

# Personal Financial Plan

*Prepared For*

Steven and Carol A Sample

July 15, 2013

*Prepared by:*

Iam A. Taxpreparer  
CFS Tax Software Inc  
1445 Los Angeles Ave Ste 214  
Simi Valley, CA 93065  
Tel: (800) 343-1157  
Fax: (805) 522-0187  
email: testing@taxtools.com

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.

## Table of Contents

Cover page . . . . .	1
Table of Contents . . . . .	2
Goals and Objectives . . . . .	3
Summary of Net Worth . . . . .	4
Asset Allocation - by Investment Type . . . . .	5
Asset Allocation - by Asset Category . . . . .	6
Projected Cash Flow Surplus/(Deficit) Chart . . . . .	7
Long-term Cash Flow Projection Chart . . . . .	8
Retirement Capital Projection All Accounts . . . . .	9
Retirement Capital Projection Chart . . . . .	10
Education Funding Needs Analysis . . . . .	11
Survivor Needs Analysis for Steven . . . . .	12
Survivor Needs Analysis for Steven - Meeting Your Family Needs Chart . . . . .	13
Estate Tax Illustration, Maximizing the Credit Shelter Trust for 2013 . . . . .	14

## 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, 2027 at age 62.
- Carol wishes to retire in May, 2027 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 \$90,578 per year beginning in 2028.
- You wish to provide a college education for two of your dependents. The cost, adjusted for inflation, is estimated to be approximately \$229,991.
- 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, 2013

## 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.

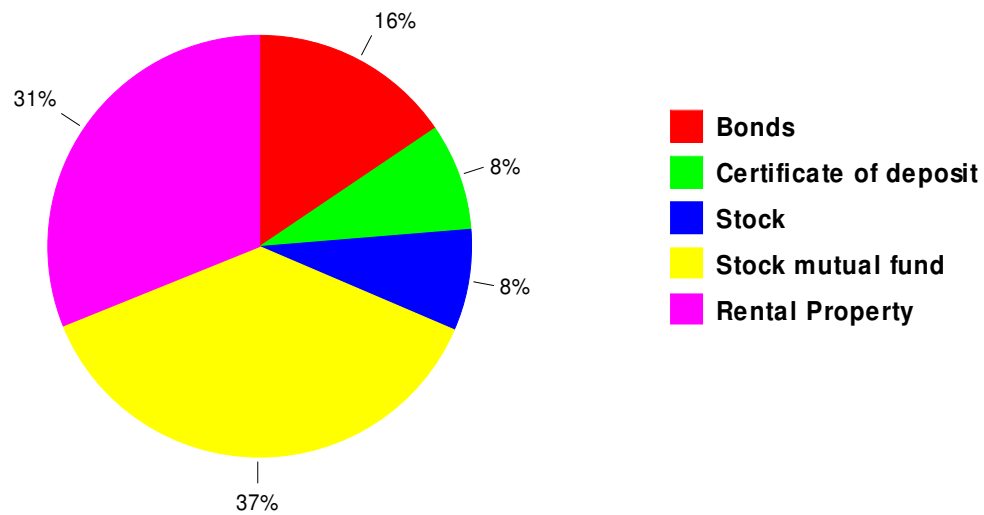
## Asset Allocation - by Investment Type

for Steven and Carol A Sample

As of July 15, 2013

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.

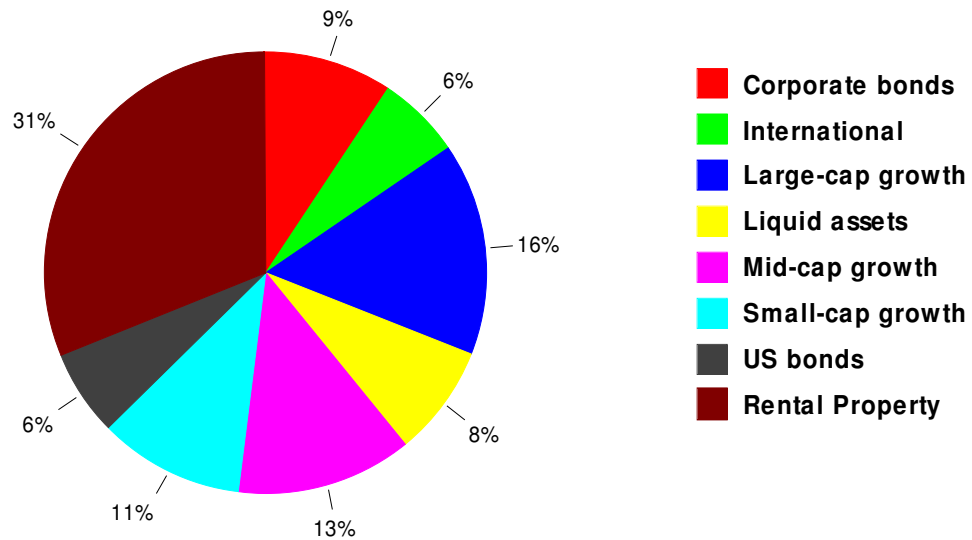
## Asset Allocation - by Asset Category

for Steven and Carol A Sample

As of July 15, 2013

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>

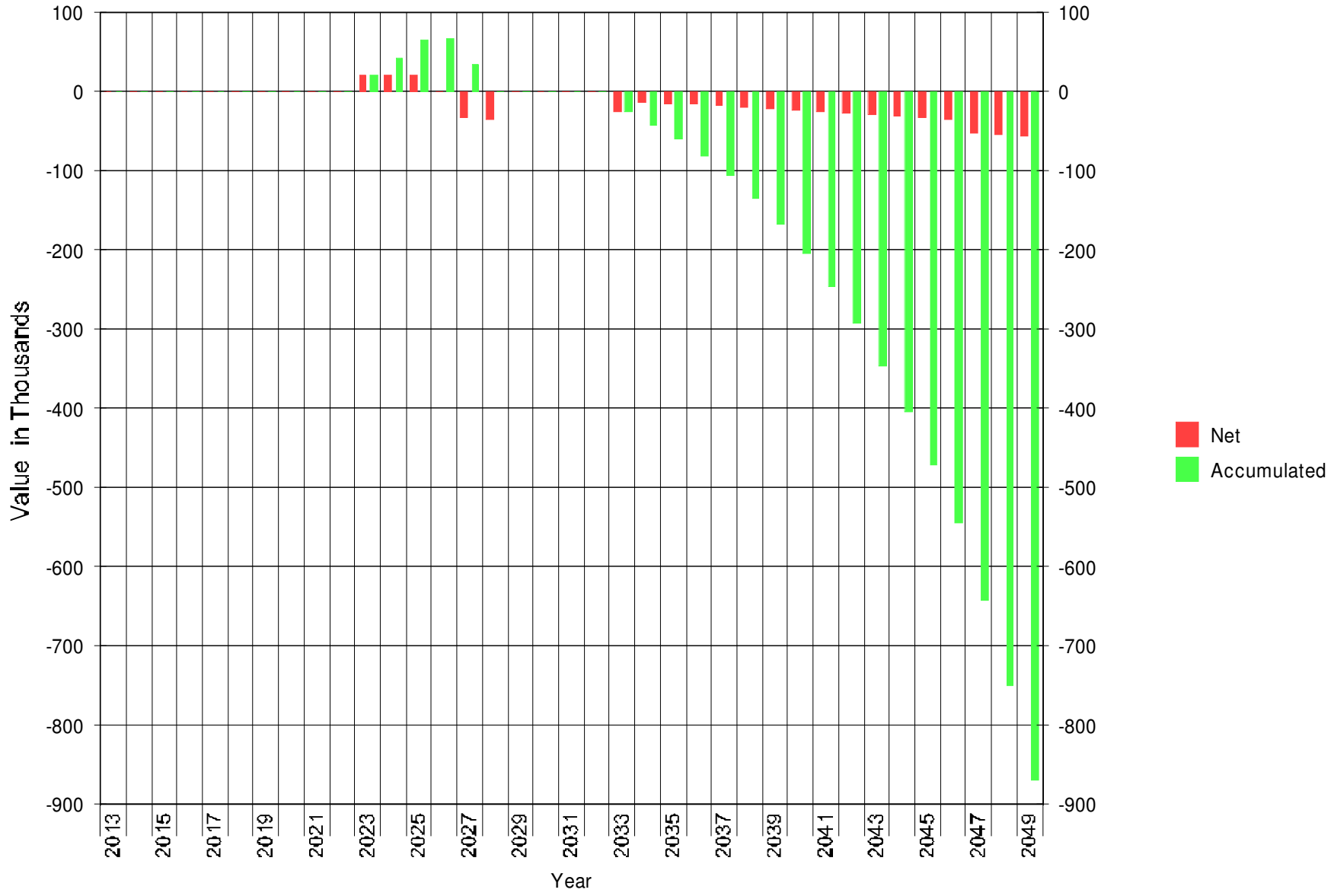
### Investment Assets



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

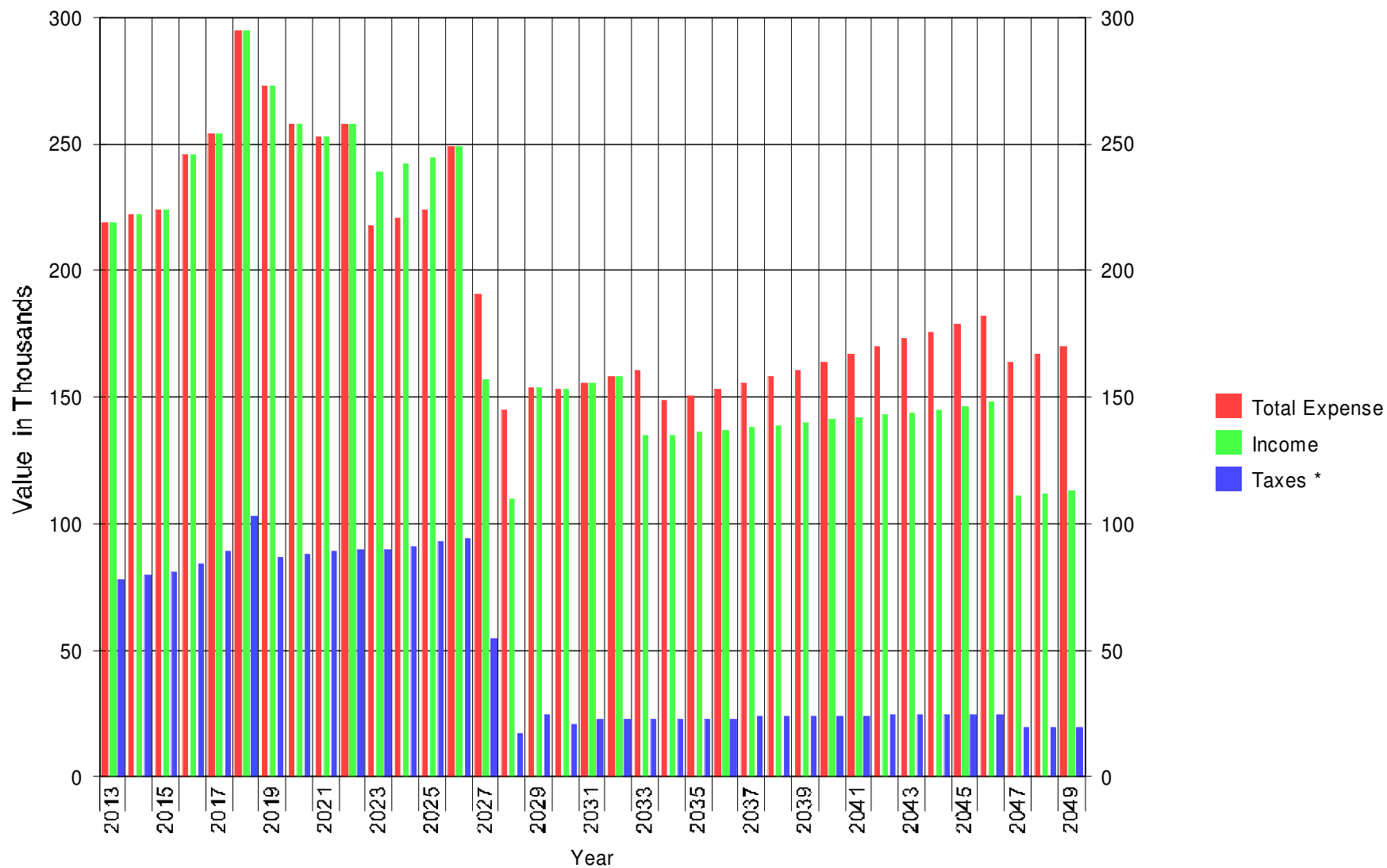
# Projected Cash Flow Surplus/(Deficit)

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

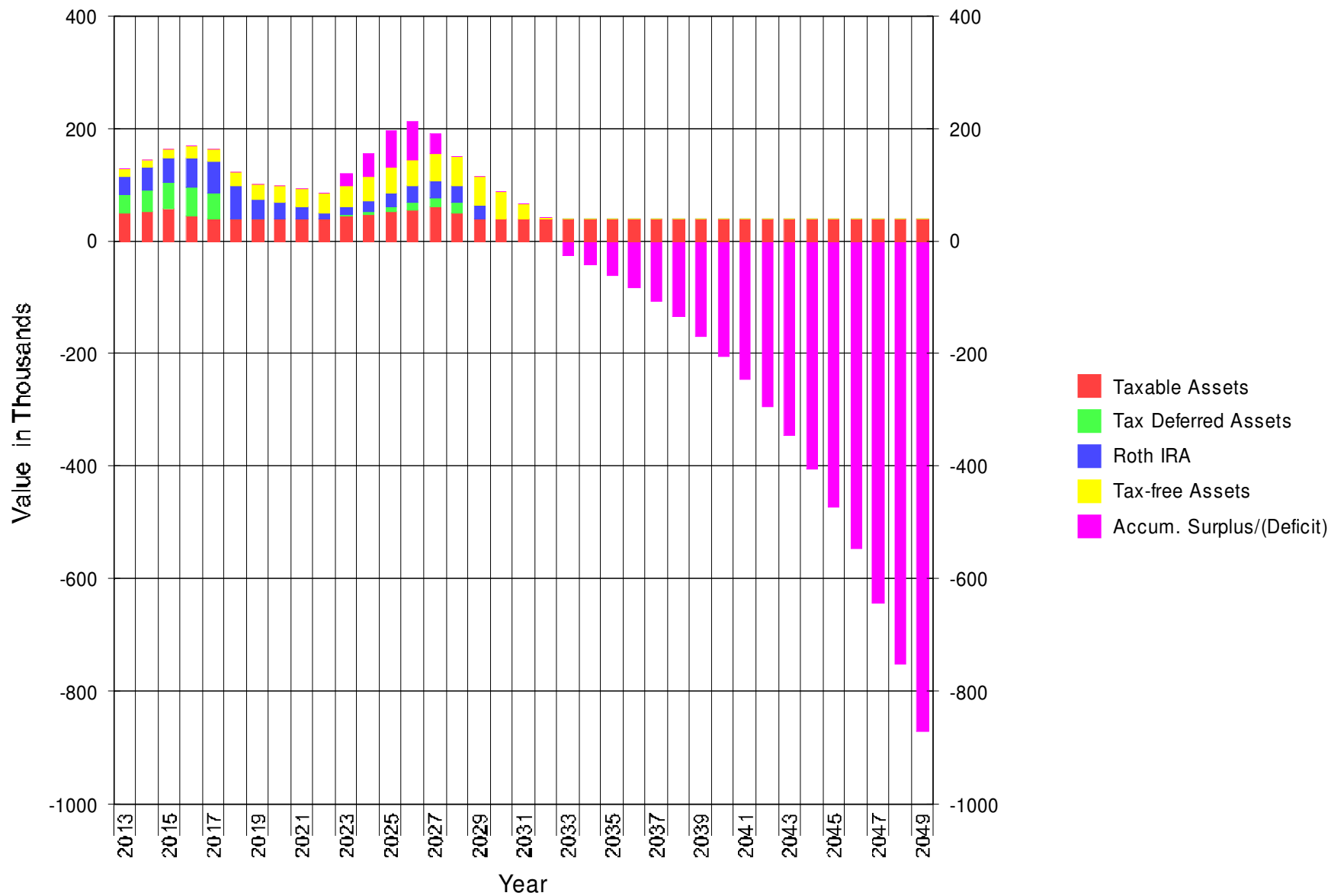
for Steven and Carol A Sample

## 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								
2013	48	51	110,300	1,567	1,017	7,020	9,354	1	127,692	
2014	49	52	127,692	1,649	1,271	7,893	9,379	0	146,235	
2015	50	53	146,235	1,740	1,554	8,838	9,387	(1)	166,013	
2016	51	54	166,013	1,844	1,874	9,860	(9,401)	(1)	168,345	
2017	52	55	168,345	1,451	2,234	9,744	(14,668)	0	165,655	
2018	53	56	165,655	1,274	2,149	9,329	(52,953)	1	124,181	
2019	54	57	124,181	1,254	555	6,607	(28,809)	0	102,534	
2020	55	58	102,534	1,240	384	5,663	(10,124)	0	98,457	
2021	56	59	98,457	1,061	336	4,934	(11,084)	0	92,643	
2022	57	60	92,643	1,090	274	4,658	(12,669)	(1)	84,905	
2023	58	61	84,905	1,118	197	4,299	9,600	20,780	119,781	
2024	59	62	119,781	1,247	348	4,989	9,600	21,560	156,278	
2025	60	63	156,278	1,385	516	5,728	9,600	22,349	194,471	
2026	61	64	194,471	1,532	705	6,518	9,600	1,951	213,245	
2027	62	65	213,245	1,637	892	7,021	1,500	(32,490)	190,168	TP/SP Retired
2028	63	66	190,168	1,749	999	7,469	(14,094)	(34,149)	150,393	
2029	64	67	150,393	1,457	1,118	7,026	(42,271)	1	116,267	
2030	65	68	116,267	1,177	183	4,961	(32,360)	(1)	89,050	
2031	66	69	89,050	1,181	0	3,861	(26,754)	0	66,157	
2032	67	70	66,157	1,185	0	3,292	(28,145)	0	41,304	
2033	68	71	41,304	1,188	0	2,676	(3,980)	(25,596)	14,404	
2034	69	72	14,404	1,192	0	2,647	(2,647)	(16,363)	(1,959)	
2035	70	73	(1,959)	1,194	0	2,650	(2,649)	(18,371)	(20,329)	
2036	71	74	(20,329)	1,199	0	2,655	(2,657)	(21,430)	(41,761)	
2037	72	75	(41,761)	1,201	0	2,658	(2,657)	(24,796)	(66,556)	
2038	73	76	(66,556)	1,206	0	2,661	(2,661)	(28,479)	(95,035)	
2039	74	77	(95,035)	1,209	0	2,666	(2,666)	(32,512)	(127,547)	
2040	75	78	(127,547)	1,212	0	2,669	(2,669)	(36,929)	(164,476)	
2041	76	79	(164,476)	1,215	0	2,673	(2,673)	(41,756)	(206,232)	
2042	77	80	(206,232)	1,219	0	2,676	(2,676)	(47,034)	(253,266)	
2043	78	81	(253,266)	1,222	0	2,680	(2,680)	(52,795)	(306,061)	
2044	79	82	(306,061)	1,225	0	2,683	(2,683)	(59,090)	(365,151)	
2045	80	83	(365,151)	1,228	0	2,688	(2,687)	(65,958)	(431,108)	
2046	81	84	(431,108)	1,231	0	2,690	(2,691)	(73,447)	(504,556)	SP Life Expect
2047	82		(504,556)	1,236	0	2,693	(2,693)	(97,653)	(602,209)	
2048	83		(602,209)	1,238	0	2,698	(2,697)	(107,876)	(710,084)	
2049	84		(710,084)	1,241	0	2,701	(2,702)	(119,004)	(829,089)	TP Life Expect

# Retirement Capital Projection

for Steven and Carol A Sample



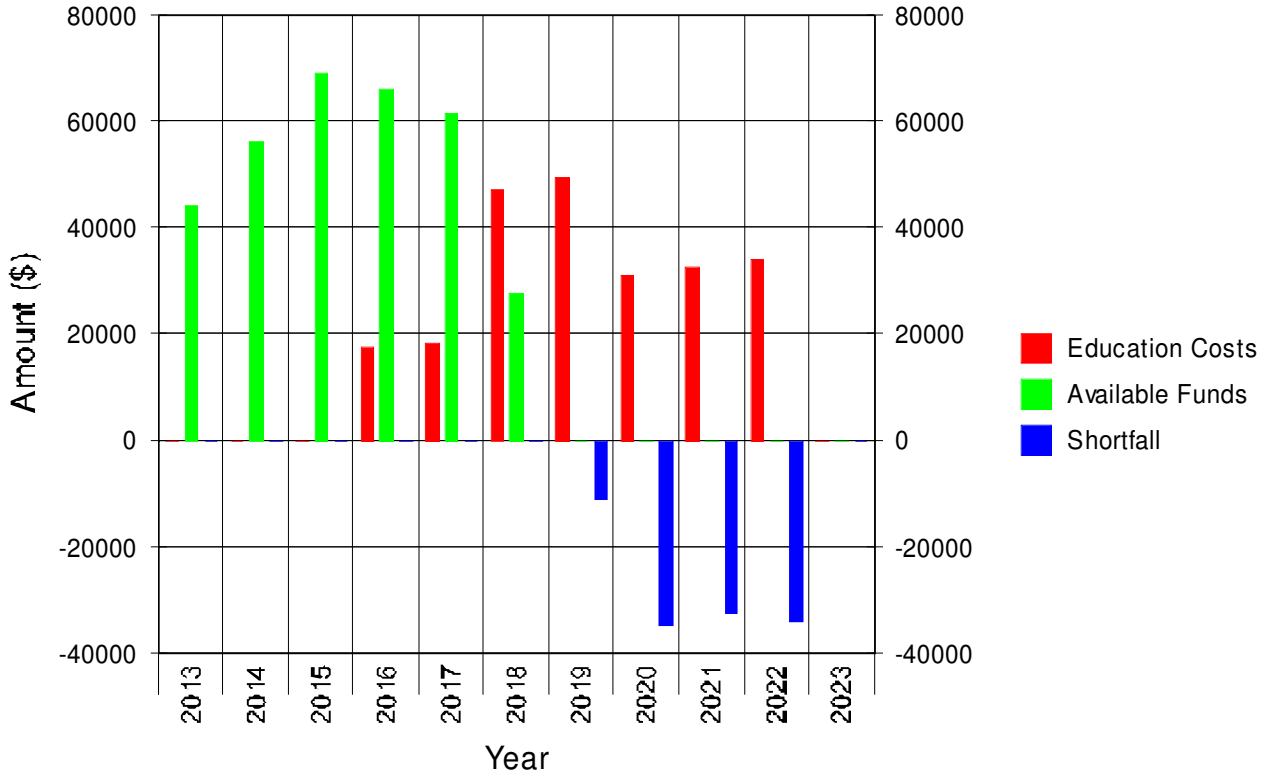
# Education Fund Needs Analysis

for Steven and Carol A Sample

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

Steven Jr plans to start college in 2018 for 5 years at an annual cost of \$22,000 (today's dollars).  
 Mary Sue plans to start college in 2016 for 4 years at an annual cost of \$15,000 (today's dollars).

The total cost will be \$229,991 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 \$34,129. 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 \$49,800 or increasing your annual payments by \$8,750 over the next 9 years should eliminate the shortfall.

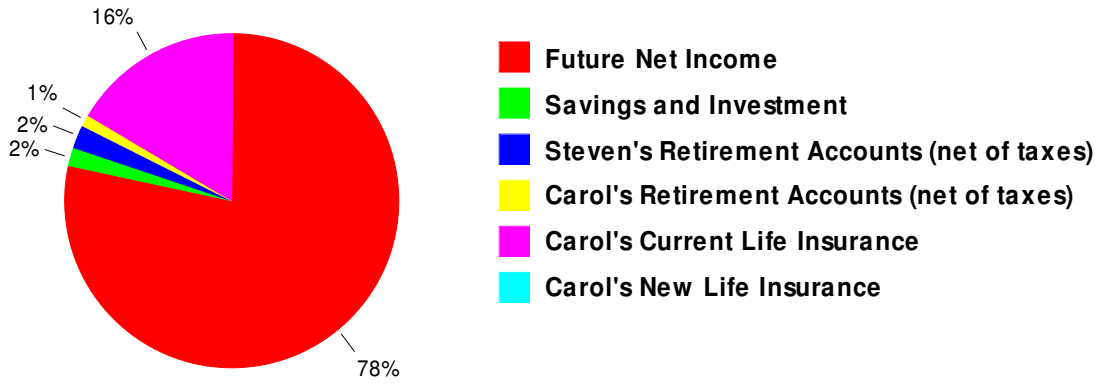
# Survivor Needs Analysis

for Steven A Sample as survivor

	<b>Net Present Value</b>	
<b>Living Expenses</b>		
Steven's living expenses	(658,625)	
Special Child Care	(61,103)	
Education expenses	(155,477)	
Special expenses	(413,608)	
<b>Total living expenses</b>		(1,288,813)
<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>(1,756,813)</b>
<b>Income Sources</b>		
Steven's wages	1,278,236	
Steven's pension	280,418	
Steven's social security	91,522	
Survivor's social security	85,253	
Other income	47,648	
<b>Total income</b>		1,783,077
<b>Less income taxes at 20.00%</b>		356,615
<b>Net income after taxes</b>		<b>1,426,462</b>
<b>Net present value of cashflow at Carol's death</b>		<b>(330,351)</b>
<b>Less available assets:</b>		
Savings and investments	33,000	
Carol's retirement accounts (net of taxes)	21,000	
Steven's retirement accounts (net of taxes)	41,100	
<b>Total assets available</b>		<b>95,100</b>
<b>Insurance needed for remaining years</b>		<b>235,251</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 2013

<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	1,557,920	748,860	1,557,920	748,860
Less: Unified Credit	(4,145,800)	(3,336,740)	(4,145,800)	(3,336,740)
<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.