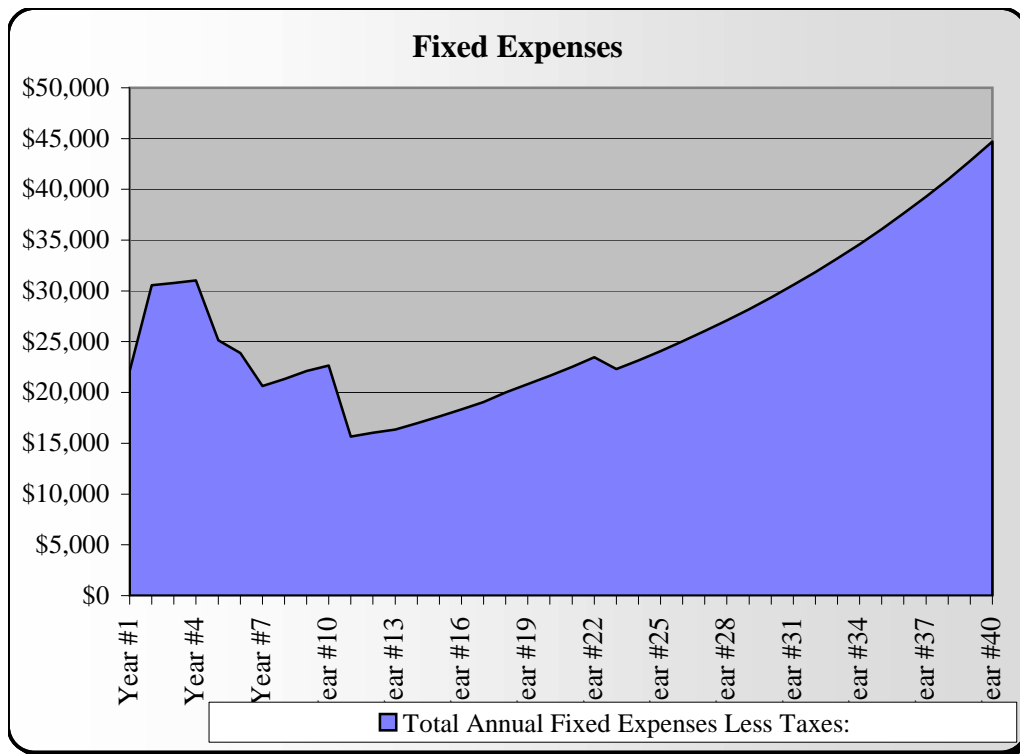
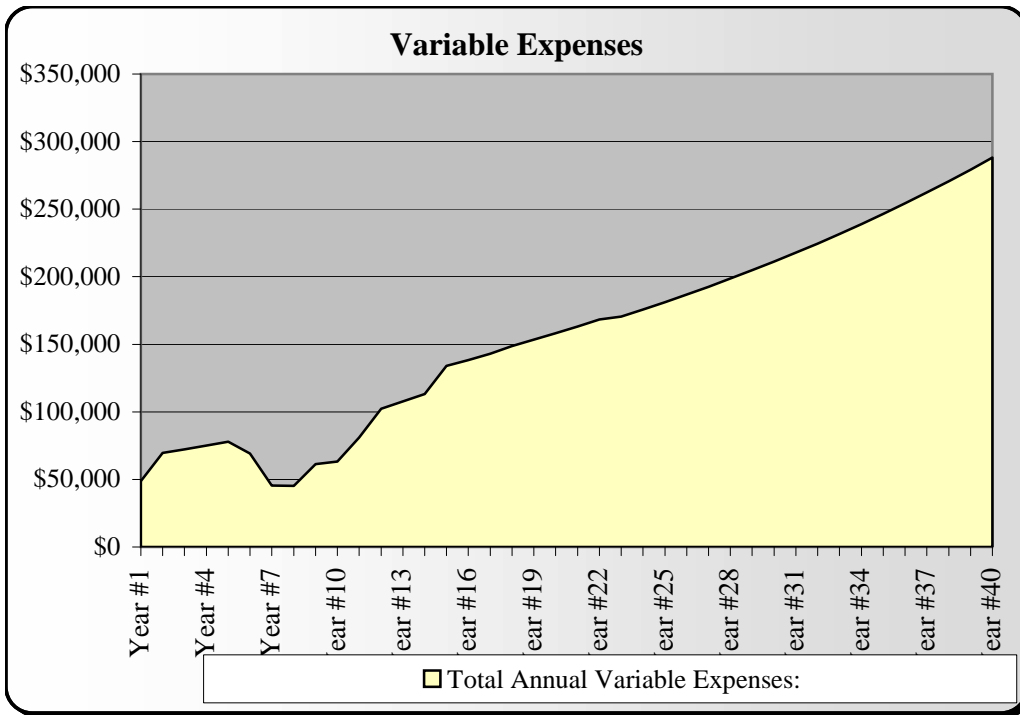


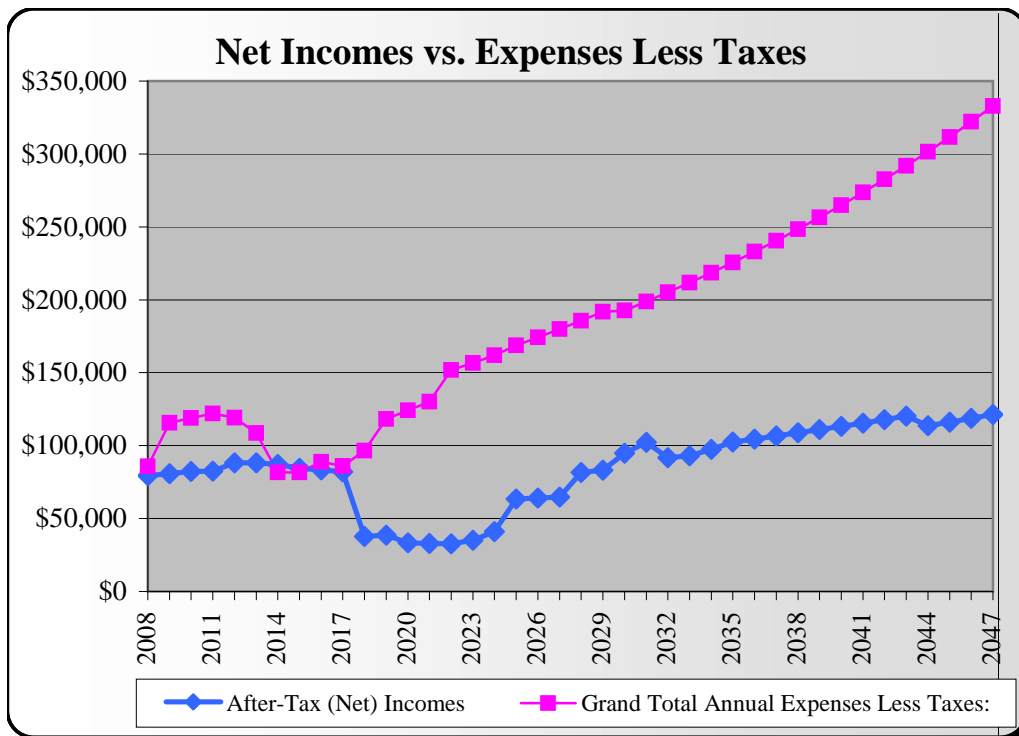
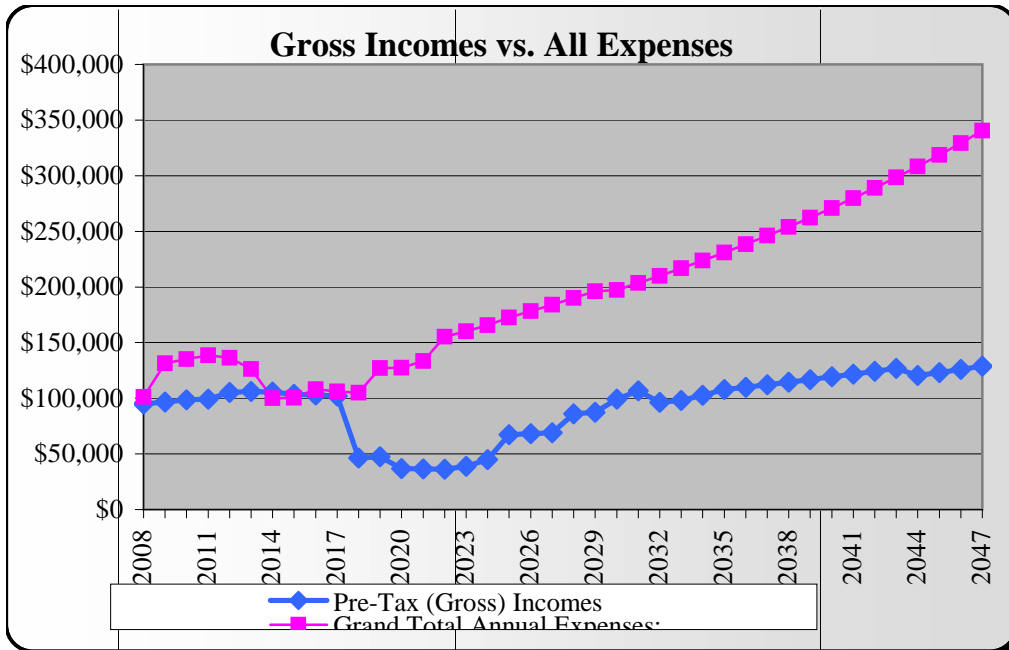
**Income Taxes as a Percentage of Gross Incomes**

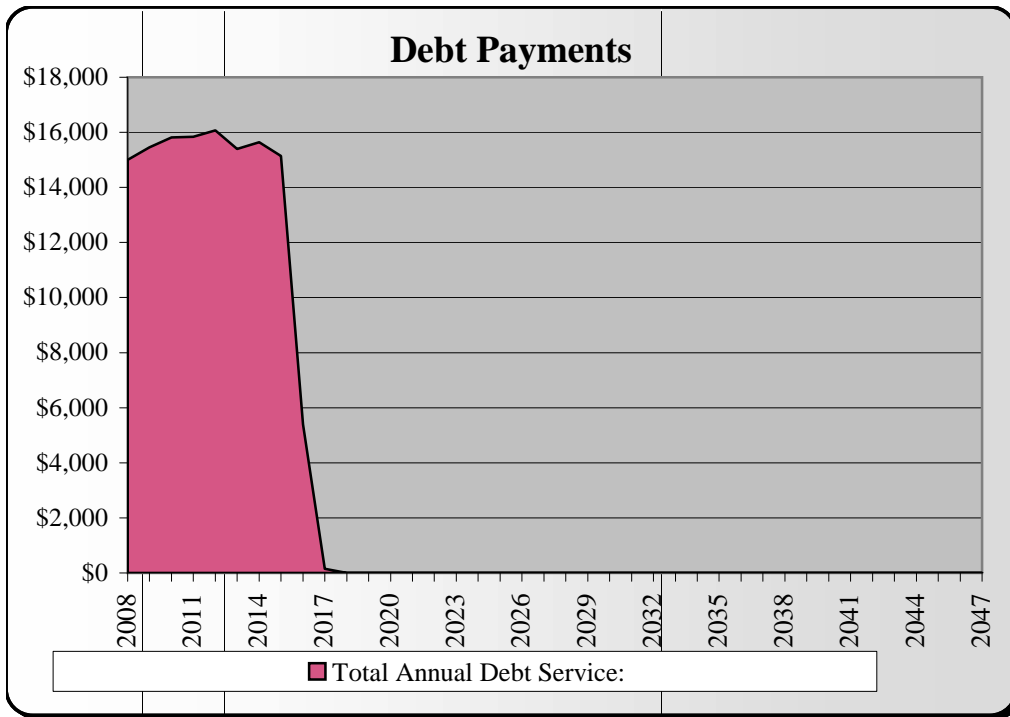
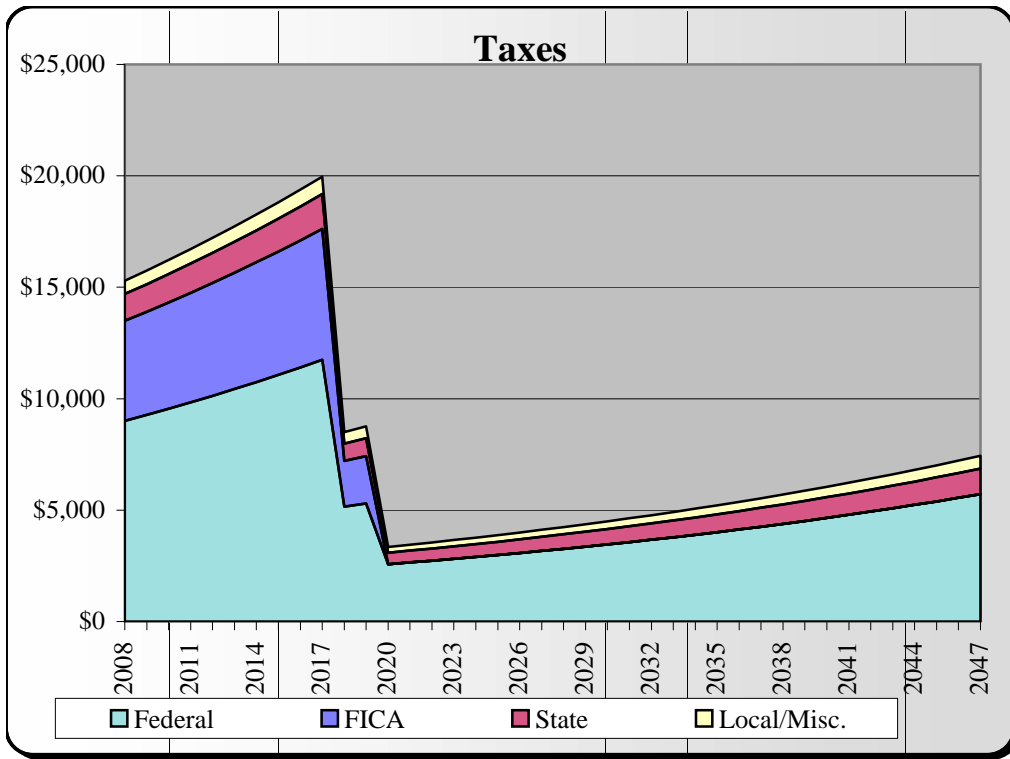
<b>Federal:</b>	<b>9.5%</b>
<b>FICA (Social Security &amp; Medicare)</b>	<b>4.7%</b>
<b>State</b>	<b>1.3%</b>
<b>Local / Miscellaneous</b>	<b><u>0.6%</u></b>
<b>Total:</b>	<b>16.1%</b>











# Disabled Budget and Cash Flow Results

<b>Disabled Budget Totals With Debt</b>	
Hourly Totals (net average based on 40 hour work week):	\$30.22
Daily Budget Totals (net average daily income needed):	\$173.82
Weekly Budget Totals (net weekly cash needed):	1,209
Monthly Budget Totals (net monthly cash needed):	\$5,258
Annual Budget Totals (net annual cash income needed):	\$63,097
Hourly Totals (gross average based on 40 hour work week):	\$32.43
Daily Budget Totals (gross average daily income needed):	\$186.55
Weekly Budget Totals (gross weekly cash needed):	\$1,297.25
Monthly Budget Totals (gross monthly cash needed):	\$5,643
Annual Budget Totals (gross annual cash income needed):	\$67,717

<b>Disabled Budget Totals Without Debt</b>	
Hourly Totals (net average based on 40 hour work week):	\$23.03
Daily Budget Totals (net average daily income needed):	\$132.50
Weekly Budget Totals (net weekly cash needed):	921
Monthly Budget Totals (net monthly cash needed):	\$4,008
Annual Budget Totals (net annual cash income needed):	\$48,097
Hourly Totals (gross average based on 40 hour work week):	\$25.25
Daily Budget Totals (gross average daily income needed):	\$145.22
Weekly Budget Totals (gross weekly cash needed):	\$1,009.90
Monthly Budget Totals (gross monthly cash needed):	\$4,393
Annual Budget Totals (gross annual cash income needed):	\$52,717

<b>Disabled Budget Category Percentages</b>	
Percent of Total Gross Budget Spent on Fixed Expenses:	30.4%
Percent Total Gross Budget Spent on Variable Expenses:	47.5%
Percent of Total Gross Budget Spent On Debt Repayment:	22.2%
Percent of Total Gross Budget Spent On Federal Taxes:	4.4%
Percent of Total Gross Budget Spent On FICA Taxes:	1.8%
Percent of Total Gross Budget Spent On State Taxes:	0.4%
Percent of Total Gross Budget Spent On Local Taxes:	<u>0.2%</u>
Percent of Total Gross Budget Spent On All Taxes:	6.8%
Average/Effective Tax Rate (% gross income spent on taxes):	59.2%
Percent of Total Net Income Spent On Taxes:	145.3%

### **John's Incomes While Disabled**

Hourly Totals (net average based on 40 hour work week):	\$1.45
Daily Net Income Totals:	\$8.32
Weekly Net Income Totals:	\$58
Monthly Net Incomes:	\$252
Annual Net Incomes:	\$3,019

Hourly Totals (gross average based on 40 hour work week):	\$1.72
Daily Gross Income Totals:	\$9.92
Weekly Gross Income Totals:	\$69
Monthly Gross Incomes:	\$300
Annual Gross Incomes:	\$3,600

### **Mary's Incomes While Disabled**

Hourly Totals (net average based on 40 hour work week):	\$1.69
Daily Net Income Totals:	\$9.70
Weekly Net Income Totals:	\$67
Monthly Net Incomes:	\$294
Annual Net Incomes:	\$3,522

Hourly Totals (gross average based on 40 hour work week):	\$2.01
Daily Gross Income Totals:	\$11.57
Weekly Gross Income Totals:	\$80
Monthly Gross Incomes:	\$350
Annual Gross Incomes:	\$4,200

### **Sample's Combined Disability Incomes**

Hourly Totals (net average based on 40 hour work week):	\$3.13
Daily Net Income Totals:	\$18.02
Weekly Net Income Totals:	\$125
Monthly Net Incomes:	\$545
Annual Net Incomes:	\$6,541

Hourly Totals (gross average based on 40 hour work week):	\$3.74
Daily Gross Income Totals:	\$21.49
Weekly Gross Income Totals:	\$149
Monthly Gross Incomes:	\$650
Annual Gross Incomes:	\$7,800

## Disabled Surplus or Deficit With Debt

Hourly Totals (net average based on 40 hour work week):	-\$27.09
Daily Net Surplus or Deficit:	-\$155.80
Weekly Net Surplus or Deficit:	-\$1,083
Monthly Net Surplus or Deficit:	-\$4,713
Annual Net Surplus or Deficit:	-\$56,555
Percent Total Net Income In Surplus Or Deficit:	-1028.9%
Hourly Totals (gross average based on 40 hour work week):	-\$32.30
Daily Gross Surplus or Deficit:	-\$185.78
Weekly Gross Surplus or Deficit:	-\$1,292
Monthly Gross Surplus or Deficit:	-\$5,620
Annual Gross Surplus or Deficit:	-\$67,440
Percent Total Gross Income In Surplus Or Deficit:	-864.6%

## Disabled Surplus or Deficit Without Debt

Hourly Totals (net average based on 40 hour work week):	-\$19.90
Daily Net Surplus or Deficit:	-\$114.48
Weekly Net Surplus or Deficit:	-\$796
Monthly Net Surplus or Deficit:	-\$3,463
Annual Net Surplus or Deficit:	-\$41,555
Percent Total Net Income In Surplus Or Deficit:	-756.0%
Hourly Totals (gross average based on 40 hour work week):	-\$23.73
Daily Gross Surplus or Deficit:	-\$136.51
Weekly Gross Surplus or Deficit:	-\$949
Monthly Gross Surplus or Deficit:	-\$4,129
Annual Gross Surplus or Deficit:	-\$49,553
Percent Total Gross Income In Surplus Or Deficit:	-635.3%

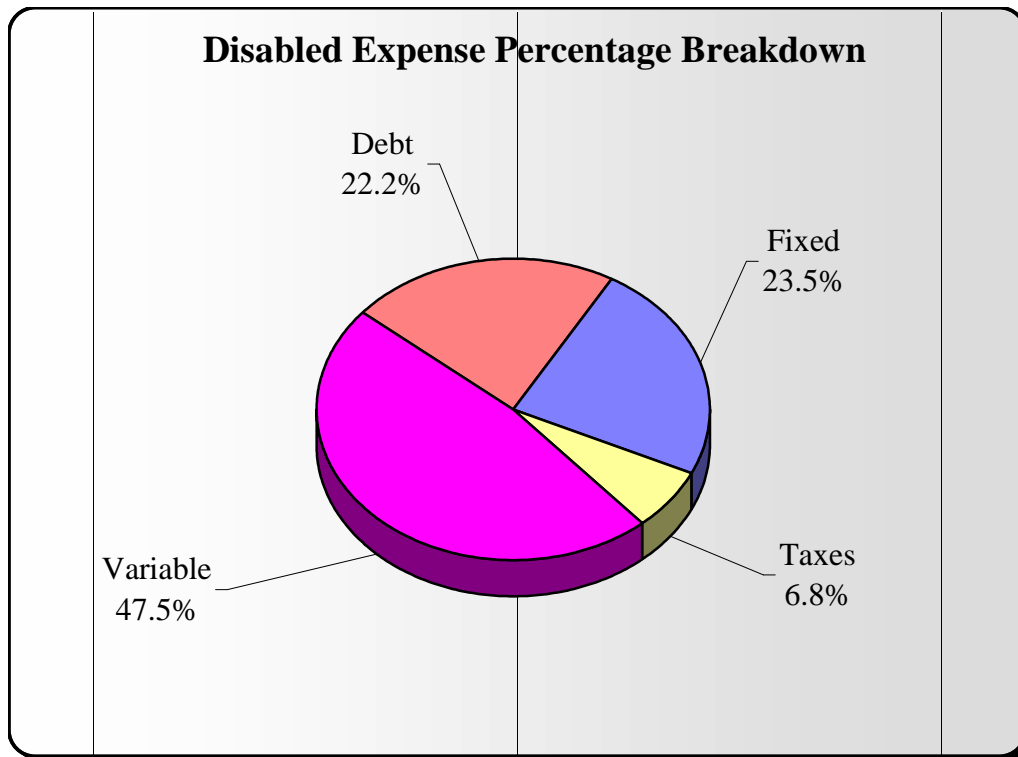
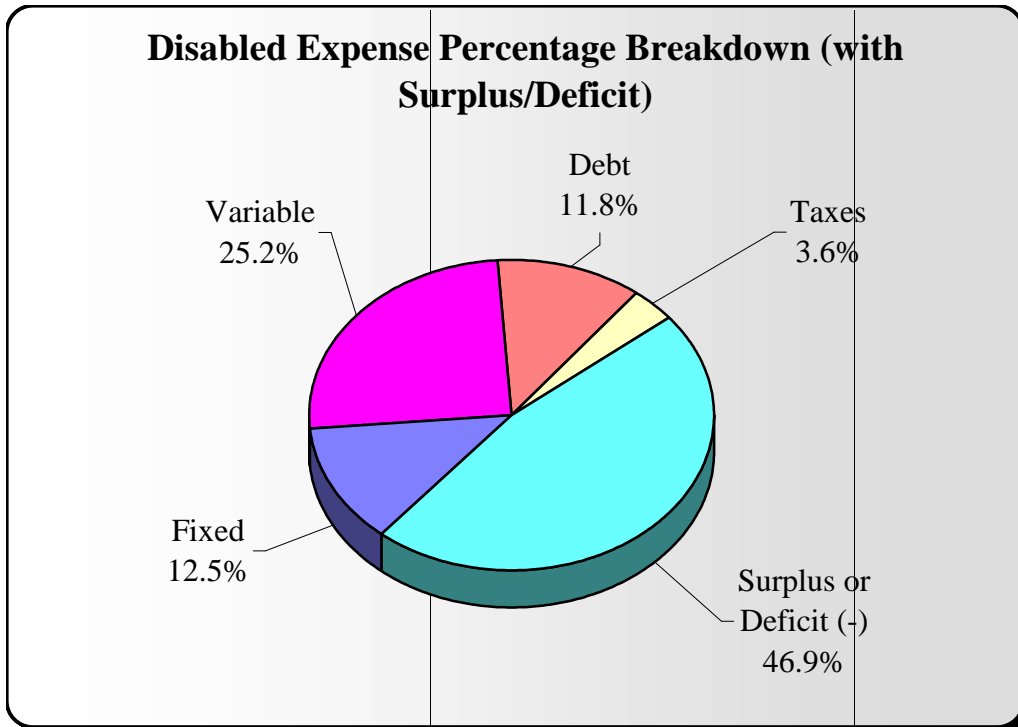
## Monthly Disability Insurance Benefit Needed

Amount of Combined Monthly Benefit Needed if Tax Free:	\$4,713
Amount of Combined Monthly Benefit Needed if Taxable:	\$5,620
Amount of Taxable Monthly Benefit Needed for just John:	\$3,534
Amount of Taxable Monthly Benefit Needed for just Mary:	\$1,013

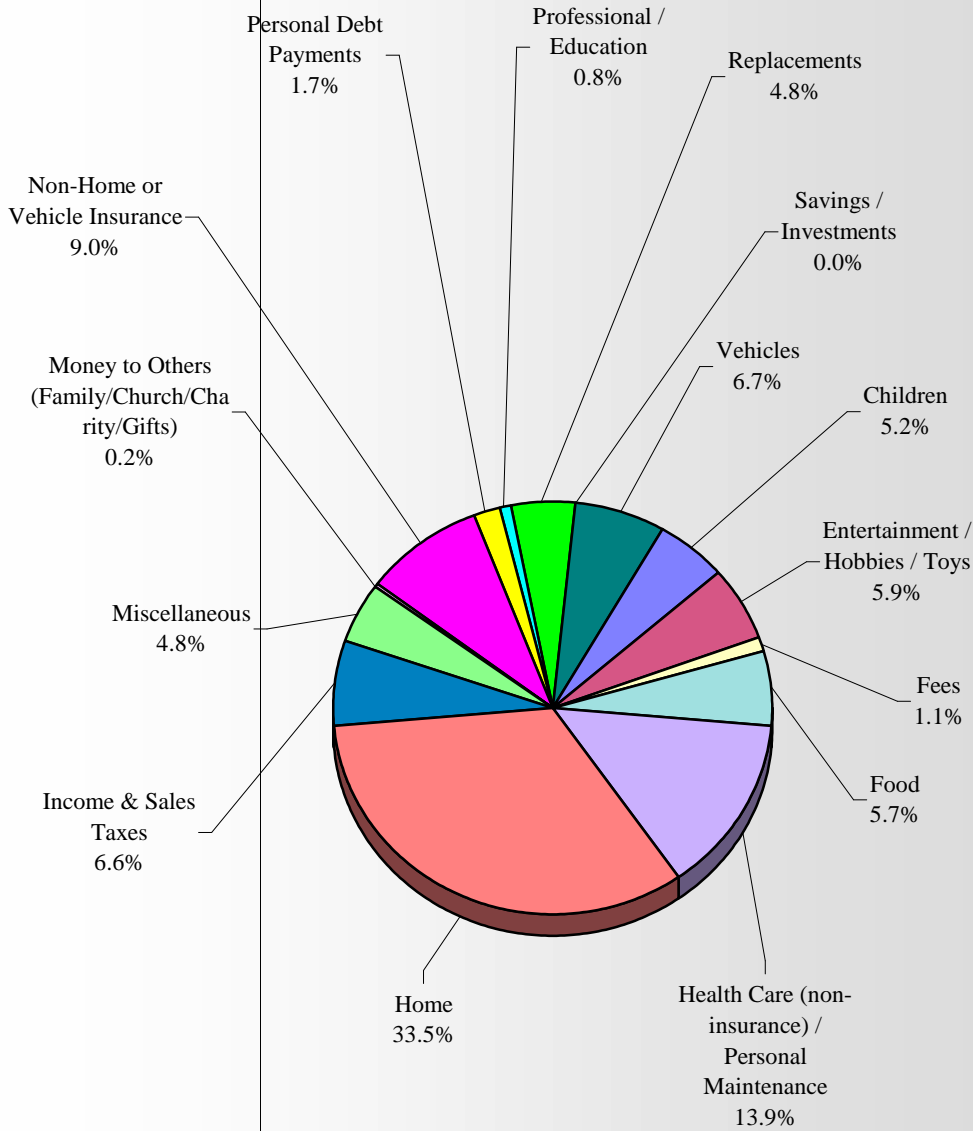
## Monthly Disability Insurance Benefit Needed Without Debt

Amount of Combined Monthly Benefit Needed if Tax Free Without Debt:	\$3,463
Amount of Combined Monthly Benefit Needed if Taxable Without Debt:	\$4,129
Amount of Taxable Monthly Benefit Needed for just John Without Debt:	\$2,751
Amount of Taxable Monthly Benefit Needed for just Mary Without Debt:	\$789

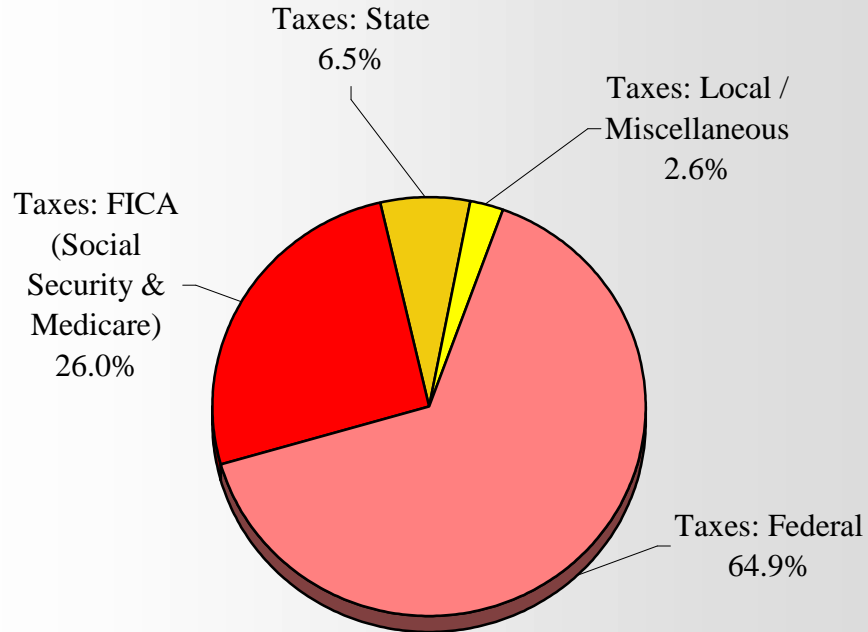
# Disabled Budget and Cash Flow Results



## End of Current Year Major Expense Categories While Disabled

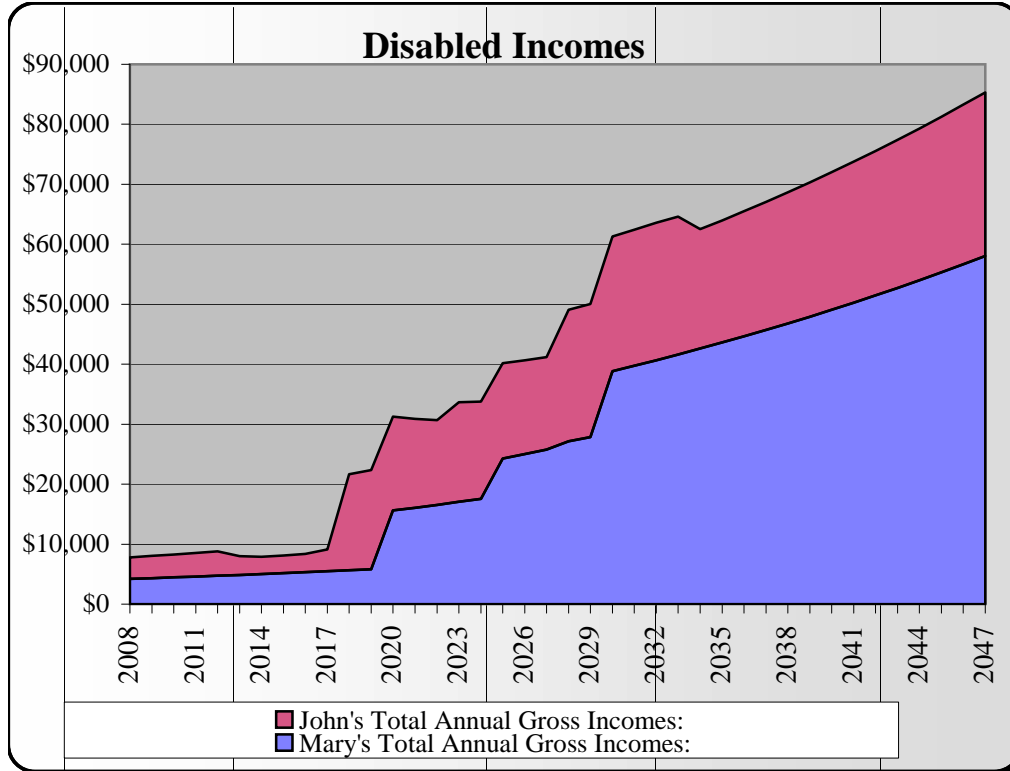
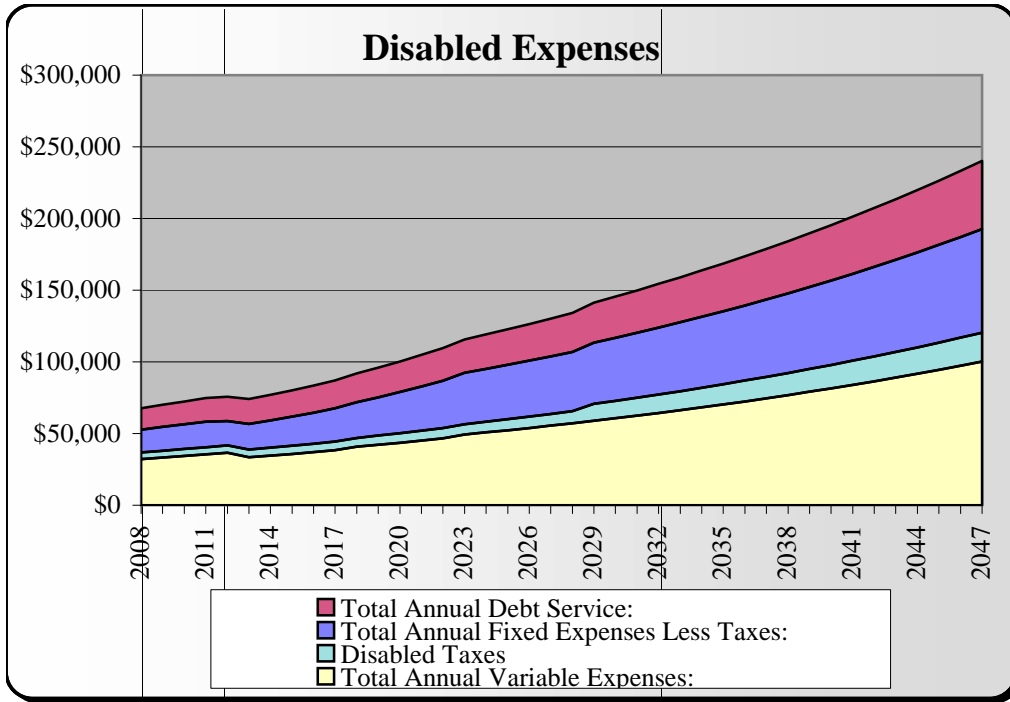


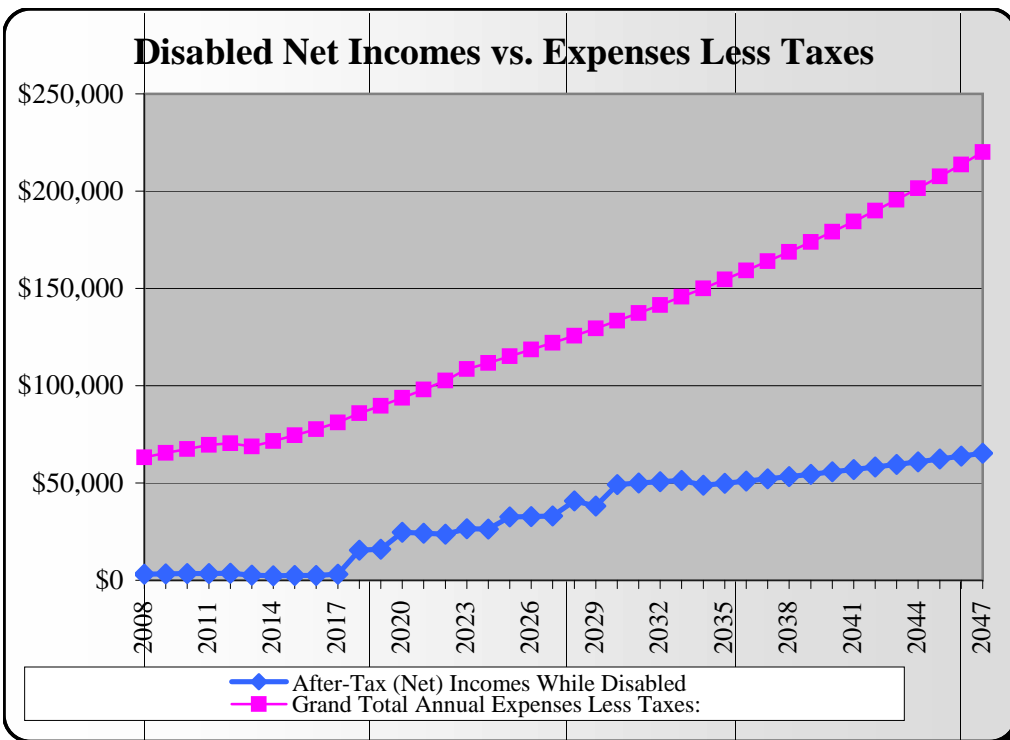
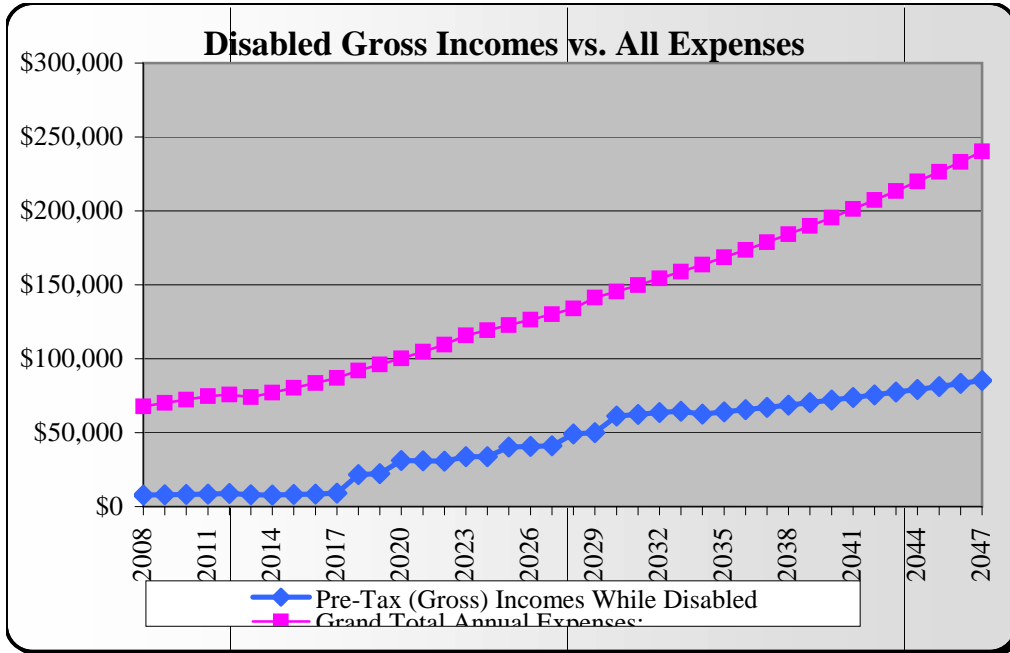
### Disabled Taxes as a Percent of Income Taxes

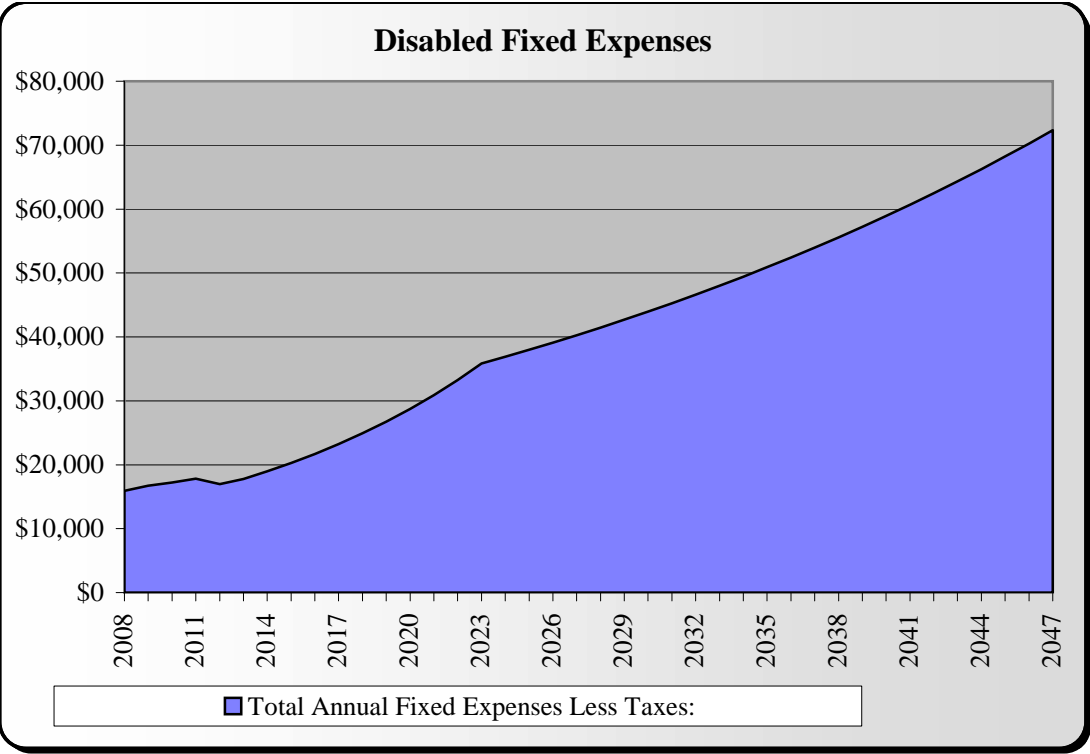
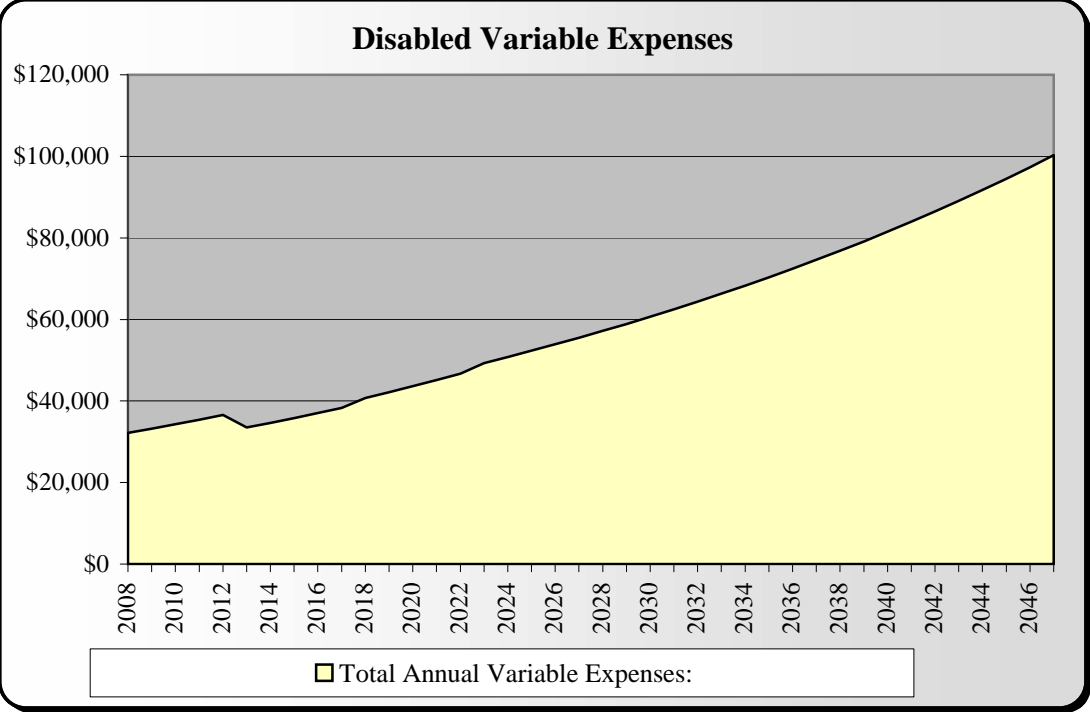


### Disabled Income Taxes as a % of Gross Incomes

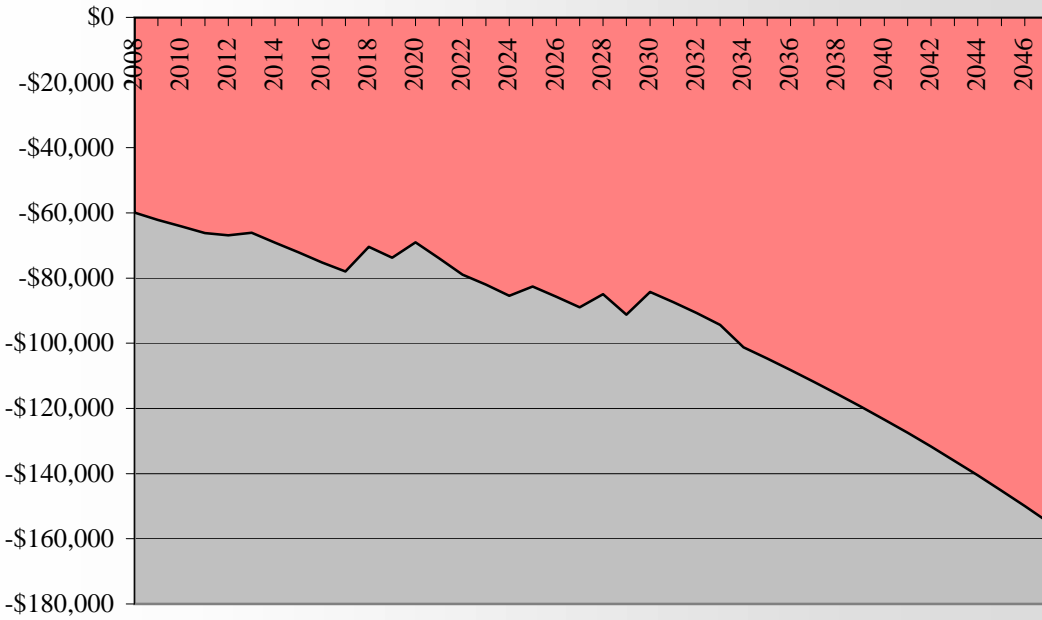
<b>Federal:</b>	<b>38.5%</b>
<b>FICA (Social Security &amp; Medicare)</b>	<b>15.4%</b>
<b>State</b>	<b>3.8%</b>
<b>Local / Miscellaneous</b>	<b><u>1.5%</u></b>
<b>Total:</b>	<b>59.2%</b>



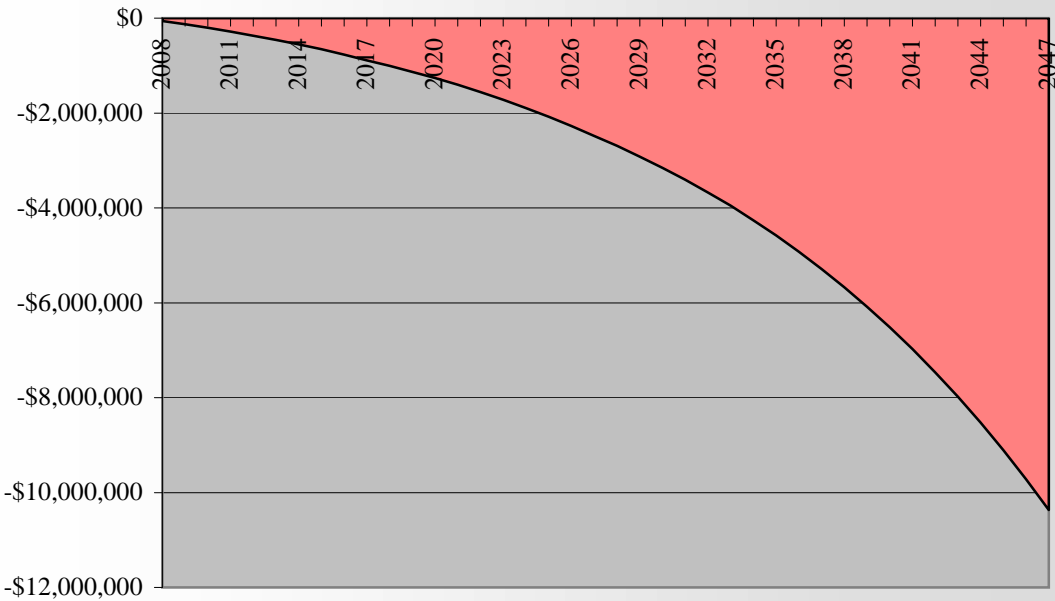


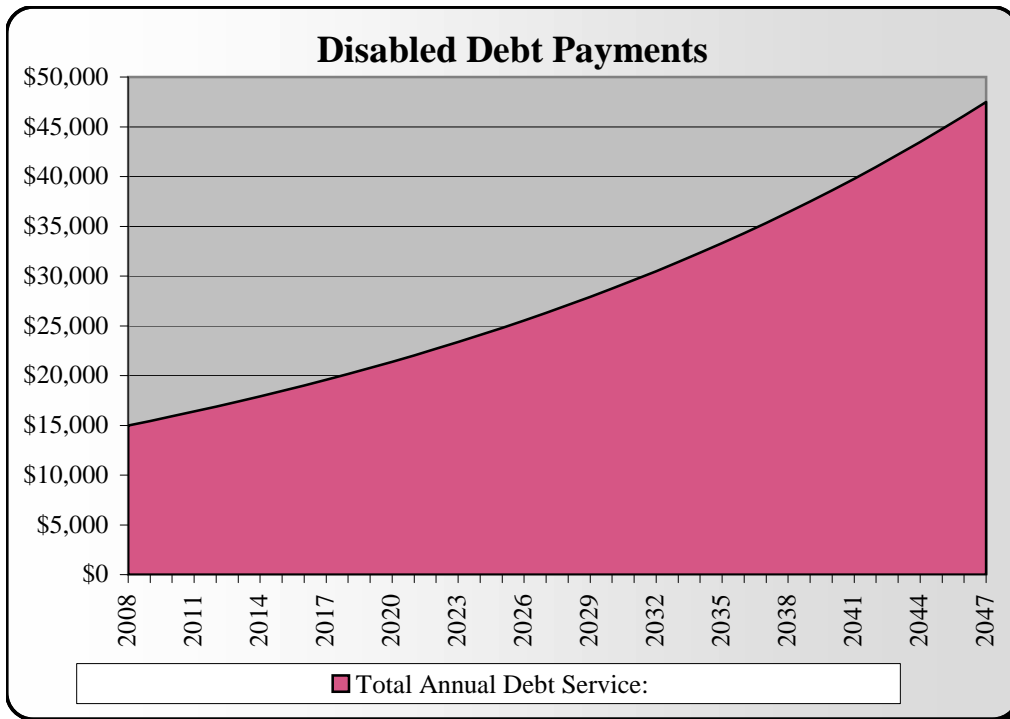
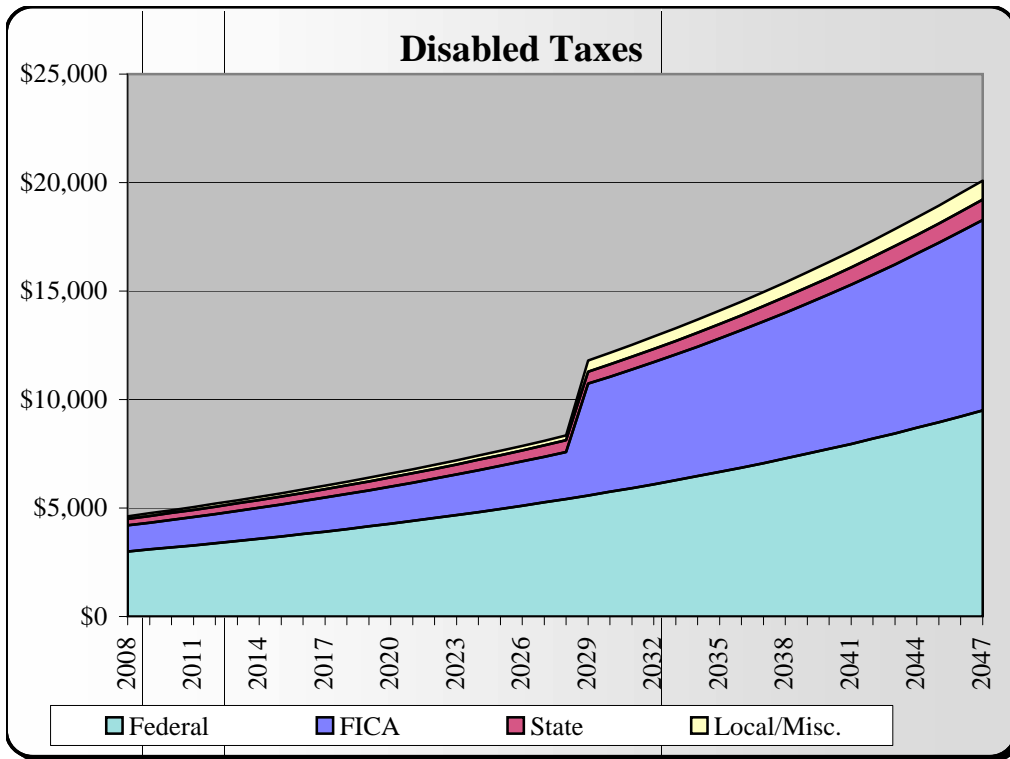


**Disabled Annual Cash Flow Surplus or (-) Deficit:**



**Disabled Compounded Cumulative Total Annual Surplus or Deficit:**





# NET WORTH REPORT EXPLANATION

## REAL WORLD PERSONAL FINANCIAL SOFTWARE

2130 9<sup>th</sup> St. W #166 Whitefish, MT 59912-4416

(406) 257-1182

Micheal Fulford , CFA [toolssupport@earthlink.net](mailto:toolssupport@earthlink.net) <http://www.toolsformoney.com/>

## OVERVIEW OF THE NET WORTH REPORTS

This text is to help you understand the overall concepts, and the technical details, of the net worth reports.

The data used to generate the reports came from a combination of fact finders, your financial statements, assumptions, and estimates. These values change daily, so there will always be a level of inaccuracy that can't be avoided.

The *Current Net Worth Statement* page presents a top-level summary of "where you are now." This is a snapshot of where you were at the time of Discovery (they are not projected end-of-year values).

Assets and liabilities are both stated using their current market values. Net worth is the result assuming that all assets were sold at their market values, no taxes were deducted, and then all liabilities were subtracted. This is an estimate of your wealth.

This data is then presented in both bar chart and pie chart form.

As the pages progress, more details are shown.

### Drilling Down Into the Details

The next page, *Current Liabilities*, details your current liabilities. These are also current values, not end-of-year values.

The next three pages, *All Assets*, *Non-Qualified Assets*, and *Qualified Assets*, detail who owns what, and if they are in a non-tax-qualified account, or held in a tax-qualified retirement account, like an IRA. These are also current values, not end-of-year values.

The page, *Assets by Asset Class* sorts assets by which investment type they are, for example - cash, bonds, or stocks. These are also current values, not end-of-year values.

Each account is shown with a pie chart, and then the same thing is shown totaling everyone's assets added together (again with a pie chart).

The next page, *Asset Values Before and After Capital Gains Taxes* estimates how much of a decrease in assets will be applied after paying capital gains taxes upon their sale.

## **Projecting the Future**

This report illustrates how your net worth will change over time.

Next to each asset is its growth rate input into the global rate of return field.

These values are all estimates of what they will be at the end of each year. This is why they are different than what's shown on the snapshot pages above. These values will include growth, shrinkage, additions, withdrawals, and paying off liabilities over time.

Each person's assets, liabilities, and resulting net worth is projected annually. Then each person's values are combined to display the same bottom-line information for the family as a whole.

For each adult, there are also two rows that display assets by tax-qualified and non-tax-qualified assets. This helps visualize how retirement assets are doing compared to personal assets.

Underneath the assets section, everyone's liabilities are detailed. Underneath the liabilities section, liabilities are subtracted from assets to display annual net worth.

## **Miscellaneous**

Real growth must take inflation into account. If your average annual rate of growth is 7% and annual inflation is 3%, then your real rate of growth is only 4%.

Hopefully, all of the charts and graphs will be self-explanatory.

A good measure of the benefit of financial planning and investment management is how your net worth improved over what you would have realized if you never met us, and continued doing what you were doing.

# Current Net Worth Statement

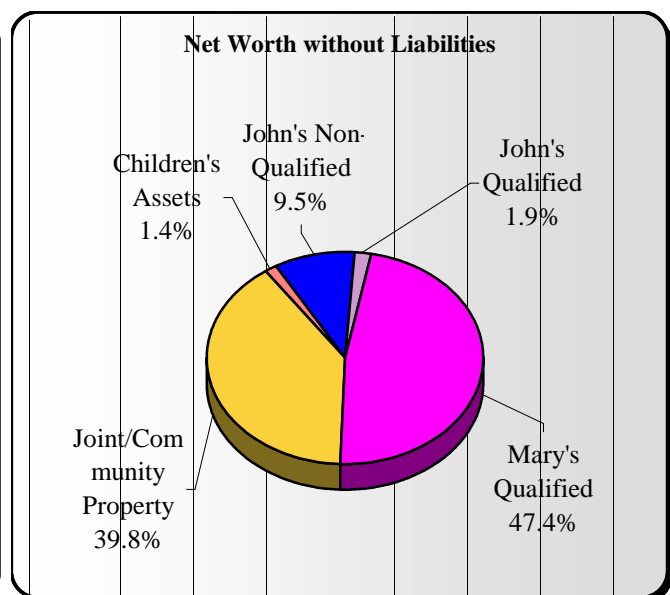
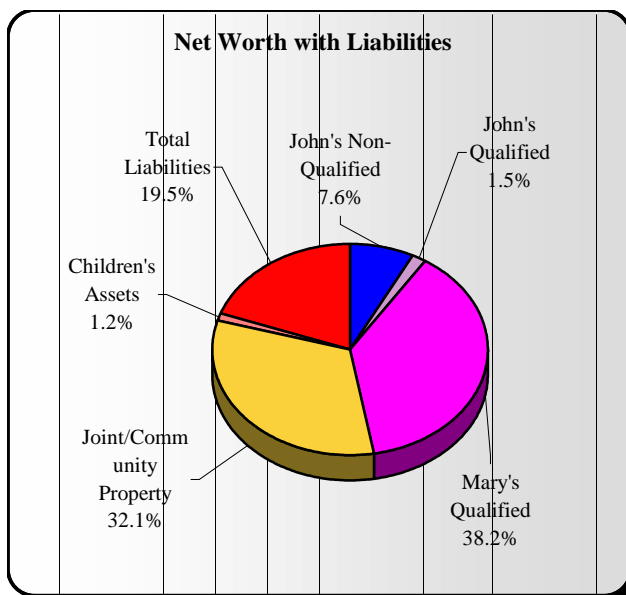
August 8, 2008

*Prepared Especially for:*

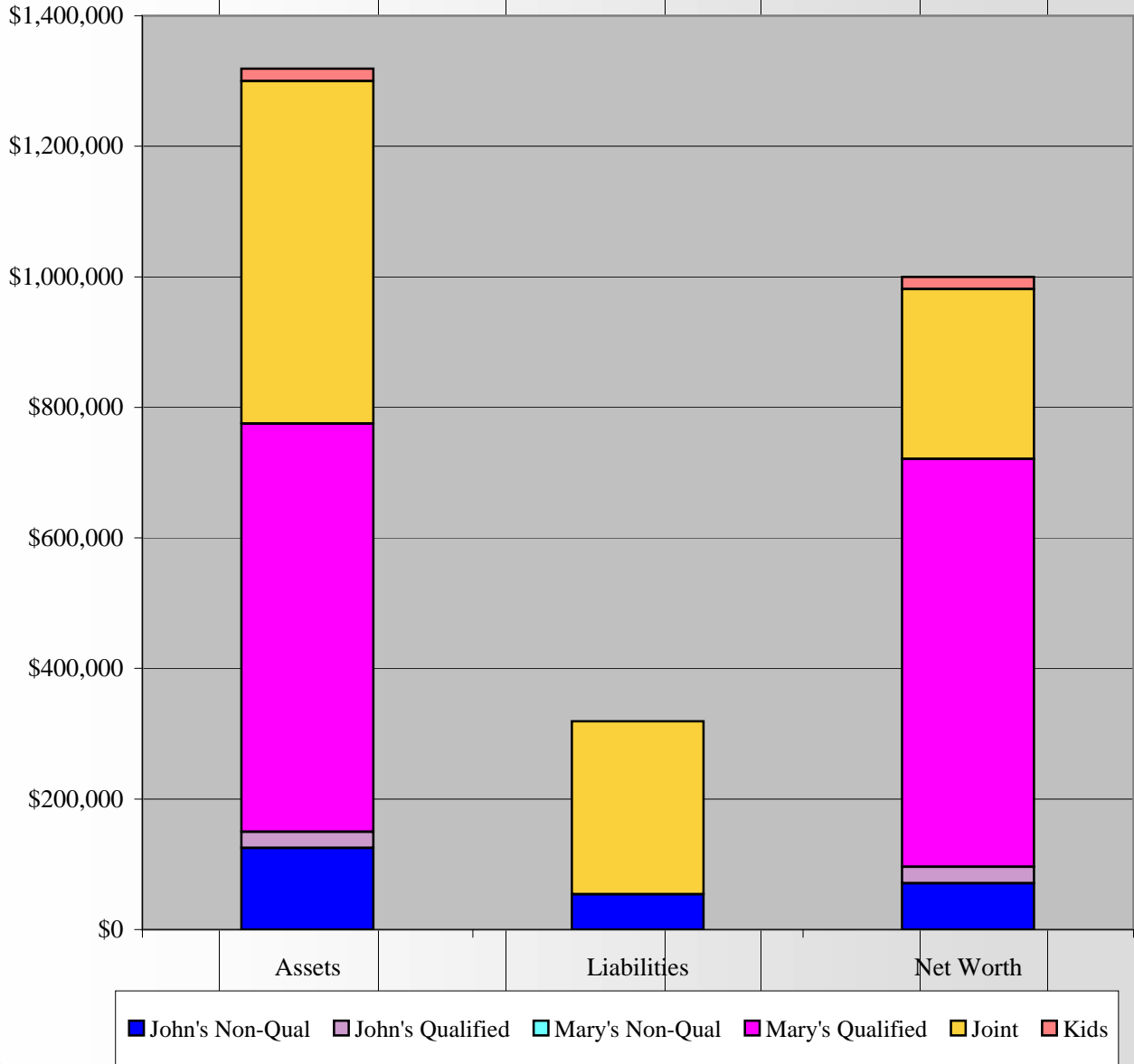
**John Sample & Mary Smith-Sample**

## Assets & Liabilities

John's Non-Qualified Assets:	\$125,000
John's Qualified Assets:	\$25,000
Mary's Non-Qualified Assets:	\$0
Mary's Qualified Assets:	\$625,000
Joint / Community Property Assets:	\$525,000
Children's Assets:	<u>\$19,000</u>
<b>Total Assets</b>	<b>\$1,319,000</b>
John's Liabilities:	\$54,000
Mary's Liabilities:	\$0
Joint / Community Property Liabilities:	\$265,000
Children's Liabilities:	<u>\$0</u>
<b>Total Liabilities</b>	<b><u>-\$319,000</u></b>
<b>Net Worth</b>	<b><u>\$1,000,000</u></b>



## Net Worth



	John's Non-Qual	John's Qualified	Mary's Non-Qual	Mary's Qualified	Joint	Kids
<b>Assets:</b>	\$125,000	\$25,000	\$0	\$625,000	\$525,000	\$19,000
<b>Liabilities:</b>	\$54,000	\$0	\$0	\$0	\$265,000	\$0
<b>Net Worth:</b>	\$71,000	\$25,000	\$0	\$625,000	\$260,000	\$19,000

# Current Liabilities

August 8, 2008

*Prepared Especially for:*

## John Sample & Mary Smith-Sample

<b>John's Liabilities</b>		<b>Mary's Liabilities</b>	
Investments:	\$50,000	IRAs:	\$0
Work 401(k)	\$0	Annuity	\$0
Stocks	\$0	Inherited IRA	\$0
Student Loans	\$4,000	Old 401(k)	\$0
	\$0	Old IRA	\$0
<b>John's Total:</b>	<b>\$54,000</b>	<b>Mary's Total:</b>	<b>\$0</b>

<b>Joint &amp; Community Liabilities</b>		<b>Children's Liabilities</b>	
Personal Residence:	\$250,000	Runt's College Fund:	\$0
Personal Property	\$10,000	Rugrat's College Fund	\$0
Vehicles	\$5,000	Munchkin's College Fund	\$0
	\$0	Junior's College Fund	\$0
	\$0		\$0
<b>Joint Total:</b>	<b>\$265,000</b>	<b>Children's Total:</b>	<b>\$0</b>

**Sample's Total Liabilities: \$319,000**

# Projected Net Worth for John Sample & Mary Smith-Sample

## Using End of Year Values

<b>John's Assets</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>Age: 45</b>	<b>Age: 46</b>	<b>Age: 47</b>	<b>Age: 48</b>
Investments (10%)	\$133,250	\$142,053	\$151,445	\$161,467
Work 401(k) (10%)	\$27,500	\$30,250	\$33,275	\$36,603
Stocks (10%)	\$55,000	\$60,500	\$66,550	\$73,205
<b>End of Year Values of All John's Assets:</b>	<b><u>\$215,750</u></b>	<b><u>\$232,803</u></b>	<b><u>\$251,270</u></b>	<b><u>\$271,275</u></b>
<b>John's Total Liabilities</b>	<b><u>\$44,879</u></b>	<b><u>\$34,846</u></b>	<b><u>\$23,810</u></b>	<b><u>\$11,991</u></b>
<b>End of Year Values of All John's Assets, Minus Liabilities:</b>	<b><u>\$170,871</u></b>	<b><u>\$197,956</u></b>	<b><u>\$227,460</u></b>	<b><u>\$259,284</u></b>
End of Year Values of All Client's Qualified Assets:	\$27,500	\$30,250	\$33,275	\$36,603
End of Year Values of All Client's Personal Assets:	\$188,250	\$202,553	\$217,995	\$234,672
<hr/>				
<b>Mary's Assets</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>Age: 40</b>	<b>Age: 41</b>	<b>Age: 42</b>	<b>Age: 43</b>
IRAs (10%)	\$550,000	\$605,000	\$665,500	\$732,050
Annuity (5%)	\$26,250	\$27,563	\$28,941	\$30,388
Inherited IRA (10%)	\$27,500	\$30,250	\$33,275	\$36,603
Old 401(k) (10%)	\$27,500	\$30,250	\$33,275	\$36,603
Old IRA	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$50,000</u>
<b>End of Year Values of All Spouse's Assets:</b>	<b><u>\$681,250</u></b>	<b><u>\$743,063</u></b>	<b><u>\$810,991</u></b>	<b><u>\$885,643</u></b>
<b>Mary's Total Liabilities</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>End of Year Values of All Mary's Assets, Minus Liabilities:</b>	<b><u>\$681,250</u></b>	<b><u>\$743,063</u></b>	<b><u>\$810,991</u></b>	<b><u>\$885,643</u></b>
End of Year Values of All Spouse's Qualified Assets:	\$681,250	\$743,063	\$810,991	\$885,643
End of Year Values of All Spouse's Personal Assets:	\$0	\$0	\$0	\$0
<hr/>				
<b>Jointly Held / Community Assets</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Personal Residence (2.5%)	\$410,000	\$420,250	\$430,756	\$441,525
Personal Property (1%)	\$50,500	\$51,005	\$51,515	\$52,030
Vehicles	\$63,750	\$54,188	\$46,059	\$39,150
	\$0	\$0	\$0	\$0
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>End of Year Values of All Joint Assets:</b>	<b><u>\$524,250</u></b>	<b><u>\$525,443</u></b>	<b><u>\$528,331</u></b>	<b><u>\$532,706</u></b>
<b>Joint &amp; Community Total Liabilities</b>	<b><u>\$246,485</u></b>	<b><u>\$237,349</u></b>	<b><u>\$227,543</u></b>	<b><u>\$217,013</u></b>
<b>EOY Values of All Joint Assets, Minus Liabilities:</b>	<b><u>\$277,765</u></b>	<b><u>\$288,094</u></b>	<b><u>\$300,788</u></b>	<b><u>\$315,693</u></b>

<b>Children's Assets</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Runt's College Fund (10%)	\$5,500	\$6,050	\$6,655	\$7,321
Rugrat's College Fund (10%)	\$4,400	\$4,840	\$5,324	\$5,856
Munchkin's College Fund (10%)	\$4,400	\$4,840	\$5,324	\$5,856
Junior's College Fund (10%)	\$6,600	\$7,260	\$7,986	\$8,785
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>End of Year Values of All Children's Assets:</b>	<b><u>\$20,900</u></b>	<b><u>\$22,990</u></b>	<b><u>\$25,289</u></b>	<b><u>\$27,818</u></b>
<b>Children's Total Liabilities</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>EOY Values of All Children's Assets, Minus Liabilities:</b>	<b><u>\$20,900</u></b>	<b><u>\$22,990</u></b>	<b><u>\$25,289</u></b>	<b><u>\$27,818</u></b>
<b>All Assets:</b>	<b><u>\$1,442,150</u></b>	<b><u>\$1,524,298</u></b>	<b><u>\$1,615,880</u></b>	<b><u>\$1,717,441</u></b>
<b>Liabilities</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
John's Investments	\$41,810	\$32,801	\$22,892	\$11,991
John's Student Loans	\$3,069	\$2,045	\$918	\$0
<b>John's Total Liabilities</b>	<b><u>\$44,879</u></b>	<b><u>\$34,846</u></b>	<b><u>\$23,810</u></b>	<b><u>\$11,991</u></b>
<b>Mary's Total Liabilities</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
Joint: Personal Residence	\$241,620	\$232,654	\$223,060	\$212,794
Joint: Vehicles	\$4,864	\$4,695	\$4,483	\$4,218
<b>Joint &amp; Community Total Liabilities</b>	<b><u>\$246,485</u></b>	<b><u>\$237,349</u></b>	<b><u>\$227,543</u></b>	<b><u>\$217,013</u></b>
<b>Children's Total Liabilities</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>All Liabilities:</b>	<b><u>\$291,364</u></b>	<b><u>\$272,195</u></b>	<b><u>\$251,353</u></b>	<b><u>\$229,004</u></b>
<b>All Assets Minus All Liabilities:</b>	<b><u>\$1,150,786</u></b>	<b><u>\$1,252,102</u></b>	<b><u>\$1,364,527</u></b>	<b><u>\$1,488,437</u></b>