10 STEPS TO YOUR OWN PERSONAL FINANCIAL PLAN

An easy 10 step process to establish your own PERSONAL Financial Plan

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FINANCIAL PLANNER

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We want to change the experience people have with financial advisors and money. "Planning" should be more personal to what the person wants and values. It should also be fun and exciting! That is what lead us into the Financial Services Industry. We love talking with people about their hobbies, families and values. This is where the true "Planning" and fun occurs!

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WHAT WE PROMISE IN THIS GUIDE

At the end of these 10 steps, you will have a personalized action plan for your finances.

The goal of this guide is to simplify the process and begin to take action steps towards your goals.

If you have any questions on this guide, please don't hesitate to reach out to us!

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WHAT ARE YOUR VALUES?

Understanding what is important to you is vital to any plan. This might be the most difficult part of the financial plan.

What do you truly value?

Does it match your priorities?

What's the purpose of this?

Imagine having a financial purpose statement that you and your spouse/partner can state when making money decisions?

Most people don't have this and so they spend money without thought. More specifically, without PURPOSE!

The goal of this exercise is to begin to learn what both of you value and then take those values and compare them to how you are currently using your money.

Action Steps:

On the next page is a sheet to use to write down your values.

After you have discussed and written down your values (which may change), then go to the "Priorities" section. This section is for you to discuss what are the highest priorities for this year.

Lastly, discuss your "Goals". What has to happen in the next year for you both to feel good about the steps you have taken!

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VALUES

TOP VALUES

-
-
-
-
-

PRIORITIES	WHY

ACTION REVIEW

GOALS	ACTION STEPS

ACTION REVIEW

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WHAT DOES YOUR BALANCE SHEET LOOK LIKE?

You need to know what you look like today, to plan where you want to go tomorrow!

Exercise:

Below are items to consider and definitions to help you fill out your balance sheet.

P**rotection Section:.**

Property & Casualty- What are your current liability limits?
Disability- Do you have Long Term Disability and what is the monthly benefit?
Legal Documents- Have you set up your wills/trusts/power of attorneys?
Life Insurance- How much life insurance do you have?

Assets:

Personal Property- What's the approximate value of all your "things"?
Savings- How much is in checking/savings accounts?
Investments- Do you have any accounts outside of retirement accounts?
Retirement- These are your 401ks, IRAs, Roth IRAs
Real Estate- Approximate value of your real estate

Liabilities:

Short Term- how much debt in credit cards, student loans, car /rv/trailer loans
Taxes- Find out your Marginal Tax Bracket
Mortgages- How much is owed on your home(s)

Net Worth:

Add up your assets and then add up your liabilities. Subtract the two. What's your answer?
That's your Net Worth.

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WHAT DOES YOUR BALANCE SHEET LOOK LIKE? PART 2

You need to know what you look like today, to plan where you want to go tomorrow!

Cash Flow:

Cash flow is the lifeline of your finances.

This is your most valuable resource! If it went away, what would life look like?

Income- How much money do you and your spouse bring in per year?
Protection- How much total money (annually) is spent on insurance products?
Assets- Savings. How much do you save total annually? This includes, retirement accounts, investment accounts, savings.
Liabilities- Approximately what do you spend per year on debt? Mortgage, credit cards, etc.
Net Income- Take your income and subtract Protection, Assets, Liabilities and you get your Net Income or your current lifestyle.

At the end of this exercise, you will be able to see how you look financially all on one page!

Action Steps:

On the next page, begin to fill out the data so that you can see what you look like financially all on one page!

Key Data (Quick Facts)

By collecting basic financial data, your current financial picture will begin to take shape. It's a starting point from which we can identify areas of strength and opportunities.

Client 1 Name (First/Last): Date of Birth/Age: /

Client 2 Name (First/Last): Date of Birth/Age: /

Client 1 E-mail: Client 2 E-mail:

Total Maximum Health Coverage:
Total Monthly Disability Income Client 1:
Total Monthly Disability Income Client 2:

Death Benefit Client 1:
Death Benefit Client 2:

PROTECTION

Property and Casualty Insurance	Health and Disability Insurance	Legal Documents	Life Insurance

ASSETS

Personal Property	
Savings	
Investments	
Retirement	
Real Estate	
Business	
Total	

LIABILITIES

Short Term	
Taxes	
Mortgages	
Business Debt	
Total	

NET WORTH

CASH FLOW

Gross Income	Protection	Assets	Liabilities	Net Income

Gross Income Client 1:
Gross Income Client 2:

Income Tax:
Short Term:
Mortgages:
Business Debt:

The Living Balance Sheet®

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HOW ARE YOU PROTECTED?

What is your most valuable resource? What allows you to save money and pay down your debts to increase your networth? YOUR INCOME

If your income were to be cut by 20% or more, how does that affect your lifestyle? How does it affect your goals/dreams?

It changes everything!

This is what you should be protecting.

So, how much of your income do you need?

Hint: All of it!

Where to start?

Protect yourself from the worst threats first.

These include:

- Lawsuit
- Health/sickness
- Legal documents
- Life Insurance

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ACTION STEPS:

How to analyze how much of your income is currently protected and what to do about it.

Lawsuit

If you are sued, how much of your income is protected?

Example:

If you have $300k of liability protection and you make $100k/year..

You have 3 years of protection.

Is that enough? Most likely no. For instance, here in the state of Washington, they can garnish wages for a lawsuit.

How would that feel?

Action Items:

Call your current auto insurance carrier. Ask them about an UMBRELLA insurance policy.

This policy is a 3rd party liability policy. (Covers for lawsuits above and beyond your current limits of liability)

Cost? Not as high as you might think.

Approximately $20-$25/month depending on carrier, driving record, etc...

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ACTION STEPS:

How to analyze how much of your income is currently protected and what to do about it.

Disability

Most disability claims are due to sickness. If you were not able to go to work for several months, what income would be coming in the door? How much income?

Long term disability insurance is a replacement of income due to sickness or injury.

This is an important policy to understand and have to protect your income.

Action Items:

Find out if you have a Long Term Disability policy through your employer benefits.

If you don't have one, look at getting one.

If you do have one, find out these items:

- What's their definition of disability
    - Essentially, what would qualify you as disabled?
- How much of your income is replaced? Does it cover your bonus? RSU?
    - Often this is 50%-60% of your income

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ACTION STEPS:

How to analyze how much of your income is currently protected and what to do about it.

Legal Documents

I know. This is not a fun conversation.

Who do you want to have a say on your behalf if something were to happen? You? Or the state you live in?

Most people I know, want a say.

Make sure you talk with an estate planning attorney about these items!

Action Items:

Look at these documents:

Power of Attorney- This document enables the person you designate to have access to your finances.

Wills- This document tends to label the following assignments:

Guardian- Who do you want to look after you if you are incapacitated? Who do you want to take care of your kids?

Executor- Who do you want to execute your wishes?

Trustee- Who do you want to manage your finances?

ACTION STEPS:

How to analyze how much of your income is currently protected and what to do about it.

Life Insurance

Life insurance is a policy that pays a benefit to your beneficiary in the event of your passing.

Purpose- It replaces your income.

How many years of your income do you want to leave behind in that untimely event?

Action Items:

Unfortunately, you are capped at the amount of life insurance you can get (often misunderstood).

Here are the caps:

Age

18-40	30X your income
41-50	20X your income
51-60	15X your income
66-70	1X your net worth
81-80	1/2X your net worth
80+	Case by case

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EMERGENCY FUND

How much should you have in savings?

At minimum, you should have 3 months of expenses in savings.

If your income varies from month to month, consider having more.

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Uncommon way to look at your emergency fund:

It's not just about having money set aside for an emergency.

Life happens and sometimes we overspend in a month...right?

Your emergency fund is what you use to borrow from instead of debt!

Action Steps:

If you don't have your emergency fund set up, this becomes your top priority.

Do not move forward to the next step until this step is completed.

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DEBT

How much high interest rate debt do you have?

What is considered high interest rate debt?

Anything above 7%

Step 1: Itemize your debts

Step 2: Locate the interest rates

Step 3: Separate the high interest rate debts

Step 4: Calculate monthly payment on each debt

Action Steps:

Step 1: Can you refinance? Look into refinancing the debt.

Step 2: Can you get a line of credit that is lower than current interest rate?

Step 3: If refinance or line of credit can be established, calculate how much new money will be saved.

Step 4: Come up with a plan for the extra money.

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DOES YOUR EMPLOYER OFFER A MATCH

Should you contribute up to the match?

Once you have your emergency fund and your debt management plan in place, it's time to look for retirement plan contributions.

Find out if your employer offers a match to any retirement plan.

If they do, consider contributing at least what they match.

For Example:

If your employer matches 3% of your contributions:

You should contribute at least 3% into the plan.

Action Steps:

- Find out what your company match is.
- Log into your retirement plan and make sure your contribution is at least what your company is matching.

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INVESTMENT ACCOUNT

What's the difference between Investment Account and Retirement Account?

Once you have established the contributions to your retirement account at work:

Now it's time to consider a standard Investment Account.

This is a regular account where you invest in stocks, bonds, mutual funds...etc.

Benefits of a Investment Account:

- Flexibility as you can invest how you want
- Accessible
- Favorable Long Term Capital Gains treatment
- No annual contribution limit

Considerations:

- How much risk do you want in the account?
- Do you foresee needing any of this money in the short term? If so, don't start account.
- What is your annual contribution plan?
- Make sure the previous steps have been completed prior to this step.

Action Steps:

- Answer the questions above.
- Talk to someone you trust about investments
- Choose an amount you can contribute consistently

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MAX OUT RETIREMENT ACCOUNTS

When to max out retirement accounts?

This step is not to be completed unless the prior steps have been completed.

Consider maxing out your retirement plan at work.

- Look up the max contribution limit for that year
- This step starts to bolster your retirement outlook
- Consider Roth and/or Traditional contributions

Additional Retirement Accounts to Consider:

- IRA for spouse
- Roth IRA for spouse
- IRA for yourself
- Roth IRA for yourself

Action Steps:

- Make sure all other steps have been addressed and/or completed
- Calculate how much you can put into these style of accounts consistently
- Open up the accounts.

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YEARLY REVIEWS

How often should you review your plan?

Like anything in life, things change. It is important to review and adjust your plan yearly.

Make sure you and your spouse talk

- Schedule a meeting with your spouse without interruptions (date night?)
- Revisit your goals and expectations for the year
- How did you do?

Action Steps:

- Have a conversation with your spouse about the following items:
  - Has anything changed?
    - Income
    - Goals
    - Expectations
  - Review your protection
    - How much of your income is protected?
  - Change contribution plans as needed
- Review the plan for next year

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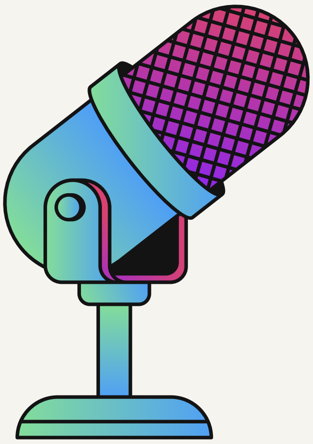
RESOURCE LIBRARY



BEER & MONEY PODCAST

A financial fireside chat podcast where we speak into our favorite beverages and talk about money. We stay up to date on the latest financial news as well as provide some actionable steps on your personal finances.

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Have questions?

- Reach out to us at quantifiedfinancial.com
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