

# Personal Financial Plan

*Prepared For*

Steven and Carol A Sample

July 15, 2011

*Prepared by:*

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This presentation is intended for planning purposes only. It provides a general overview of various aspects of your current personal financial position.

The client recognizes that the value and usefulness of the planning process greatly depends on the information that they provide and upon their active participation in the formulation of financial planning objectives and in the implementation of plans to achieve those objectives. The final responsibility for any implementation rests with the client. As personal goals and tax laws change, this presentation should be reviewed and updated at least annually.

This presentation is not intended to provide specific legal, accounting, investment, tax or other professional advice. The rates of return used in the presentation are not intended to predict or guarantee any results. Past performance is not an indication of future results.

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## Goals and Objectives

A personal financial plan is a tool to help you achieve your financial goals for the future. A comprehensive financial plan will include strategies for cash management, investment planning, retirement planning, tax and estate planning, risk management and special capital needs.

Personal financial management means setting realistic goals for cash flow, wealth accumulation, and asset distribution. It also means setting priorities, taking advantage of the tax laws and using various financial products to your advantage. Effective personal financial management is an on-going process. It is not a one-time event. It may require changing goals and fine-tuning them to adjust to changing tax laws and financial environments.

This financial plan, based upon information you provided, has been prepared to help you achieve the following financial goals:

- Steven wishes to retire in June, 2026 at age 62.
- Carol wishes to retire in May, 2026 at age 65.
- You wish to ensure sufficient income for your living expenses during retirement, which, after taking inflation into consideration, is estimated to be approximately \$92,139 per year beginning in 2027.
- You wish to provide a college education for two of your dependents. The cost, adjusted for inflation, is estimated to be approximately \$233,733.
- You wish to use your retirement income so as to minimize the amount of income tax paid. You also wish to create an estate plan that will maximize the transfer of any remaining assets to your heirs.

We will next review your current financial situation and suggest strategies to help you meet the above goals.

# Net Worth Summary

for Steven and Carol A Sample  
As of July 15, 2010

## Assets

### Education

Gabelli Mid-cap Growth	20,500	
Microsoft - 175 shares	12,500	
		<hr/>
		33,000

### Retirement

ICON US Bond Fund XI	10,000	
Janus Corp Bond Fund	15,000	
Merrill Small Cap Aggr Gr	17,000	
Putnam LT Growth	12,500	
Vanguard Overseas	9,800	
Washington Mutual CD	13,000	
		<hr/>
		77,300

### Other assets

Residence	275,000	
Vacation property	110,000	
Florida Keys Condo	50,000	
FL Orange Grove	3,500,000	
		<hr/>
		3,935,000

**Total Assets** **4,045,300**

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## Liabilities

Residence	165,000
Vacation property	55,000
Florida Keys Condo	200,000
Home equity loan	40,000

**Total Liabilities** **460,000**

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**Net Worth (Assets less Liabilities)** **3,585,300**

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This is a statement of your net worth and shows the value of all your assets less your liabilities as of the valuation date. It is a picture of your current financial situation.

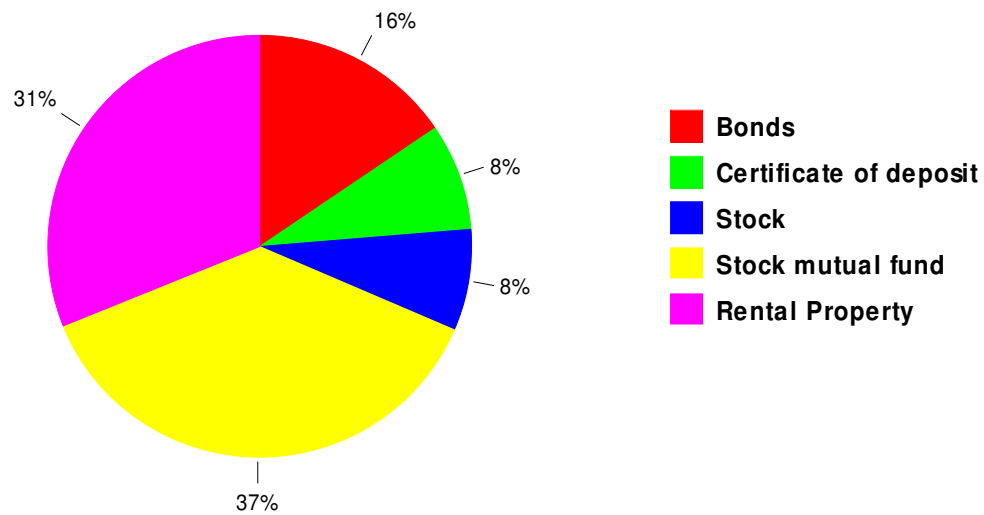
## Asset Allocation - by Investment Type

for Steven and Carol A Sample

As of July 15, 2010

Investment Type	Current Value	Percent
Bonds	25,000	15.6
Certificate of deposit	13,000	8.1
Stock	12,500	7.8
Stock mutual fund	59,800	37.3
Rental Property	50,000	31.2
<b>Total Investment Assets</b>	<b>160,300</b>	<b>100.0</b>

### Investment Assets



\* Other assets (e.g. residence, personal property, etc) are not included in this Asset Allocation.

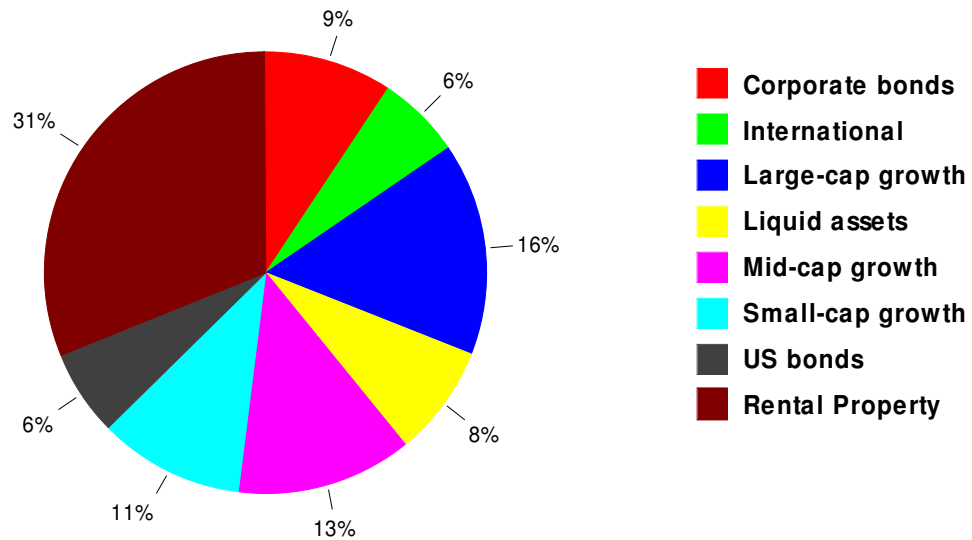
## Asset Allocation - by Asset Category

for Steven and Carol A Sample

As of July 15, 2010

Asset Category	Current Value	Percent
Corporate bonds	15,000	9.4
International	9,800	6.1
Large-cap growth	25,000	15.6
Liquid assets	13,000	8.1
Mid-cap growth	20,500	12.8
Small-cap growth	17,000	10.6
US bonds	10,000	6.2
Rental Property	50,000	31.2
<b>Total Investment Assets</b>	<b>160,300</b>	<b>100.0</b>

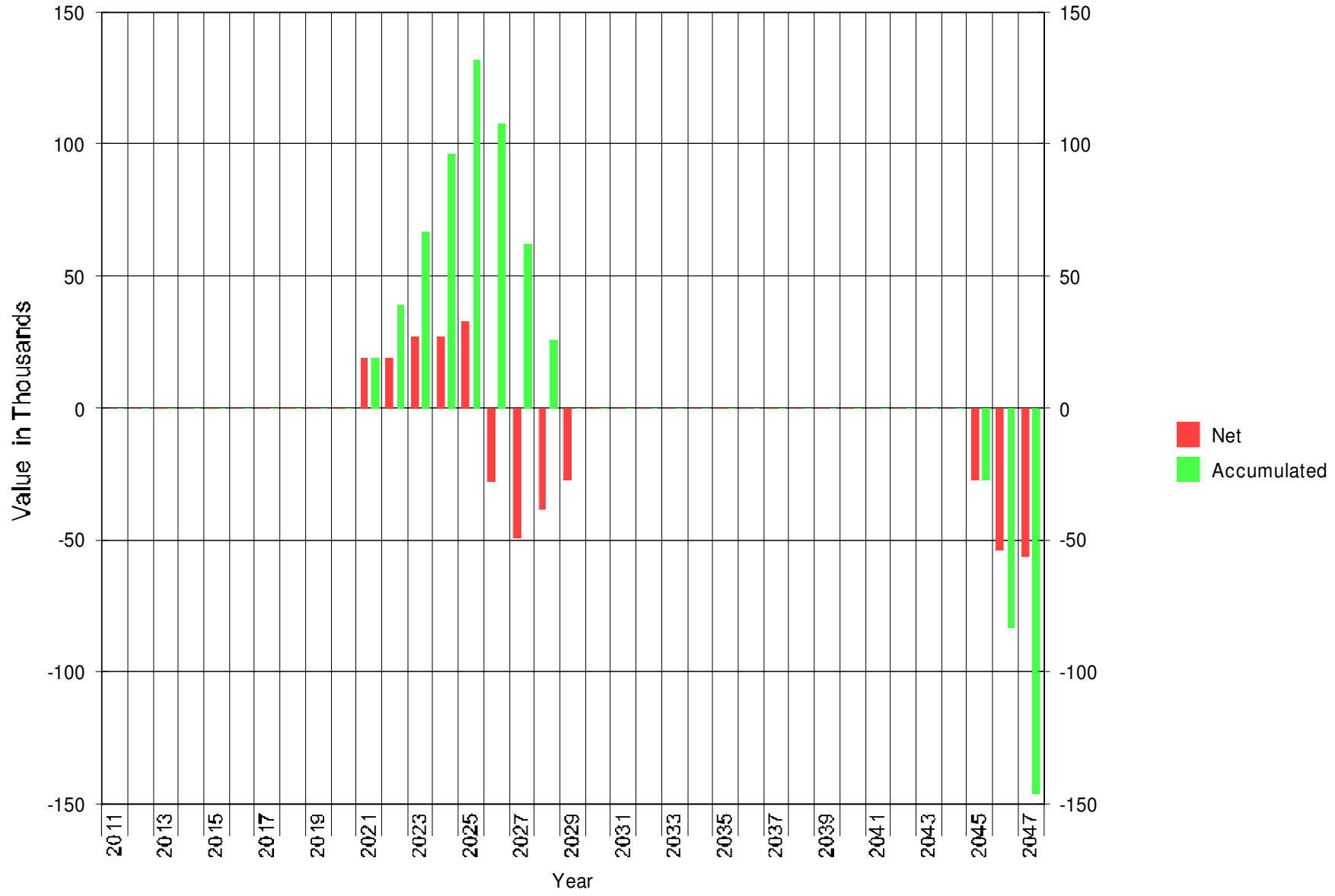
### Investment Assets



\* Other assets (e.g. residence, personal property, etc) are not included in this Asset Allocation.

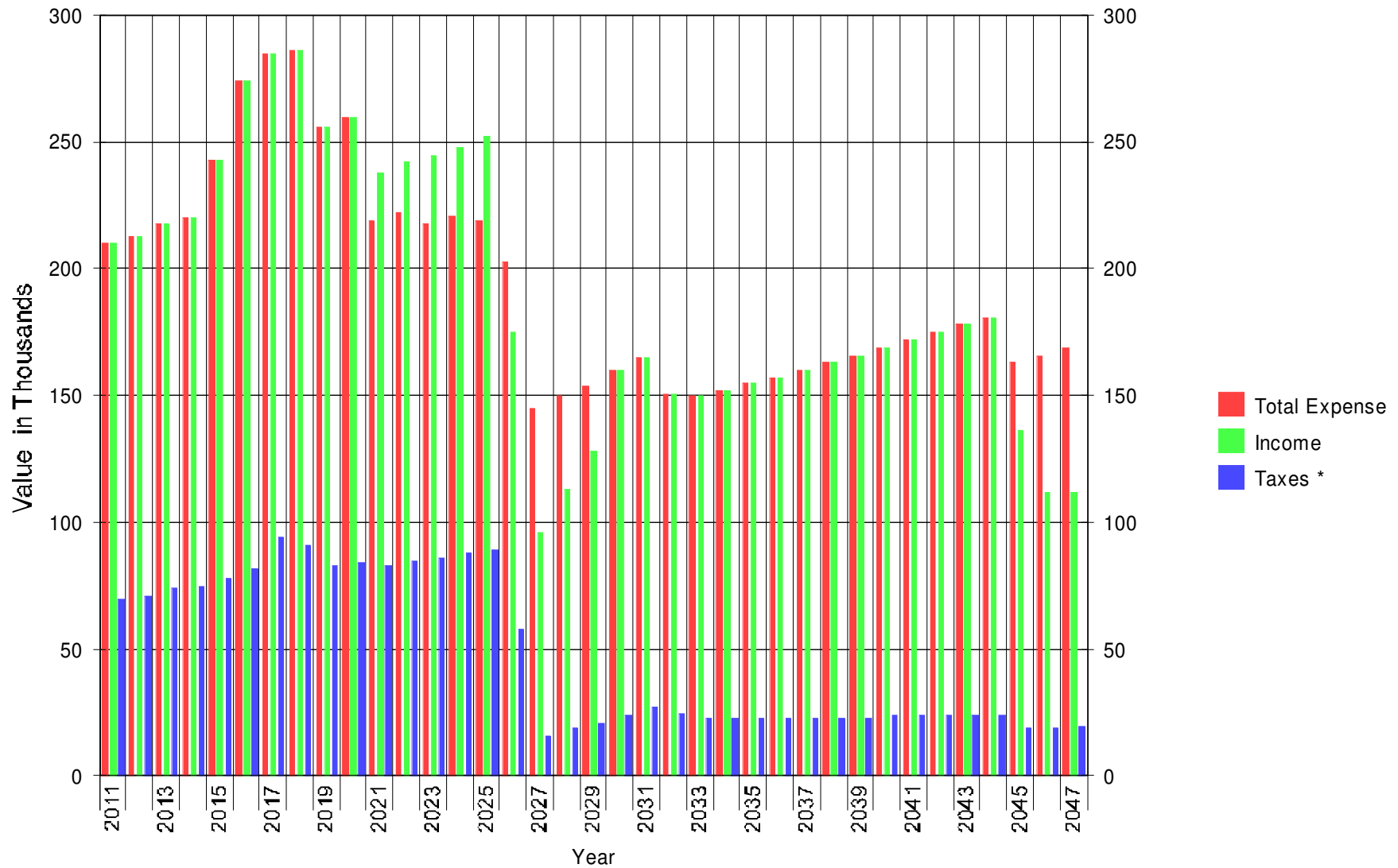
# Projected Cash Flow Surplus/(Deficit)

for Steven and Carol A Sample



# Long-term Cash Flow Projection

for Steven and Carol A Sample



\* Taxes are included in Total Expenses.

# Retirement Capital Projection

for Steven and Carol A Sample

## All Accounts

Year	Age on Birthday		Beginning Balance	Asset Yield (to Cash Flow)	Tax Deferred Asset Yield (Reinvested)	Asset Growth	Add/ (Withdraw)	Surplus/ (Deficit)	Ending Balance
	TP	SP							
2011	47	50	110,300	1,567	1,017	7,020	9,161	1	127,499
2012	48	51	127,499	1,642	1,271	7,881	9,168	(2)	145,817
2013	49	52	145,817	1,728	1,554	8,812	15,817	2	172,002
2014	50	53	172,002	2,007	1,874	10,250	16,054	0	200,180
2015	51	54	200,180	2,312	2,234	11,808	(3,424)	(1)	210,797
2016	52	55	210,797	2,118	2,640	12,223	(32,189)	0	193,471
2017	53	56	193,471	1,272	2,937	10,840	(40,458)	0	166,790
2018	54	57	166,790	1,253	1,680	8,915	(38,775)	0	138,610
2019	55	58	138,610	1,237	629	7,132	(5,475)	1	140,897
2020	56	59	140,897	1,225	630	7,184	(7,102)	(1)	141,608
2021	57	60	141,608	1,049	618	6,660	9,600	19,127	177,613
2022	58	61	177,613	1,172	796	7,482	9,600	19,696	215,187
2023	59	62	215,187	1,303	994	8,359	9,600	28,199	262,339
2024	60	63	262,339	1,444	1,215	9,301	9,600	29,124	311,579
2025	61	64	311,579	1,595	1,461	10,306	9,600	35,689	368,635
2026	62	65	368,635	1,755	1,736	11,385	9,600	(23,851)	367,505
2027	63	66	367,505	1,875	1,911	12,095	0	(46,044)	335,467
2028	64	67	335,467	2,005	2,108	12,861	0	(35,992)	314,444
2029	65	68	314,444	2,143	2,326	13,683	(5,907)	(25,949)	298,597
2030	66	69	298,597	2,120	2,570	14,178	(28,482)	2	286,865
2031	67	70	286,865	1,442	2,780	13,178	(33,153)	(1)	269,669
2032	68	71	269,669	1,160	2,098	11,932	(19,262)	(2)	264,435
2033	69	72	264,435	1,163	1,484	11,457	(17,385)	2	259,993
2034	70	73	259,993	1,167	1,327	11,217	(18,263)	0	254,274
2035	71	74	254,274	1,171	1,281	10,969	(19,852)	(1)	246,671
2036	72	75	246,671	1,175	1,215	10,633	(21,490)	1	237,030
2037	73	76	237,030	1,177	1,129	10,194	(23,172)	0	225,181
2038	74	77	225,181	1,180	1,020	9,650	(24,903)	1	210,949
2039	75	78	210,949	1,185	887	8,989	(26,678)	(1)	194,146
2040	76	79	194,146	1,187	726	8,199	(28,509)	0	174,562
2041	77	80	174,562	1,191	535	7,269	(30,387)	0	151,979
2042	78	81	151,979	1,193	312	6,192	(32,320)	(1)	126,162
2043	79	82	126,162	1,197	53	4,948	(34,310)	1	96,854
2044	80	83	96,854	1,201	0	4,096	(36,354)	1	64,597
2045	81		64,597	1,203	0	3,295	(27,891)	(26,809)	13,192
2046	82		13,192	1,206	0	2,683	(2,684)	(56,393)	(43,202)
2047	83		(43,202)	1,210	0	2,686	(2,685)	(63,271)	(106,472)

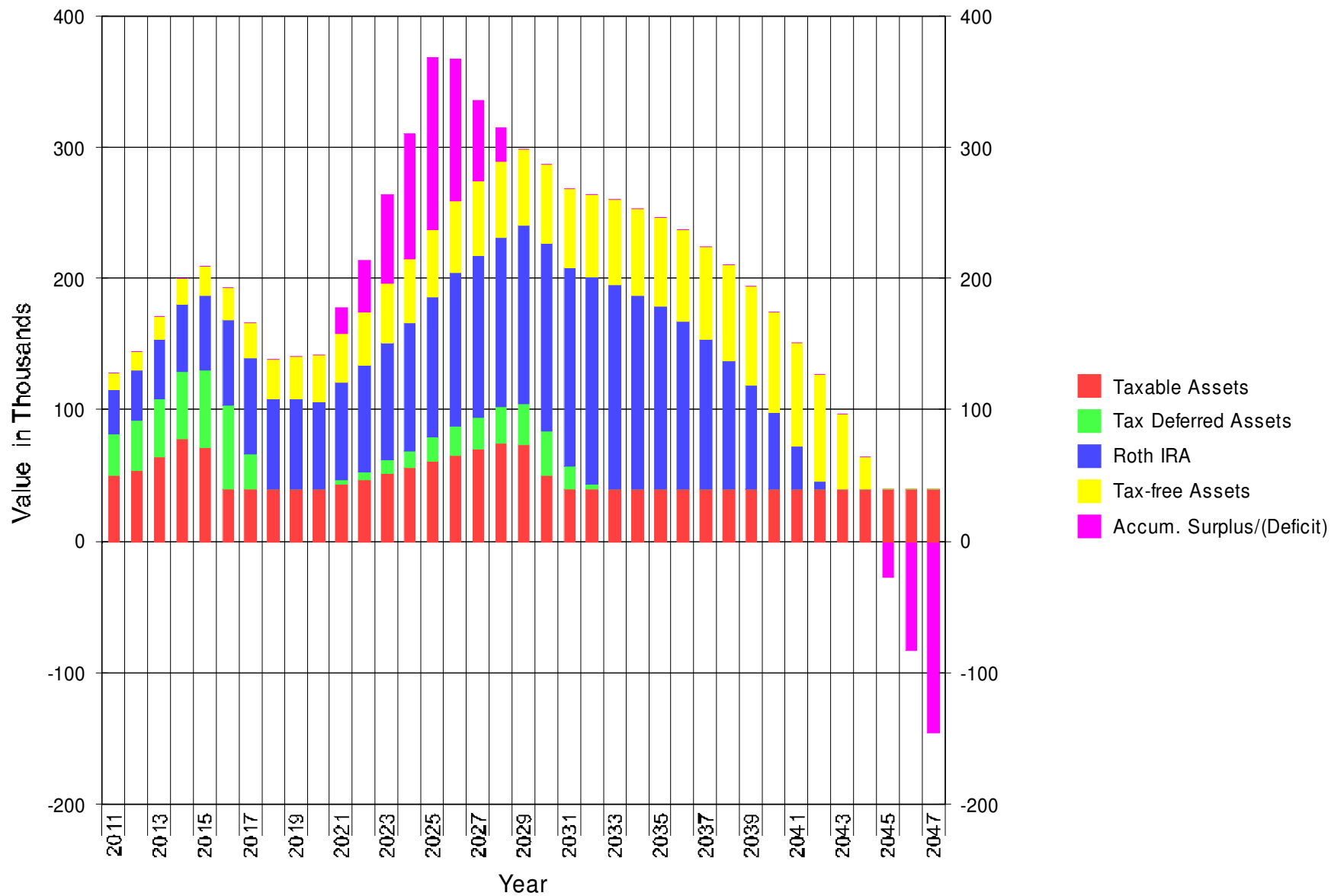
TP/SP Retired

SP Life Expect

TP Life Expect

# Retirement Capital Projection

for Steven and Carol A Sample



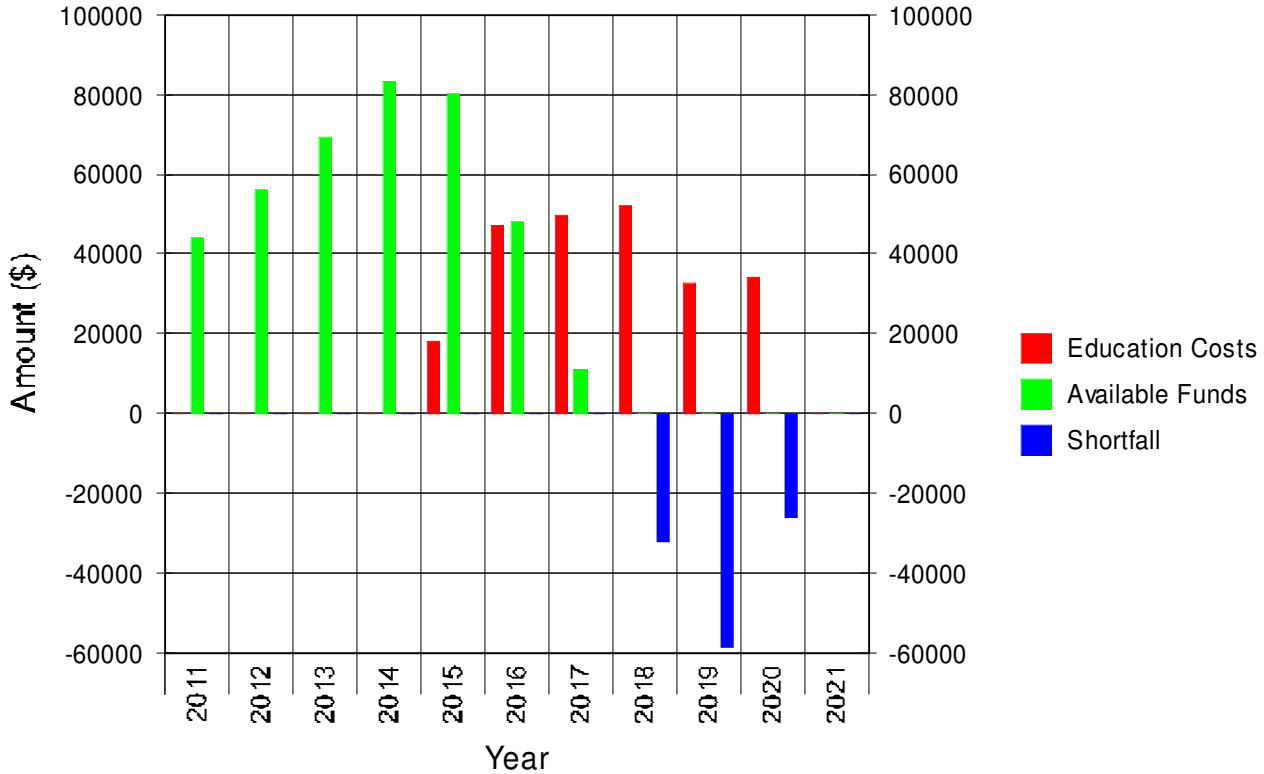
## Education Fund Needs Analysis

for Steven and Carol A Sample

You have expressed a desire to provide college funding as follows:

Steven Jr plans to start college in 2016 for 5 years at an annual cost of \$22,000 (today's dollars).  
 Mary Sue plans to start college in 2015 for 4 years at an annual cost of \$15,000 (today's dollars).

The total cost will be \$233,733 after adjusting for inflation at an annual rate of 5.0 percent.



The above graph indicates that you may experience a shortfall in your education funding totaling \$25,829. You may want to increase your annual additions to the investments allocated for education or you may want to re-allocate other assets for this purpose.

At your current average rate of return on educational funds of 8.5%, increasing your current education funding by approximately \$40,500 or increasing your annual payments by \$6,100 over the next 9 years should eliminate the shortfall.

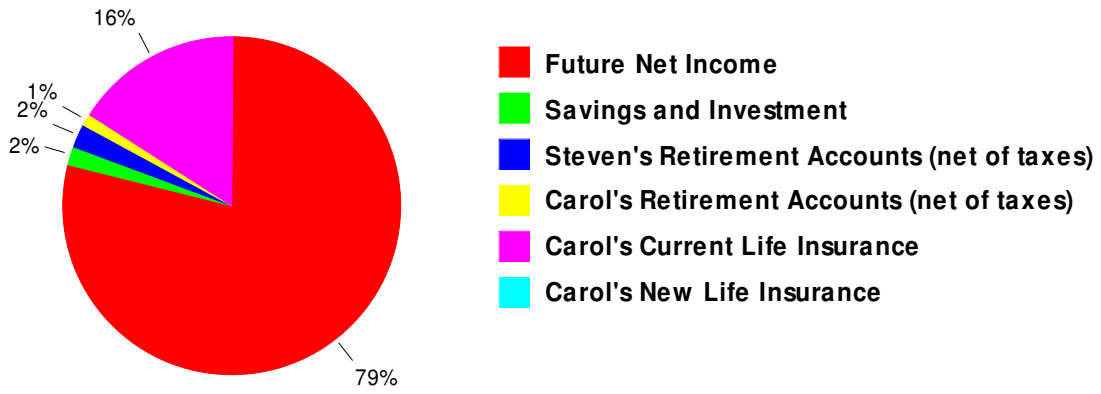
# Survivor Needs Analysis

for Steven A Sample as survivor

	<b>Net Present Value</b>	
<b>Living Expenses</b>		
Steven's living expenses	(658,624)	
Special Child Care	(61,103)	
Education expenses	(155,162)	
Special expenses	(397,360)	
<b>Total living expenses</b>		(1,272,249)
<b>Plus immediate cash needs:</b>		
Final expenses/estate costs	(5,000)	
Estate administration and legal	(2,500)	
Other expenses	(500)	
Balance: Residence mortgage	(165,000)	
Balance: Other debts	(295,000)	
<b>Total immediate cash requirements</b>		(468,000)
<b>Total expenses</b>		<b>(1,740,249)</b>
<b>Income Sources</b>		
Steven's wages	1,342,244	
Steven's pension	256,532	
Steven's social security	85,404	
Survivor's social security	99,105	
Other income	51,947	
<b>Total income</b>		1,835,232
<b>Less income taxes at 19.25%</b>		353,282
<b>Net income after taxes</b>		<b>1,481,950</b>
<b>Net present value of cashflow at Carol's death</b>		<b>(258,299)</b>
<b>Less available assets:</b>		
Savings and investments	33,000	
Carol's retirement accounts (net of taxes)	21,075	
Steven's retirement accounts (net of taxes)	41,228	
<b>Total assets available</b>		<b>95,303</b>
<b>Insurance needed for remaining years</b>		<b>162,996</b>
Less Carol's current life insurance		300,000
<b>Additional life insurance needed on Carol*</b>		<b>0</b>
(Rounded to nearest \$1,000)		

\* An additional \$135,000 of insurance is suggested to provide sufficient liquidity to cover the immediate cash needs and avoid cashing out retirement assets. An alternative is to delay the payoff of the residence mortgage and the balance of other debts.

## Meeting Your Family Needs (if Carol is First to Die)



## Estate Tax Illustration

### Maximizing the Credit Shelter Trust for 2011

<u>First Death</u>	<u>Steven Dies First</u>		<u>Carol Dies First</u>	
1/2 Property available for inclusion in Credit Shelter Trust *		2,022,650		2,022,650
Life Insurance (in estate)		300,000		300,000
1/2 Other property		0		0
<b>Gross Estate</b>		2,322,650		2,322,650
<u>Less Expenses</u>				
Debts		(230,000)		(230,000)
Final Expenses/Administration		(7,500)		(7,500)
Adjust for Previous Taxable Gifts		0		11,000
Other Expenses		(500)		(500)
Total Expenses		(238,000)		(227,000)
Less: To Charity		(25,000)		(25,000)
<b>Net Estate</b>		2,059,650		2,070,650
		<u>Carol Dies Second</u>		<u>Steven Dies Second</u>
<u>Second Death</u>	<u>Without Trust</u>	<u>With Trust</u>	<u>Without Trust</u>	<u>With Trust</u>
To Credit Shelter (Bypass) Trust		2,022,650		2,022,650
Marital Transfer	2,059,650	37,000	2,070,650	48,000
1/2 Property available for inclusion in Credit Shelter	2,022,650	2,022,650	2,022,650	2,022,650
Life Insurance (in estate)	300,000	300,000	300,000	300,000
1/2 Other property	0	0	0	0
<b>Gross Estate</b>	4,382,300	2,359,650	4,393,300	2,370,650
<u>Less Expenses</u>				
Debts	(230,000)	(230,000)	(230,000)	(230,000)
Final Expenses/Administration	(7,500)	(7,500)	(7,500)	(7,500)
Adjust for Previous Taxable Gifts	11,000	11,000	0	0
Other Expenses	(500)	(500)	(500)	(500)
Total Expenses	(227,000)	(227,000)	(238,000)	(238,000)
Less: To Charity	(125,000)	(125,000)	(125,000)	(125,000)
Net Taxable Estate	4,030,300	2,007,650	4,030,300	2,007,650
Tentative Federal Estate Tax	1,391,405	683,478	1,391,405	683,478
Less: Unified Credit	(1,730,800)	(1,730,800)	(1,730,800)	(1,730,800)
<b>Estimated Federal Estate Tax</b>	0	0	0	0
<b>Estimated Tax Savings</b>		<b>0.00%</b>		<b>0.00%</b>
Remaining Estate	4,030,300	2,007,650	4,030,300	2,007,650
Credit Shelter Trust		2,022,650		2,022,650
Life Insurance (Outside Estate)	40,000	40,000	40,000	40,000
Estate and Trust to Heirs	4,070,300	4,070,300	4,070,300	4,070,300
<b>Savings to Heirs</b>		<b>0</b>		<b>0</b>

\*This illustration shows the possible effects of implementing alternative estate planning strategies in order to maximize the benefits of the credit shelter trust. These strategies, such as retitling of assets, creating a living trust, or a will, should be carefully reviewed with your financial planner and qualified legal counsel.