Spring 2019

Case study: Personal financial plan

Mona Weltmer
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FALL 2018

PERSONAL FINANCIAL PLAN

Prepared for:

Tyler & Mia Bedo

(Fictitious names being used throughout document)

"Securing the foundation for your financial future."

Prepared by

Mona Weltmer, CFP®

Horizon Financial Planning
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- Est. 2018 -

CONFIDENTIAL

Personal Financial Plan

Our approach to the personal financial planning process begins with the initial phase of accumulating and organizing facts about your current and desired financial status and identifying your specific goals and objectives.

The next step involves analysis of the data accumulated and a review of your cash flows and investments. Following this review and further analysis, we make our preliminary recommendations and present you with a written draft of your plan.

We then finalize your plan and set time goals and establish responsibilities for the implementation of the plan. We will prepare, in writing, specific recommendations that will seek to address your financial goals. When appropriate, we will include financial illustrations and projections for greater understanding of potential outcomes of financial alternatives.

We are available to assist you in implementing the actions and strategies agreed upon as you deem appropriate.

"Through teamwork and efficiency we recommend the appropriate solutions to our clients."

Company Background

Horizon Financial Planning was started with the goal of creating ongoing partnerships with clients in the defining purpose of life planning. The company's mission is to develop an environment that allows clients to achieve their goals through the proper management of financial resources. We will take many non-financial elements into consideration and look at your whole picture, not just your investments, in creating a life-long strategy for financial independence.

Mona Weltmer, CFP®
Horizon Financial Planning
P.O. Box 191
Mandeville, LA 70471

September 16, 2018

Tyler & Mia Bedo
727 Success Lane
Springfield, MO

Dear Mr./Ms. Bedo

Thank you for the opportunity to meet with you. I welcome the prospect of working with you as your financial planner. This engagement letter outlines the specific terms of the financial planning commitment between:

MONA WELTMER, TYLER BEDO and MIA BEDO

If the scope or terms of the financial planning engagement change, they should be documented in writing and mutually agreed upon by all parties to the engagement.

Please be assured that all information that you provide will be kept strictly confidential. During the financial planning engagement, I may, on occasion, be required to consult with other third-party professionals at which time I will obtain your written permission to disclose your personal information.

As discussed during our introductory meeting, this engagement will include all services required to develop a comprehensive financial plan. These services will specifically include:

- Reviewing and prioritizing your goals and objectives.
- Developing a summary of your current financial situation, including a net worth statement, cash flow summary, and insurance analysis.
- Reviewing your current investment portfolio and developing an asset management strategy.

- Developing a financial management strategy, including financial projections and analysis.
- Completing a retirement planning assessment, including financial projections of assets required at estimated retirement date.
- Assessing estate net worth and liquidity.
- Identifying tax planning strategies to optimize financial position.
- Presenting a written financial plan that will be reviewed in detail with you. It will contain recommendations designed to meet your stated goals and objectives, supported by relevant financial summaries.
- Developing an action plan to implement the agreed upon recommendations.
- Referral to other professionals, as required, to assist with implementation of the action plan.
- Assisting you with the implementation of the financial plan.
- Determining necessity to revise your financial plan.

This will be an on-going professional relationship. At a minimum, we will meet on an annual basis to ensure the plan is still appropriate for you. Either party may terminate this agreement by notifying the other in writing. Any fees incurred prior to date of termination will be payable in full.

My services will be charged on a flat-fee basis. We agreed on a fee of $2,000 for the first year of service. This includes development and delivery of your financial plan, unlimited email communication and a review meeting in Summer 2019. Please provide a check for $1,000 with a signed copy of this engagement letter. An additional $1,000 will be billed at the next meeting. You agree to pay any outstanding charges in full within 15 days of billing. Please make checks payable to Horizon Financial Planning.

Please be advised that I do not receive a referral fee from any other professionals to whom I may refer you.

In order to ensure that the financial plan contains sound and appropriate recommendations, it is your responsibility to provide complete and accurate information regarding pertinent aspects of your personal and financial situation including objectives, needs and values, investment statements, tax returns, copies of wills, powers of attorney, insurance policies, employment benefits, retirement benefits, and relevant legal agreements. This list is not all-inclusive and any other relevant information should be disclosed in a timely manner. It is your responsibility to ensure that any material changes to the above noted circumstances are disclosed to me as your financial planner on a timely basis since they could impact the financial planning recommendations.

I have no known conflicts of interest in the acceptance of this engagement. I commit that I will advise you of any conflicts of interest, in writing, if they should arise.

I acknowledge my responsibility to adhere to CFP Board's *Standards of Professional Conduct*, and all applicable federal and state rules and regulations. At all times during this engagement, I shall place your interests ahead of my own when providing professional services. In addition, since this engagement includes financial planning services, I am required to act as a fiduciary, as defined by CFP Board. You can learn more about CFP Board's ethical requirements at www.CFP.net.

I look forward to working with you and helping you reach your financial goals.

Sincerely,

Mona Weltmer, CFP®

CFP® Professional:	Client:
I accept the terms of this engagement letter.	I accept the terms of this engagement letter.
______________________________	______________________________

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Section 1: Client Profile

Name	Age	Company	Position	Years at Company
	Clients			
Tyler Bedo	42	Golden Tee Golf Association, Inc.	Sales Consultant	12
Mia Bedo	42	The Family and Career Institute	Career Counselor	3
	Children			
Becky Bedo	5			
Home Address:		727 Success Ln Springfield, MO		

A stated goal for seeking the assistance of financial planning services is to live life with a relatively high level of financial satisfaction. To measure success in attaining this goal, your family wishes to build your cash reserves to six months of emergency savings in two years and to be self-sufficient in retirement at the age of 62. In addition to planning for emergencies and retirement, it is important to plan for 100% of Becky's college expenses. During retirement, Mia would like to start her own art business, while at the same time you desire to ensure Becky's future financial welfare through estate planning. Confidentiality is a concern, and maintaining the privacy of financial matters is of significance for your family.

GOALS AND OBJECTIVES:
- **Financial Satisfaction**
- **Six Months of Emergency Savings**
- **Retire at age 62**
- **Save for 100% of Becky's college expenses**
- **Start a small business in retirement**
- **Ensure Becky's financial welfare through estate planning**
- **Maintain privacy of financial affairs**

Privacy Policy

Horizon Financial Planning (HFP) considers client privacy to be a fundamental aspect of our client relationships. We are committed to maintaining the confidentiality, integrity, and security of the personal information that is entrusted to us by current, prospective, and former clients. This notice is being provided to you in accordance with the Securities and Exchange Commission's rule regarding the privacy of consumer financial information (United States Securities and Exchange Commission, 2000).

In the course of providing you with advisory services we may collect, retain, and use client information that you provide to us to help you meet your personal financial goals, while also guarding against any real or perceived infringements of your rights of privacy. Our policy with respect to personal information about you is listed below.

We do not sell, exchange, or disclose client information with outside organizations unless the third party is essential in administering our operations or except as required or permitted by law.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out of this sharing of information with nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person.

We maintain a secure office and information technology environment to ensure that your information is not placed at unreasonable risk. Procedural safeguards are employed to maintain the privacy of the information provided to us in the normal course of business. These safeguards include, but are not limited to, password protected systems, updated anti-virus and anti-spyware software, and encrypted hardware and software firewalls.

We make every effort to keep your personal information accurate and up to date. Personally identifiable information about you will be maintained while you are a client, and for the period thereafter that records are required to be maintained by federal and state securities laws.

We will notify you in advance if our privacy policy is expected to change. If, at any time in the future, it is necessary to disclose any of your personal information in a way that is inconsistent with this policy, we will give you advance notice of the proposed change so that you will have the opportunity to opt out of such disclosure.

Section 2: Net Worth & Cash Flow

Your net worth is a reference point on your financial road map. Before you can reach your financial goals, you need to know where you stand now.

NET WORTH STATEMENT

Names(s): Tyler & Mia Bedo **Date:** Fall 2018

ASSETS

Monetary Assets		
Checking/Cash Reserve	$ 3,500.00	
Checking Account II	5,000.00	
Savings	10,000.00	
Money Market Funds	10,000.00	
Certificates of deposit (<1 yr. to maturity)		
Total Monetary Assets		**$28,500.00**
Investments		
Stocks	133,000.00	
Bonds	25,000.00	
Certificates of deposit (>1 yr. to maturity)		
Mutual Funds		
Tyler's Retirement Funds	255,000.00	
Mia's Retirement Funds	224,750.00	
Life Insurance Cash Value	17,100.00	
Total Investments		**$654,850.00**
Real Assets		
Primary Residence	250,000.00	
Second Home		
Other		
Total Real Assets		**$250,000.00**
Personal Property		
Auto (Ford Taurus):	20,000.00	
Auto (Nissan Quest):	15,500.00	
Recreational Vehicle	5,800.00	
Household Furnishings	45,000.00	
Jewelry and Artwork	15,000.00	
Sporting Equipment	7,500.00	
Yard Equipment	8,000.00	
Total Personal Property		**$116,800.00**
(I) Total Assets		**$1,050,150.00**

LIABILITIES AND NET WORTH

Current Liabilities		
Utilities	$	
Rent		
Insurance Premiums		
Taxes		
Medical/Dental Bills		
Repair Bills		
Personal Loans		
Springfield National Bank Credit Card	3,500.00	
University Bank Credit Card	2,000.00	
Gas and Other Credit Card Balances		
Bank Line of Credit Balance		
Other Current Liabilities		
Total Current Liabilities		**$5,500.00**
Long-Term Liabilities		
Primary Mortgage	130,332.00	
Second Home Mortgage		
Real Estate Investment Mortgage		
Auto Loan	10,396.00	
Appliance/Furniture Loans		
Home Improvement Loans		
Single-Payment Loans		
Education Loans		
Margin Loans to Purchase Securities		
Other Long-Term Loans		
Total Long-Term Liabilities		**$140,728.00**
(I) Total Assets		**$1,050,150.00**
(II) Total Liabilities		**$146,228.00**
Net Worth [(I) - (II)]		**$903,922.00**

Cash Flow

A cash flow statement allows you to know exactly how your funds are allocated, how they are working for you, what your plans are for them, and how far along you are toward reaching your goals. The statement also indicates your ability to save and invest, provides an opportunity to analyze your standard of living, indicates if you are living within your means, and can help identify any problem areas. We will begin by looking at your income.

INCOME (rounded)		**Annually**
Tyler	Salary	$68,467.00
Total Income: $102,722	Bonus	$34,233.00
	Section 79	$22.00
Mia	Salary	$32,496.00
Total Income: $32,592	Section 79	$96.00
Joint	Unearned Income	$4,121.00
TOTAL INCOME:		**$139,435.00**

Employer provided group term life insurance plans with coverage over $50,000 create taxable income. The taxable amount of the premium is calculated by multiplying the amount of coverage over $50,000 (per thousand) by a multiple based on age. For individuals between the ages of 40 and 44 the multiple is $.10 per month, or $1.20 per year (Internal Revenue Service, 2018). Tyler receives $18,000 over the threshold and Mia receives $80,000 more than the exclusion. Section 79 income is imputed, which means that it is taxable but not available to spend. Therefore, this income is also shown as an expense under Life Insurance Expenses to prevent an overestimation of available cash.

Unearned Income includes interest and dividends received outside of tax advantaged accounts (such as 401(k), life insurance, and 529 plans). Your unearned income is addressed in more detail in Section 3 on taxation. Since you have chosen to reinvest all interest and dividends from these accounts, we will also include this amount as an expense in savings.

TAXES		Annually
Tyler	Federal	$18,668.00
	State & Local	$4,862.00
	FICA	$7,800.00
Mia	Federal	$3,510.00
	State & Local	$1,404.00
	FICA	$2,486.00
TOTAL TAXES:		**$38,730.00**

FICA is comprised of taxes for Social Security and Medicare. The tax rate for the Social Security portion is 6.2% on earnings up to a wage base. The wage base for 2018 is $128,700 (Social Security Administration, 2018). The tax rate for the Medicare portion is 1.45% on all earnings; there is no wage base limit. The total FICA deduction is 7.65% on all earnings because total compensation for both of you is less than $128,700 per person. Over the course of the last year, it appears that Mia's employer has deducted the correct amount. However, it is possible that Tyler's employer should have deducted a total of $7,857, which is a $57 shortfall. It is recommended that Tyler speak with his employer about this discrepancy. For the purposes of this financial plan, the calculations will use the amount that was deducted by Tyler's employer until further information is received.

RETIREMENT PLAN		Annually
Tyler – 3% of Salary	Consumer Fund	$2,054.00
Employer Match: $2,054.00	Graham Fund	$2,054.00
Mia – 10% of Salary		
Employer Match: $975.00	Rocket Fund	$3,250.00
TOTAL RETIREMENT:		**$7,358.00**

Additional information on your retirement plans and the employer matches will be discussed in Section 7 of this financial plan.

SAVINGS		Annually
Non-allocated	Sagebrush Fund	$3,000.00
	Haley Fund	$3,000.00
	Ruth Fund	$3,000.00
Cash Reserves	Money Market	$1,800.00
Dividends & Interest	Reinvestment	$4,121.00
Mia's Retirement	Potsdam Fixed Annuity	$3,000.00
TOTAL SAVINGS:		**$17,921.00**

EXPENSES		Annually
DEDICATED		
Housing	Mortgage Loan	$13,056.00
	Real Estate Taxes	$1,675.00
	Insurance	$700.00
	Utilities	$4,200.00
	Other	$400.00
	Subtotal:	**$20,031.00**
Transportation	Auto Loan	$5,412.00
	Insurance	$2,000.00
	Maintenance	$1,500.00
	Vehicle Plate/Tag	$450.00
	Subtotal:	**$9,362.00**
Food & Clothing	Food	$5,100.00
	Clothing	$2,800.00
	Subtotal:	**$7,900.00**

Medical	Copays	$240.00
	Prescriptions	$240.00
	Dental & Eye Care	$600.00
	Insurance (pretax)	$3,600.00
	Subtotal:	**$4,680.00**
Insurance	Life	$2,064.00
	Section 79	$118.00
	Umbrella	$175.00
	Disability	$300.00
	Miscellaneous	$300.00
	Subtotal:	**$2,957.00**
Miscellaneous	Telephone	$1,500.00
	Personal Care	$1,200.00
	Bank Charges	$120.00
	Credit Card	$5,100.00
	Subtotal:	**$7,920.00**
Dedicated Expenses TOTAL:		**$52,850.00**
DISCRETIONARY	Entertainment	$2,700.00
	Satellite TV	$600.00
	Dining Out	$3,300.00
	Recreation	$2,700.00
	Travel	$3,000.00
	Gallery Savings	$1,800.00
	Holiday Giving	$1,800.00
	Home Improvement	$1,800.00
	Dues	$1,800.00
	Subscriptions	$960.00

	Housekeeping		$960.00
	Pet Care		$420.00
	Tax Prep		$400.00
	Charity:	Church	$4,200.00
		University	$1,000.00
		United Way	$600.00
Discretionary Expenses TOTAL:			**$28,040.00**
TOTAL EXPENSES:			**$80,890.00**

CASH FLOW SUMMARY		**Annually**
Income	**$139,435.00**	
Taxes		$38,730.00
Retirement		$7,358.00
Savings		$17,921.00
Expenses		$80,890.00
		$144,899.00
NET INCOME:	**($5,464.00)**	

FINANCIAL RATIOS

		BENCHMARK	
CURRENT RATIO	$28,500/$5,500 = **5**	>1	√
	Monetary Assets/Current Liabilities		
EMERGENCY FUND	$28,500/($80,890/12) = **4.2**	3-6+	√
	Monetary Assets/Monthly Living Expenses		
SAVINGS RATIO	($10,387+$17,921+$1,800)/$139,435) = **22%**	>10%	√
	Personal/Employer Savings/Gross Income		

DEBT RATIO	$146,228/$1,050,150 = **14%**	<40%	√
	Total Liabilities/Total Assets		
LONG-TERM DEBT	$139,435/($13,056+$5,412) = **7.6**	>2.5	√
	Gross Income/Long-Term Debt Payments		
DEBT TO INCOME	($5,100+$5,412)/($139,435-$38,730-$7,358) = **11%**	<15%	√
	Credit Payments/Take Home Pay		
FRONT-END MORTGAGE RATIO	($13,056+$1,675+$700)/$139,435 = **11%**	<28%	√
	Annual Mortgage PITI/Gross Income		
BACK-END MORTGAGE RATIO	($15,431+$5,412+$5,100)/$139,435 = **19%**	<36%	√
	Annual PITI + Credit Payments/Gross Income		

Recommendations

It is evident that you have been diligent with your savings by demonstrating a Net Worth of $903,922. Your financial ratios are all within industry standards and you can be commended for your hard work. Unfortunately, your current Cash Flow Statement shows that you are negative $5,464 annually when comparing income to expenses. This does not allow for additional savings to meet your specified goals without making some changes to your spending.

Your emergency fund ratio is within the three to six months of the recommended allowance, which could provide an opportunity to use $5,500 of monetary assets to pay off credit card balances. If your monetary assets are reduced to $23,000 to pay off revolving debt, this would still keep the emergency fund ratio at 3.4 months of emergency savings. However, your annual cash flow would still reflect a deficit of $364 for the year. And, this annual savings would require a commitment to the discontinued use of revolving credit.

Small reductions spread across numerous areas of spending can make a big difference. It may be possible to reduce the amount that is spent on entertainment (e.g. movies, plays, shows) to $200 (from $225) and recreation (e.g. boating, hiking) to $200 (from $225) each month. And, if the amount allocated to dining out was also reduced from $275 per month to $250, you would have a total savings each month of $75, or $900 for the year. This additional money will remove your annual deficit and provide a surplus of $536. Once your financial goals are met, these extra reductions can be reversed for future consumption. A reward for your hard work! You may think of them as temporary. However, to build emergency savings up to six months of dedicated and discretionary expenses, more than $536 per year will need to be saved.

It will take additional monthly savings to build up your cash reserves to your stated goal of six months of emergency savings, including dedicated and discretionary expenses. Currently, your annual expenses are $80,890, so a six-month supply of monetary assets would require a savings goal of $40,445. To reach your goal in two years, it is encouraged to include an inflation calculation. In two years, at 3% inflation, you will likely need $42,908 to meet your emergency savings goal. And to reach this goal in two years, with a starting balance of $23,000 and an interest rate of 3%, it will require an annual payment to savings of $9,117. Your current annual budgeted payments are $1,800 to cash reserves and $1,800 to your gallery savings. You have stated that your gallery savings can be included in your emergency savings calculations, which then leaves an annual requirement of an additional $5,517 in payments to savings.

Even though your current mortgage ratios are well within benchmark, it is recommended that you consider refinancing your home for additional annual savings. Your current home mortgage interest rate of 7.875% is quite high by current standards. According to Bankrate (2018), you may qualify for a 20-year home mortgage at the rate of 4.5%. This change could have a significant effect on your budget and the amount of interest you pay over the course of your home loan. You have stated that you do not plan on selling your home in the near future, which is also a good indication that you should consider a new mortgage. In addition, refinancing often makes sense when the available mortgage rates are at least one to two percent less than your current mortgage (Grable, 2016). The present value of your home mortgage is currently $130,332. If 3% closing costs ($3,910) are included in the mortgage, this would bring your new loan amount to $134,242. A comparison of refinance options with the alternative of including the closing costs in your home loan or not is shown below:

REFINANCE ALTERNATIVES		
Closing Cost Scenario	*Paid in Cash*	*Rolled into Loan*
Current Balance of Mortgage	$130,332.00	$130,332.00
Term (Years)	20	20
Rate	4.50%	4.50%
Closing Costs	$3,910.00	$3,910.00
Amount Financed	$130,332.00	$134,242.00
New Payment	$824.54	$849.28
Old Payment	$1,087.60	$1,087.60
Monthly Savings	**$263.06**	**$238.32**
Annual Savings	**$3,156.66**	**$2,859.83**
Breakeven (in Months)	**15**	**16**
Total Costs (Value of Payments + Closing Costs)	**$201,800.70**	**$207,737.48**

Due to your current budget constraints and the desire to build emergency savings and reach additional financial goals, it is encouraged to roll your closing costs into the loan. This will only take one additional month to recover the cost of the refinance and only increases the monthly loan payment by $25. Your monthly savings will be $238 per month with an annual total savings of $2,868, compared to your original loan. The biggest savings will be in interest over the course of your loan. With the new loan, you are projected to pay only $69,585 in interest over the next 20 years, which is a total savings of $59,290. With the savings from your new loan of $2,868 per year, you will only need an additional annual savings of $2,113 ($5,517-$536-$2,868) to reach your emergency savings goal in two years.

For additional budgetary savings, you may further reduce entertainment spending by $25 (from $200), eating out by $50 each month (from $250), recreation by $25 (from $200), and subscriptions by $20 (from $80). This will provide $1,440 in additional annual savings, leaving $673 still remaining in needed funds. Suggested options for finding more budgetary savings might include skipping one year of travel ($3,000) or reducing travel spending for two years. To reduce travel spending each year you might consider combining work and leisure travel, choosing a less expensive trip, or by taking a number of smaller, less expensive trips instead of one long and more expensive trip. Another budgetary category that might be considered for a reduction is charitable giving - to include your church, university, or the United Way. We will take another look at this option in Section 3.

It is really up to you to find the right mix of savings that is most comfortable and easiest to manage. To be successful in reaching your goals, it is critical to make these decisions carefully - and with your individual family in mind. By evaluating your priorities, you can rank your discretionary spending in order of importance, and choose to cut back in those areas that will have a minimal impact on your lifestyle and enjoyment. You can also vary, from month to month or year to year, those areas where you cut back. One month you could cut back on eating out, while the following month you could cut back on recreation or entertainment. This flexibility requires some additional planning, but can help make it easier to manage your changing needs, whether it be holidays, events, or special occasions that change from month to month. Stay focused on the overall goals, but manage your daily spending to reach them.

Section 3: Income Tax* (Please see notation at the end of this section)

The first step in calculating income taxes is to determine total, or gross income, minus non-taxable items and employer pre-tax deductions:

Tyler	Income	Pre-Tax Deductions
Salary	$68,467.00	
Section 79	$22.00	
401(k) 3%		$2,054.00
401(k) 3%		$2,054.00
Health Insurance		$3,600.00
Bonus	$34,233.00	
Subtotal:	$102,722.00	$7,708.00
Income Total:	**$95,014.00**	

Mia	Income	Pre-Tax Deductions
Salary	$32,496.00	
Section 79	$96.00	
401(k) 10%		$3,250.00
Disability Insurance		$300.00
Subtotal:	$32,592.00	$3,550.00
Income Total:	**$29,042.00**	

Income from all sources, including unearned income is added:

Bedo Family	Assets	Current Yield	Interest & Dividends	Total
Savings Account	$10,000.00	3%	$300.00	
Money Market	$10,000.00	3%	$300.00	
Taxable Interest:				**$600.00**
Haley G&I Fund	$69,000.00	3.2%	$2,208.00	
Konza Fund	$43,000.00	1.75%	$753.00	
Ruth Fund	$13,000.00	4%	$520.00	
Sagebrush Fund	$8,000.00	.50%	$40.00	
Taxable Dividends:				**$3,521.00**
Taxable Interest & Dividends:				**$4,121.00**

Bedo Family	Income	Tax Forms
Tyler - Taxable Income	$95,014.00	1040
Mia - Taxable Income	$29,042.00	1040
Taxable Interest (Savings & Money Market)	$600.00	Schedule B
Ordinary Dividends (Investment Assets)	$3,521.00	Schedule B
Adjusted Gross Income:	**$128,177.00**	

Next, we need to take a look at your 2017 tax return and compare it to projected changes in the tax code for 2018. The 2017 Standard Deduction for those filing as Married Filing Jointly was $12,700, compared to the projected 2018 Standard Deduction of $24,000 (Internal Revenue Service, 2018). Itemized deductions for 2017 were greater than the standard deduction of $12,700, therefore Itemized Deductions in lieu of the Standard Deduction were used (Internal Revenue Service, 2017):

Bedo Family	2017	Tax Forms
State & Local Income Taxes	$6,266.00	Schedule A
Real Estate Taxes	$1,675.00	Schedule A
Home Mortgage Interest	$10,326.00	Schedule A
Gifts to Charity	$5,800.00	Schedule A
Itemized Deductions:	**$24,067.00**	

In 2017, the Bedo Family qualified for Personal Exemptions of $4,050 per individual (Internal Revenue Service 2017). In 2018, the deduction for Personal Exemptions will be suspended (Internal Revenue Service, 2018).

Bedo Family	2017	Tax Forms
Exemptions	$12,150.00	1040
Exemptions:	**$12,150.00**	

In 2017, taxable income was calculated by subtracting deductions and exemptions.

Bedo Family	2017	Deductions
Adjusted Gross Income	$128,177.00	
Deductions		$24,067.00
Exemptions		$12,150.00
Taxable Income:	**$91,960.00**	

In 2017, the tax tables show that the refund was calculated as follows (Internal Revenue Service, 2017):

Bedo Family	2017	
Taxable Income	$91,960.00	
TAX DUE: ($10,453 + 25% of amount over $75,900)		$14,468.00
Child Tax Credit (Schedule 8812)		$50.00
TAX DUE:		$14,418.00
Federal Income Tax Withheld (W-2)	$22,178.00	
2017 Refund:		**$7,760.00**

In 2017, there was no Alternative Minimum Tax due per IRS Form 6251 and it is projected that the same will hold true in 2018. However, there are significant changes to the tax code that could impact the 2018 return. A tentative projection shows a possible switch from taking itemized deductions to the standard deduction and the potential for an increase in your federal income tax refund (Internal Revenue Service, 2018).

As mentioned, the Standard Deduction in 2018 is increasing to $24,000 and the deduction for personal exemptions will be suspended. Also, the Child Tax Credit is increasing to $2,000 with a phaseout of the credit for Married Filing Jointly at $400,000 in income (Internal Revenue Service, 2018).

Bedo Family	**2018**	
Adjusted Gross Income	$128,177.00	
Standard Deduction	$24,000.00	
Taxable Income	$104,177.00	
TAX DUE: ($8,907.00 + 22% of amount over $77,400)		$14,798.00
Child Tax Credit (Schedule 8812)		$2,000.00
TAX DUE:		$12,798.00
Federal Income Tax Withheld (W-2)	$22,178.00	
2018 Refund:	Difference of $1,623.00	**$9,380.00**

This summarized side by side comparison shows the projected potential changes to your tax return from 2017 to 2018:

Bedo Family	**2017**		**2018**	
Adjusted Gross Income	$128,177.00		$128,177.00	
Deductions	$36,217.00		$24,000.00	
Taxable Income	$91,960.00		$104,177.00	
TAX DUE:		$14,468.00		$14,798.00
Child Tax Credit		$50.00		$2,000.00
TAX DUE:		$14,418.00		$12,798.00
Federal Income Tax Withheld	$22,178.00		$22,178.00	
Refund:		**$7,760.00**		**$9,380.00**

The previous recommendations to reduce discretionary expenses to create a positive net income each year included the suggestion to reduce charitable giving. One of the reasons behind this suggestion is the fact that the 2018 Standard Deduction and the total of 2017 Itemized Deductions are almost identical. Therefore, it makes it possible to reduce this discretionary expense without impacting your tax return. An additional recommendation is to change Tyler's W-2 withholdings to reduce the amount of your refund each year and increase your available monthly cash flow. With the additional funds Tyler could increase his 401(k) deductions to 6% and at the same time reduce taxable income.

Tyler	Income	Pre-Tax Deductions
Salary	$68,467.00	
Section 79	$22.00	
401(k) 6%		$4,108.00
401(k) 6%		$4,108.00
Health Insurance		$3,600.00
Bonus	$34,233.00	
Subtotal:	$102,722.00	$11,816.00
Taxable Income:	**$90,906.00**	

An increase of $4,108 in 401(k) savings costs only $3,204 due to the $904 in tax savings at the highest marginal tax rate of 22%. In addition, this added contribution to retirement savings can be supported by the reduction in W-2 withholding from each paycheck. These additional funds contribute to the determined goal of retiring at age 62 and if done correctly, should result in a net-zero impact on current cash flow.

Recently, state and local withholdings have equaled $6,266 and closely match the estimated taxes due by using the formula of 5% of the Adjusted Gross Income ($128,177) after deducting exemptions of $1,000 and $1,800. [($128,177 - ($1,000+$1,800)) x 5% = $6,269]

Bedo Family	State & Local Taxes	Estimate
Tyler	$4,862.00	
Mia	$1,404.00	
Taxes Due:	**$6,266.00**	**$6,269.00**

However, it is necessary to continuously watch the tax changes occurring in the state of Missouri as the system is closely linked to the federal tax code, and current legislation will determine the final tax percentages and deductions for 2018.

Section 4: Insurance – Personal

Life Insurance

Life insurance is one of the most important investments you can make to protect your family's financial security. It is used to guarantee that your family will have a lump sum to pay off large financial obligations, a source of income to meet daily living expenses and be able to meet major future expenses such as your child's education. Life insurance benefits payable to a designated beneficiary are non-taxable and are not subject to probate fees.

There are multiple methods for calculating life insurance needs, but our recommendation is to use multiple calculations and then take the average to create a more realistic indication of gaps in coverage. This process is known as triangulation modeling, and it can help in determining a ball-park of the net life insurance need.

Tyler		
Capital	*Current Gross Income*	*/ Projected Rate of Return*
Retention	$102,722.00 /	7%
Approach		
NEED:	**$1,467,457.00**	

Tyler		
Human Life	*Current Gross Income**	*/ Projected Rate of Return*
Value	*Multiplied by*	*$[1 – (1 / (1+.07)^n]$*
Approach	($76,014.00 /	7%) x .7416
		** Reduced 26% to reflect a reduction in household expenses*
NEED:	**$805,314.00**	*n = retirement age – current age [62-42]*

Tyler		
Income	*Current Gross Income*	*x Multiplier*
Multiplier	$102,722.00 x	7*
Approach		** 7 for few dependents and low debt*
NEED:	**$719,054.00**	

Tyler		Insurance Need
Average of Life Insurance Approaches	*Life Insurance $$*	*/ 3*
	($1,467,457.00 + $805,314.00 + $719,054.00)	/ 3
NEED:		**$997,275.00**

Tyler		Current Coverage & Gap
Whole-Life	$100,000.00	
Group Term	$68,467.00	
	$168,467.00	
NEED:		**$997,275.00**
GAP:	**($828,808.00)**	

Mia		
Capital Retention Approach	*Current Gross Income*	*/ Projected Rate of Return*
	$32,592.00 /	7%
NEED:	**$465,600.00**	

Mia		
Human Life Value Approach	*Current Gross Income**	*/ Projected Rate of Return*
	Multiplied by	*$[1 - (1 / (1+.07)^n]$*
	($24,118.00 /	7%) x .7416
		** Reduced 26% to reflect a reduction in household expenses*
NEED:	**$255,513.00**	*n = retirement age – current age [62-42]*

Mia		
Income Multiplier Approach	*Current Gross Income*	*x Multiplier*
	$32,592.00 x	7*
		** 7 for few dependents and low debt*
NEED:	**$228,144.00**	

Mia		Insurance Need
Average of Life Insurance Approaches	*Life Insurance $$ / 3*	
	($465,600.00 + $255,513.00 + $228,144.00) / 3	
NEED:		**$316,409.00**

Mia		Current Coverage & Gap
Whole-Life	$100,000.00	
Group Term	$129,984.00	
	$229,984.00	
NEED:		**$316,409.00**
GAP:	**($86,425.00)**	

Whole-Life insurance is known as permanent insurance as it will be maintained for life. But, as we age, our life insurance need decreases because children are independent, debts are paid, and assets increase. The critical need years of life insurance are between now and retirement (currently projected at age 62). For this reason, we recommend supplementing the two whole-life policies and two group term policies with an additional 20-year term life policy to cover the combined gap of approximately $900,000. In addition, because of Mia's family history of cancer, it is imperative to contract this insurance sooner, rather than later. After comparing applicable policies and rates to meet your needs, the following is recommended:

Term Life Policy:	Tyler ($800,000)	Mia ($100,000)
AIG	$60.88 / month	$12.31 / month

(Policy Genius, 2018)

This recommendation only adds $73.19 to monthly expenses ($878 per year), but more than doubles the amount of life insurance for the family. This additional expense can be offset by the budgetary savings discussed in Section 2, and through additional tax savings discussed in the next section on health insurance. Of greatest concern is the fact that Tyler is the family's highest earner, but currently has the least amount of life insurance coverage. AIG is a good choice because it is highly rated and highly competitive in its pricing. S&P gives AIG an A+, Moody's ranks AIG as an A2, M Best gives them an A, and Fitch is an A+. No other term life options researched and compared offered this competitive of a price while at the same time providing the assurance of a highly rated insurance company (AIG, 2018).

Health Insurance

The Bedo family is currently covered by a Health Maintenance Organization (HMO) through Tyler's work at a pre-tax cost of $3,600 per year. According to Grable (2016) the average group plan cost of an HMO is $17,248, which means that Tyler's employer is paying approximately 80% of the cost. HMO's are great for families that use medical services frequently, such as those with young children. The current policy has an annual deductible of $450 and a stop-loss of $3,000, which can be covered by your emergency savings if needed.

It has been established that additional monthly expenses for dental, eye care, prescriptions, and copays have averaged about $90 per month or $1,080 per year. It is recommended that Tyler establish a Flexible Spending Account (FSA) at the next open enrollment and begin deducting approximately $40 per pay period for the FSA. This will provide $1,040 per year (26 pay periods) in pre-tax deductions, which will ultimately save about $230 in federal taxes at the 22% marginal tax bracket.

The FSA funds can be used to pay medical and dental deductibles and copayments, prescriptions, and also for medical equipment (such as crutches). It has been mentioned that there is concern for the "use it or lose it" rule, but $500 can be carried over to the following year. From looking at past medical spending, the family can spend approximately half of their average medical expenses and still not risk losing these savings. In addition, the $230 in tax savings could theoretically be added to reach the break-even point. Should it be determined that $40 per pay period is too much to be deducted, this amount can (and should) be adjusted at the next open enrollment at Tyler's work place. In the event that medical expenses increase year over year, the maximum deduction can be extended up to $2,650 per year (U.S. Center for Medicare and Medicaid Services, 2018).

Disability Insurance

The Bedo family is currently 100% covered in case of short-term disability. Both Tyler and Mia have "Own Occupation" coverage that begins on the first day of disability, covering 100% of salary and bonus. This benefit is company paid, which could indicate that the disability benefit would be considered taxable income if premiums are not included in income. Even so, this should not be a budget concern, as the net income would be similar to current net income and would have limited effect on monthly finances. However, the benefit period is only for 90 days, which requires us to take a look at long-term disability coverage.

Unfortunately, long-term disability insurance does not often cover 100% of salary and bonus due to a desire to limit over-insurance and prevent an unwillingness to return to work by employees. Even when looking at outside insurance coverage, most companies wish to only cover up to 70% of gross income. Mia is covered through her employer at 70% of salary and bonus with a modified own occupation coverage. This means that the insurer will only pay coverage in the event that Mia cannot work in a reasonable alternative occupation, which requires her same education, training, or experience. This type of coverage is reflected in the monthly pretax premium amount of only $25.

Tyler, on the other hand, is only covered at 60% of salary and bonus which equates to approximately $60,000 per year. In researching additional benefit options, it was discovered that insurers would only offer up to 80% of Tyler's income in salary and bonus replacement. For an additional $18,000 in long-term disability coverage per year, the best available quote was by MassMutual with a premium of $70 per month ($840 per year). This includes own occupation coverage, a non-cancelable premium, and a residual disability rider which could cover lost income in the case of part-time employment after a debilitating event (Policy Genius, 2018). MassMutual is highly rated with an A++ from AM Best, an AA+ from Fitch, Moody's gives them AA2, and Standard & Poor's rates them at an AA+.

Long Term Disability:	**Tyler ($18,000)**
MassMutual	$70.00 / month

(Policy Genius, 2018)

Given the relatively high cost of this long-term disability insurance premium and the fact that current expenses are already greater than income, it necessitates some difficult decisions about future financial capabilities. In the event of a long-term disability, what personal expenses could be eliminated - travel and recreation? Would it be necessary to reduce retirement savings and/or education savings -or- would it be possible to postpone retirement until a later date and work for more years? Another option to reduce the cost of the long-term disability insurance would be to increase the waiting period and look at an any occupation policy.

Long-Term Care Insurance

A general rule of thumb is for individuals to purchase long-term care insurance between the ages of 50 to 55 unless the risk of a genetic predisposition for such diseases as Alzheimer's or Parkinson's could cause an individual to be uninsurable in the future (Grable, 2016). As the costs of long-term care continue to increase, it is important to consider setting aside money to help purchase and fund a long-term care policy in the future. Current nursing home expenses nationwide average between $24,000 and $64,000 per year, with Springfield, MO averaging about $49,000 per year (Missouri Department of Health & Senior Services, 2018). And, these expenses are increasing at about 5% per year. The average age to enter an assisted living facility is 75 with a stay of 2.5 years. An inflation rate of 5% per year from age 42 until 75, would indicate that the yearly cost of long-term care insurance will be approximately $245,155 per year in 33 years.

In calculating the appropriate coverage, we need to consider the present value of a $245,155 payment, over 2.5 years and at an interest rate of 2.9% (which looks at the before-tax rate of return and the inflation rate). The annuity due calculation shows that the proper policy will pay total benefits equal to $600,000 (rounded). According to the American Association for Long-Term Care Insurance (2018), a policy for a couple aged 55 has an average cost of $2,466 per year and provides only $164,000 of coverage over 3 years for each person. Clearly this is not enough to cover the projected need and therefore the possibility of self-insuring and/or setting aside funds now to fund the policy needs to be considered.

Section 5: Insurance – Property & Casualty

Homeowners Insurance

The Bedo Family home is currently insured by an HO-3 Policy with a replacement value endorsement for the contents of the home by Missouri National Insurance. This endorsement is much better than a policy that only covers the cash value, or market value, of a home's contents and should be maintained. The policy also comes with a $100,000 liability limit, which is enhanced with Umbrella Insurance for additional liability coverage. In further evaluating the HO insurance policy, it is important to look at the 80% rule. Current coverage of the home is for $225,000, but the current market price is $250,000. If we assume that the replacement cost of the home, which is the cost of rebuilding the home as it currently stands, is also the market value – we can determine that the Bedo Family has a coinsurance premium of $25,000 (plus the deductible of $500) on a full loss. In the case of a partial loss we must look at the 80% rule:

80% Rule

$225,000 / (80% of $250,000)	*x* Value of the Loss	= 100% Coverage (less deductible)

This calculation tells us that in the case of a partial loss, the home will be covered at 100% of the cost minus the deductible of $500. This is encouraging, but not entirely recommended. It would be preferable if the home was covered at its replacement value with an inflation endorsement. This will help to ensure that the HO policy keeps pace with the value of the home, which is expected to appreciate at a rate of approximately 4% annually. If the home continues to appreciate without an inflation endorsement, in just over 3 years, the home will no longer meet the 80% Rule because it will be worth more than $281,250. At this point, not even partial losses will be covered at 100% and the coinsurance premium will increase each year thereafter.

The current HO policy through Missouri National Insurance at $700 per year is highly competitive in the marketplace. According to Quotewizard (2015), the average HO policy in Missouri is $1,253 per year. It is recommended to contact Missouri National Insurance to see if increasing the policy to $250,000 and adding an inflation endorsement can be accomplished at minimal expense. In order to have a net zero increase in expenses, it is advised to ask Missouri National Insurance about the possibility of bundling both HO insurance and automobile insurance together. Often, this type of bundling can provide discounts and will reduce the overall annual premiums.

In addition, it is recommended that the Bedo Family add a personal articles policy to their HO policy to include coverage for jewelry, art, and musical instruments. Most HO policies provide some coverage, but the limits are typically between $200 and $2,500. The Bedo Family currently lists the value of jewelry, art, collectibles, and musical instruments in excess of $15,000. According to Grable (2016) the annual premium for a personal article floater can be estimated by calculating 2% of the value of the property. Therefore, we can estimate that the additional coverage will cost approximately $300 per year.

When contacting Missouri National Insurance, it should also be questioned as to its boat coverage. Some HO insurance policies will include coverage for small boats within a minimal amount. However, the family's 2001 Alumacraft V16 Lunker LTD with a current value of $5,800 may not be currently covered by insurance. If the boat is not covered, additional boat insurance should be added. Better Boat (2017) uses 1.5% of the value of the boat as its rule of thumb for calculating an estimate. This equation results in an additional $87 insurance premium for the year.

If bundling car insurance with HO insurance does not provide enough discounts on the policy premiums to create a net zero increase, it is recommended to consider increasing the HO deductible. Raising the deductible from $500 to $1,000 could save up to 25% on the annual premium and should make up for the increases in coverage and additional endorsements (Grable, 2016). However, if the deductible is increased, it is especially important to always keep $1,000 set aside in emergency savings earmarked for this purpose.

Car Insurance

The Bedo Family is currently insured with split-limit coverage of $100,000 per person, $300,000 per occurrence, and $50,000 in property damage on both vehicles (100/300/50). In addition, the policy provided by Missouri Valley Insurance Corporation provides $100,000 of uninsured/underinsured motorist coverage. These limits are well above the state of Missouri's requirements of 25/50/10, but most insurance experts recommend that clients have a minimum of 100/300/100 in split-limit coverage (Grable, 2016). This requires an increase of $50,000 in property damage coverage to meet the minimum recommendation of $500,000 combined single-limit coverage (Grable, 2016).

The deductibles for the current car insurance policy are $500 for comprehensive, $500 for collision, and also includes coverage for medical payments, car rental, and towing. The Ford Taurus has a current value of $20,000 and a loan pay-off balance of $10,396.40. This indicates that the vehicle is not upside-down on the loan and there are no gaps in coverage for the car should it be totaled in an accident. The Nissan Quest is paid off and has a current value of $15,500. Because both vehicles are still worth a considerable amount of money, it is recommended to continue both comprehensive and collision coverage for the foreseeable future. It is also recommended to reduce auto premiums by bundling with the homeowners insurance policy and verifying that all discounts have been applied.

Liability Insurance

The Bedo Family is currently covered by their HO policy and car insurance for $100,000 each in initial liability coverage. Once these policy limits are reached, the current umbrella policy provides additional protection up to $500,000. The policy premium is $175 per year, which is a minimal expense for the amount of additional liability coverage provided by the policy.

The current liability coverage could be adequate, but it may be worth considering increasing the policy to $1,000,000 due to a number of factors: having a pet, employing a housekeeper, and that Tyler often travels for work. In addition, as Becky plans to devote more time to volunteer activities in the future, liability exposures for the family could increase. With a net worth nearing the $1,000,000 mark, it may be important to further protect these assets from the potential of liability claims. However, this higher coverage is likely to require an increase in home and auto liability coverage at added expense.

Section 6: Investments

The Bedo family has stated a number of financial goals to be attained in the next twenty years. Among these goals are the desires to build a small addition to your home and fill it with art, to open a small art gallery in downtown Springfield, and to save for the college education of your daughter Becky. It is also desired to reach these goals while maintaining cash reserves of six months of dedicated and discretionary expenses for emergency savings and to improve on current returns without taking on excessive risk.

Current non-retirement investment assets are as follows:

Portfolio	Percentage of Portfolio	Portfolio Return	Market Value
Sagebrush Fund	6%	11.2%	$8,000.00
Haley G & I Fund	52%	8%	$69,000.00
Ruth Fund	10%	4.8%	$13,000.00
Konza Fund	32%	9.2%	$43,000.00
TOTAL:	100%	**8.26%**	**$133,000.00**

In addition to these investments, your family holds miscellaneous EE Bonds with a current market value of $25,000 and deferred interest rate of 3.5%. The bonds will reach maturity in 5 years at a face value of $30,000 as well as continue to earn interest for the next 18 years. It is recommended to consider using these EE bonds for Becky's higher education expenses as the interest paid upon redemption could be excluded from gross income, if used in the same tax year they are redeemed (Grable, 2016).

Horizon Financial Planning (HFP) has established expected rate-of-return and portfolio risk objectives for all investment portfolios as determined by risk-tolerance levels. The results of the confidential risk tolerance questionnaire you completed before meeting with us at HFP have shown a moderate to lower level tolerance for financial risk. HFP's benchmark for a moderately conservative portfolio is a before-tax total rate of return of 7.75%. Your current portfolio investments are above this rate at 8.26%.

In addition to portfolio return, it is important to assess the individual risk statistics of the funds to determine if they are performing better than the risk-free rate of return for their level of risk. The risk-free rate of return currently earned by savings and money market accounts is 3% and can be used as a benchmark by which current investments and the market can be evaluated. One form of comparison is the Sharpe Ratio, which is calculated by dividing the rate of return and risk-free rate by the standard deviation of the asset.

The current assets are compared as follows:

Portfolio	Sharpe Ratio	Market Index	Conclusion
Sagebrush Fund **(Small Cap)**	.68	.75	Under Performing
Haley G & I Fund **(Large Cap)**	1.10	.72	Over Performing
Ruth Fund **(Gov't Bonds)**	1.59	1.33	Over Performing
Konza Fund **(Mid Cap)**	.94	1.58	Under Performing

Of the four funds invested, two are under performing per market risk according to the Sharpe Ratio. We also looked further at systemic risk by evaluating the beta coefficient of each investment.

Portfolio	Beta	Market Index	Conclusion
Sagebrush Fund **(Small Cap)**	.84	.8	More Volatile
Haley G & I Fund **(Large Cap)**	.5	.9	Less Volatile
Ruth Fund **(Gov't Bonds)**	.69	.85	Less Volatile
Konza Fund **(Mid Cap)**	.95	.56	More Volatile

This analysis also suggests that the same two funds are underperforming for their amount of risk compared to the market. Therefore, it is recommended to consider alternative investments such as the Rocket Fund and Acquisitions Fund which might better suit your appropriate risk profile. However, these alternative investments may also result in a lower overall rate of return of 7.88%. In addition, the Rocket Fund shows a beta result of .825 which is slightly more volatile than the market. But, the Sharpe Ratio for the Rocket Fund shows a result of .77 which would be indicative of the fund over performing the market for risk and could be considered more in line with desired levels of risk without forgoing return.

Portfolio	Percentage of Portfolio	Portfolio Return	Market Value
Rocket Fund	6%	14%	$8,000.00
Haley G & I Fund	52%	8%	$69,000.00
Ruth Fund	10%	4.8%	$13,000.00
Acquisitions Fund	32%	7.5%	$43,000.00
TOTAL:	100%	**7.88%**	**$133,000.00**

Another option would be to take on more risk by selling the Konza fund and investing this money instead into the Rocket fund for an overall estimated portfolio return of 9.57%:

Portfolio	Percentage of Portfolio	Portfolio Return	Market Value
Acquisitions Fund	6%	7.5%	$8,000.00
Haley G & I Fund	52%	8%	$69,000.00
Ruth Fund	10%	4.8%	$13,000.00
Rocket Fund	32%	14%	$43,000.00
TOTAL:	100%	**9.57%**	**$133,000.00**

Both of these proposals will keep the fund performance above the benchmark of 7.75% for a moderately conservative portfolio. However, the second scenario will improve on your estimated return so that it is closer to the moderately aggressive rate of return of 10.00%. It is important to consider how this additional risk can impact the attainment of future financial goals. Additionally, it is important to consider that the process of selling stocks and bonds outside of a tax advantaged account could result in lower returns due to the tax consequences. Instead of selling equities, another method for rebalancing is to simply change future contributions. For example, one way to do that would be to redirect your annual contributions from the Sagebrush Fund to the Rocket Fund to allow for a gradual rebalancing and a reduction in overall risk without greatly affecting the rate of return of the portfolio.

Financial Goal: Home Addition

Mia has the financial goal of building a small addition to your home and filling it with art in retirement. It is estimated that the construction costs would be $20,000 if built today. If construction costs increase at the rate of inflation over the next 20 years, your family will need $36,122 to build this addition to your home. It is recommended to allocate $20,000 of current investments to fund this goal now, while maintaining a rate of return that is greater than inflation.

Financial Goal: Art Gallery

Mia also has the financial goal of opening a small art gallery in downtown Springfield in retirement and selling art, supplies, and collectibles. It is estimated that the cost of the gallery would be $80,000 if opened today. If the cost of opening the gallery increases at the rate of inflation of 3%, Mia will need approximately $144,500 to open her gallery in 20 years. The current savings set aside for the gallery is $5,000, which is invested in a checking account with an additional $150 deposited per month. These funds are accruing at a rate of 0% in this checking account.

In order to have $144,500 in twenty years with a monthly payment of $150 and a present value of $5,000, the necessary interest is at least 3.06%. This tells us that the savings for the Art Gallery should be put aside in a money market or savings account to accrue the current yield of 3%. Since these funds are also being considered as part of emergency savings, this may be ideal for liquidity purposes. Additional funds from current investments can be allocated towards this goal to meet any shortfall that might occur due to such a low rate of return in the money market account. With $133,000 in investments, and only $20,000 ear marked for the home addition, it should be considered that the money needed for the art gallery may actually already be in place.

Financial Goal: College Education

Becky's future has been a motivating factor in saving for your financial goals. One of the most important goals is to save for 100% of Becky's tuition and board when she enters college in 13 years. An additional goal is to have accumulated these funds before Becky begins college so that no additional college savings are required once she enters higher education.

It is assumed that in-state tuition at a good university for four years will cost $10,000 per semester, or $20,000 per year, including room and board (in today's dollars). Tuition costs are also increasing at 5% per year. In addition to considering the tax advantages of using your EE Bonds for education funding, it is recommended to consider investing in the state of Missouri's 529 Plan. The current 5-year return for the Vanguard Moderate Growth Fund offered is 7.12% (Missouri Most, 2018). The monthly savings needed to fund Becky's college education are calculated by first determining the present value:

CF0 – CF12 = 0

CF13 – CF16 = ($20,000)

INTEREST = 2.02% [(1.0712/1.05)-1]x100

NET PRESENT VALUE = $59,877.19

PRESENT VALUE = $59,877.19

NUMBER = 156 (13 years x 12 months)

INTEREST = .59 (7.12%/12)

PAYMENT = $588.24 - or - $7,213.16 per year

The necessary contribution to Becky's 529 plan with the state of Missouri is $588.24 per month in order to have the appropriate funds available when she heads to college at age 18. However, as previously mentioned, the family holds miscellaneous EE Bonds with a current market value of $25,000 and a deferred interest rate of 3.5% accruing for the next 18 years. The bonds will reach maturity in 5 years at a face value of $30,000. But, in 13 years, they will be worth $39,098.90.

If the current cost of higher education is $20,000 per year, the estimated cost in 13 years (at an increasing rate of 5% each year) will total $37,712.98. The EE Bonds could be used to pay for, at least, the first year of college. However, it's important to keep in mind that the costs of books, room, and board are not considered qualified expenses. Therefore, the remaining balance of the EE Bonds after paying tuition and fees could be used to additionally fund the qualified state 529 plan (Grable, 2016). Recalculating the amount necessary to save for Becky's 529 plan, if only the last 3 years are required, is $437 per month:

CF0 – CF13 = 0

CF14 – CF16 = ($20,000)

INTEREST = 2.02% [(1.0712/1.05)-1]x100

NET PRESENT VALUE = $44,455.90

PRESENT VALUE = $44,455.90

NUMBER = 156 (13 years x 12 months)

INTEREST = .59 (7.12%/12)

PAYMENT = $437.00 per month - or - $5,244.0 per year

An additional recommendation is to roll the EE Bonds into the Missouri state 529 Plan in five years when the bonds mature to avoid all tax consequences and to further fund the plans at a higher, though not guaranteed, estimated interest rate of 7.12%. It has been established that the funds needed to pay for your goals of a home addition and an art gallery may already be in place. Therefore, it is recommended to redirect $450 of current non-retirement savings that are going to the Sagebrush, Haley, and Ruth Fund, to Becky's 529 Plan each month. This would require reducing the current payments to each fund from $250 per month to $100 per month. The $450 reallocated to education funding, once converted to a tax-advantaged account, will provide additional earnings potential through a higher overall rate of return.

Section 7: Retirement

Retirement planning provides the opportunity to pursue unique dreams and aspirations later in life. You have indicated that these dreams include golfing, gardening, traveling, painting, and volunteering. Retiring at the age of 62 can provide additional time to explore these talents and other opportunities. However, retiring before the normal retirement age of 67 presents challenges to minimizing the depletion of retirement funds and saving enough money to meet goals.

You are currently saving $1,115.54 per month towards your retirement dreams through a combination of salary deductions, employer matches, and contributions to a fixed annuity. Your current contributions are summarized below:

RETIREMENT PLAN		Annually
Tyler - 3% of Salary	Consumer Fund	$2,054.00
Employer Match:	Graham Fund	$2,054.00
3% of base salary	Graham Fund - Employer	$2,054.00
Mia - 10% of Salary		
Employer Match:	Rocket Fund	$3,250.00
50% of the first 6%	Rocket Fund - Employer	$975.00
Mia – Fixed Annuity:	Potsdam	$3,000.00
TOTAL RETIREMENT:		**$13,387.00**

Your current retirement assets are distributed among the Consumer, Graham, Rocket, and Ruth funds, two IRA CD's, and your Fixed Annuity:

Portfolio	Percentage of Portfolio	Portfolio Return	Market Value
Consumer Fund	14%	8.75%	$69,000.00
Graham Fund	28%	4.10%	$134,000.00
IRA CD (Tyler)	11%	3.50%	$52,000.00
Rocket Fund	3%	14.00%	$15,250.00
Ruth Fund	7%	4.80%	$32,500.00
IRA CD (Mia)	11%	3.50%	$52,000.00
Potsdam Annuity	26%	5.00%	$125,000.00
TOTAL:	**100%**	**5.22%**	**$479,750.00**

It has been determined that you will need 85% of your current (before-tax) income (in today's dollars) when you retire. Your current household income is $135,196 per year. 85% of $135,196 equals a retirement income need of $114,917 (in today's dollars). According to the Social Security Administration (2018) your estimated SSA benefits at age 62 are $11,304 (Mia) and $22,584 (Tyler). This leaves a balance of $81,029 per year to fund with your personal retirement savings. In 20 years, at an inflation rate of 3%, $81,029 will be equal to $146,347. This means that in 20 years, your first-year payment will need to be $146,347.

You have stated that you are willing to invest at a moderately conservative rate of return in regard to your retirement assets. However, your current 5.22% is considered to be a conservative rate and will make saving for retirement needs more difficult. A moderately conservative rate is 7.75%, so we will use this rate of return when calculating your retirement funding goals until retirement. After retirement, we will consider a conservative rate of 5.25%. In addition, your current life expectancy is 95, which equates to a 33-year retirement life expectancy when retiring at age 62. With all of this information we can calculate that you will need $3,492,702 at retirement to fund a first-year payment of $146,347 until the depletion of funds at life expectancy. To have $3,492,702 at retirement, with current savings of $479,750, and an expected return of 7.75%, you will need to save $2,178 per month from now until retirement. This is about $1,000 more than you are currently saving and it does not provide for capital preservation.

In contrast, if you wait until normal retirement age at 67, you will receive increases to $16,440 (Mia) and $32,640 (Tyler) in estimated social security benefits (Social Security Administration, 2018). This reduces your annual funding need to $65,837 and will also reduce your retirement life expectancy to 28 years. In 25 years, $65,837 will be equal to $137,848 in current dollars. It is important to recognize that your current savings of $479,750, if invested at a rate of 7.75%, will equal more than the necessary $2,928,793 needed to fund your retirement at normal retirement age in 25 years. However, the goal is to retire at age 62, to preserve funding capital to prevent outliving your savings, and to allow for inheritance funds.

One of the most important aspects of reaching these goals is to increase your portfolio return to a moderately conservative rate of return of 7.75%. This will involve adjusting your investments to increase risk, but in a calculated way. Our recommendations are as follows:

Portfolio	Percentage of Portfolio	Portfolio Return	Market Value
Consumer Fund	14%	8.75%	$69,000.00
Graham Fund (Sell 75% of current funds)	7%	4.10%	$33,500.00
Value Fund (Sell Tyler's IRA CD)	11%	9.00%	$52,000.00
Rocket Fund (Invest 50% of Graham Fund)	17%	14.00%	$82,250.00
Ruth Fund	7%	4.80%	$32,500.00
Growth Fund (Sell Mia's IRA CD & Invest 25% of Graham Fund)	18%	10.20%	$52,000.00
Potsdam Annuity	26%	5.00%	$125,000.00
TOTAL:	**100%**	**8.37%**	**$479,750.00**

Our first recommendation is to sell 75% of the invested funds in the Graham fund and use the money generated to purchase shares of the Rocket Fund and the Growth Fund. The current mix of funds in your retirement accounts lack diversity in that they are all invested in small cap, CD's, real estate & precious metals, and bonds. We recommend that you add large cap investments to add diversification and to also increase returns. The Graham Fund currently consists of 28% of your retirement investments and reflects what could be considered an over-exposure to this market. Our second recommendation is to use the funds from the IRA CD's that mature in a few months to invest in the Value Fund and the Growth Fund. The Value Fund shows a Sharpe Ratio of .5, the Growth Fund is .48, while the market has a ratio of .34. This suggests that both of these funds are outperforming the market for their level of risk. In addition, because all of these transactions are inside retirement accounts, there are no tax ramifications to the sales.

Mia is currently contributing 10 percent of her salary along with the employer match to the Rocket Fund. However, Tyler's 401(k) contributions are going to the Consumer Fund and the Graham Fund. It is recommended that Tyler adjust his future 401(k) contributions and employer match to the Consumer Fund and the Value Fund while Mia maintains her current contributions in the Rocket Fund. In the future, it will be necessary to evaluate the retirement portfolios for rebalancing should the accounts exceed their targets and level of risk. We expect the current recommendations to result in a return of approximately 8.37%.

With a higher rate of return we are able to consider the possibility of preserving your retirement capital. To retire at age 62 and retain the $3,492,702 at a savings rate of 5.25% you will need to save an additional $645,405 by age 62 for a total savings of $4,138,107. This will require a total monthly savings amount of $3,308. We recommend considering that a 7.75% rate of return in retirement will provide a total need of only $2,754,580 at retirement with a current monthly payment of $886. This indicates that should you pursue a more aggressive investment style in retirement, you may be saving enough now to retire at age 62 and also maintain your investment capital. If you are willing to wait until age 67 to retire, your current monthly retirement savings will also provide for capital preservation, but without the need for a more aggressive investment style. For this option, you will need $2,928,793 plus an additional $698,988 for a total of $3,627,781. This future value at age 67 requires a monthly savings rate of just $349, which is currently exceeded by your deductions.

In Section 3 we proposed that Tyler reduce his W-2 withholdings and increase his 401(k) deductions to 6% for an additional $342 in monthly payroll deductions to retirement savings. Even though this additional funding does not exceed the needed funds to allow for an early retirement, capital preservation, and a conservative investment style, it does contribute to the possibility of at least one or some of these goals being reached.

There are numerous options for meeting and/or exceeding your retirement goals and dreams. It may be best to focus first on increasing your investments returns and determining your ability to reach other goals while at the same time maintaining an emergency fund and balancing your budget. Once these goals are met, it is recommended to revisit your overall net worth, expenses, and income to determine whether a more aggressive investment style, a later retirement date, or an increase in monthly retirement savings feels most comfortable.

Section 8: Estates

Planning for the final distribution of assets, upon death, provides the reassurance that your wishes will be followed, probate and other expenses will be minimized, and conflicts will be avoided. The first step is to determine what documents exist and to what extent they are up to date. You have stated that you have wills that were created 3 years ago when Becky was two years old. However, these wills were created with a will kit purchased at an office supply store and have not been reviewed since. It is recommended that you review your wills to ensure that the information contained is accurate and consistent with your current wishes.

It is important to regularly review the status of your named executor and the listed guardian to ensure they are still viable and willing. In addition, while reviewing your will, take into consideration any current or future changes to your family, business, and wealth. Significant changes are a sign that your documents will need to be updated and reworked. It is also recommended that all beneficiary forms be reviewed. Life insurance, retirement accounts, and other financials may have beneficiary forms attached that can provide a route to avoiding probate and maintaining privacy. It is a good idea to keep in mind that listing Becky as a secondary/contingent beneficiary requires, in most cases, that funds be held in trust for her until she is the age of majority. In Missouri, this would require the funds be held in trust until Becky is age 18 (FindLaw, 2018). If your listed guardian will need funds to raise Becky, it may be important to add them to a life insurance form as a percentage beneficiary.

In addition to updating your wills and beneficiary forms, it is recommended that a living will, or advance medical directive, be created along with a medical power of attorney for each of you. These documents will provide the proper guidance should you become incapable of making care decisions for yourselves due to illness or injury. A springing power of attorney is often used for this purpose, since it only becomes valid after a specific event and with the validation of a physician.

When analyzing estate plans, we next look to calculating the gross estate to determine if the projections may be taxable. The calculation subtracts funeral, burial, executor fees, administrative/legal expenses, charitable deductions, and qualified marital transfers. Therefore, it is recommended to write letters of last instruction which provide clear directions regarding your funeral and burial wishes. These letters of last instruction provide the necessary details to estimate costs for analyzing your gross estate. Currently, you are projecting your funeral and administrative expenses to be $9,000 and executor fees to be $13,500 per person. Additionally, you expect your estate, debt, loans, and other items to appreciate at a rate of 4%. Your estate plan calculations are below:

ESTATE PLANNING ANALYSIS	**Tyler**	
Assumed Asset & Expense Growth Per Year	4%	
Checking Account	$ 1,750	
Savings Account	$ 5,000	
Money Market Account	$ 5,000	
Other Monetary Assets	$ 2,500	
EE/I Bonds	$ 12,500	
Mutual Funds	$ 66,500	
Primary Residence	$ 125,000	
Other Housing Assets	$ 22,500	
Vehicles	$ 17,500	
Personal Property	$ 14,150	
Retirement Assets	$ 155,000	
Life Insurance	$ 168,467	
GROSS ESTATE		**$ 595,867**
Deductions from Gross Estate		
Less Funeral & Burial Expenses	$ 9,000	
Less Estate Fees, Legal Fees & Executor Fees	$ 13,500	
Less Mortgage, Debts & Losses	$ 70,364	
		$ 92,864

ADJUSTED GROSS ESTATE		**$ 503,003**
Taxable Estate (Excluding Marital Deduction)		
Charitable Donation Deduction	$ -	
TAXABLE ESTATE BEFORE MARITAL DEDUCTION		**$ 503,003**
Tax Assuming No Marital Deduction		
Gross Tax	$ 269,592	
Less Unified Credit	$ 4,425,800	
Less State Death Tax Credit		
TAX DUE WITHOUT MARITAL DEDUCTION		**$ (4,156,209)**
Assets Available for Marital Deduction	**$ 503,003**	

Spouse's/Co-Client's Gross Estate After Marital Deduction Transfer	**Mia**	
Assumed Asset & Expense Growth Per Year	4%	
Checking Account	$ 1,750	
Savings Account	$ 5,000	
Money Market Account	$ 5,000	
Other Monetary Assets	$ 2,500	
EE/I Bonds	$ 12,500	
Mutual Funds	$ 66,500	
Primary Residence	$ 125,000	
Other Housing Assets	$ 22,500	
Vehicles	$ 17,500	
Personal Property	$ 14,150	
Retirement Assets	$ 224,750	
Life Insurance	$ 229,984	
Marital Transfer	$ 503,003	
GROSS ESTATE		**$ 1,230,137**
Deductions from Gross Estate		
Less Funeral & Burial Expenses	$ 9,000	
Less Estate Fees, Legal Fees & Executor Fees	$ 13,500	
Less Mortgage, Debts & Losses	$ 70,364	
		$ 92,864
ADJUSTED GROSS ESTATE		**$ 1,137,273**
Charitable Donation Deduction	$ -	
TAXABLE ESTATE	**$ 1,137,273**	
Tax Calculation		
Gross Tax	$ 419,178	
Less Unified Credit	$ 4,425,800	
Less State Death Tax Credit		
TAX DUE	**$ (4,006,622)**	

Beginning in 2018, the applicable exclusion amount is $11,200,000 per person, which equals an applicable credit amount of $4,425,800. Consequently, we do not currently project Tyler or Mia to hold a taxable estate with concern towards minimizing estate taxes. However, there are still recommendations that can further reduce or eliminate the prospect of a taxable estate. Every year, it is possible to gift $15,000 each (or a total of $30,000 from both of you) to a single person, or to multiple people, without consequence. In addition, there is the possibility to reduce your gross estate through charitable giving (as indicated above). If giving to charity is desired, this is something that should be outlined in an update to your wills, or included as a codicil with specific instructions.

You have stated your wish to make Becky's life less complicated in the event that you die and that you are also concerned about maintaining privacy. One way to accomplish both of these desires is to consider establishing a living trust, which is established at death and manages the distribution of assets. A living trust would provide both privacy and an easier time for Becky by avoiding probate. However, there are limitations to avoiding probate in that all titled assets must be in the name of the trust and there are, of course, fees involved with setting up and maintaining the trust. These fees could, in theory, significantly reduce Becky's inheritance. We recommend using a portion of your upcoming (projected) tax refund to pay the attorney fees required for the evaluation of your wills, estate documents, and trust inquiry. Once this initial meeting has occurred, we recommend adding a budget item to your expenses in the future which allows for the periodic evaluation and updating of your legal documents by an attorney.

A final note of importance is the incorporation of your side instruction letters. These letters can not only detail your funeral and burial wishes, but also the disposition of specific tangible possessions. We encourage you to include information about the location of important personal documents, safe deposit boxes, outstanding loans, and other financial information that the executor will use to settle your estate. Mia has received, in the past, a gold nugget ring, 3 signed collector paintings, an antique china cabinet, an 8-piece set of collector's china, and a harp from her family's estate. You may desire that these items (along with additional family heirlooms) be distributed in a specific and orderly way through the use of your will or side instruction letters.

Section 9: Implementation Plan

The following table outlines the recommendations covered in this financial plan with a suggested timeline for accomplishing them. After each recommendation the impact on cash flow and net worth is highlighted, with additional details provided in updated positive cash flow and net worth statements at the end of the implementation plan.

Months 1-12 **Recommendation (What)**	**Who**	**When**	**Where**	**Why**
Speak with employer about FICA deduction	Tyler	Immediately	HR Department at Golden Tee	To correct any errors in tax deductions
Cash Flow/Net Worth Impact	- $57 yearly from cash flow but zero impact on net worth			
Pay off $5,500 in credit card balances	Tyler & Mia	Immediately	Springfield National Bank & University Bank	Eliminates high interest debt using low interest assets to increase cash flow
Cash Flow/Net Worth Impact	+ $5,100 yearly to cash flow and net zero impact on net worth			
Reduce entertainment, recreation, and dining out expenses	Tyler & Mia	Immediately and ongoing for two years	Personal spending	Removes annual deficit and provides a surplus of $536 for emergency savings
Cash Flow/Net Worth Impact	+ $900 yearly to cash flow and + $536 yearly to net worth for emergency savings			
Reduce travel spending	Tyler & Mia	Ongoing for two years	Personal Spending	To provide funds for emergency savings
Cash Flow/Net Worth Impact	+ $2,000 yearly to cash flow and + $2,000 yearly to net worth for emergency savings			
Refinance mortgage	Tyler & Mia	Within one month	Springfield National Bank	Reduces monthly payment and the amount of interest paid over the course of the loan
Cash Flow/Net Worth Impact	+ $2,868 yearly to cash flow and - $1,042 to net worth in year one due to closing costs ($3,910 closing costs - $2,868 mortgage savings)			
Reduce charitable giving by $200 each year	Tyler & Mia	Immediately and ongoing	Church, university, or United Way	Provides needed funds for a balanced budget and emergency savings while bringing tax deductions

				below the 2018 standard deduction
Cash Flow/Net Worth Impact	+ $200 yearly to cash flow and + $200 yearly to net worth			
Change W-2 withholding to reduce tax payments for the year and increase 401(k) deductions by the same amount	Tyler	Immediately	HR Department at Golden Tee	Reduces projected 2018 tax refund down from $9,380 while at the same time allowing for an additional 3% in 401(k) deductions
Cash Flow/Net Worth Impact	Net zero impact on cash flow and + $4,108 yearly to net worth			
Purchase 20-year term life policies for a total of $900,000 in insurance coverage	Tyler & Mia	Immediately	AIG	Covers the determined gap in life insurance coverage
Cash Flow/Net Worth Impact	- $878 yearly from cash flow but zero impact on net worth			
Establish a Flexible Spending Account to cover medical expenses with pre-tax deductions	Tyler	At next open enrollment	HR Department at Golden Tee	Pre-tax deductions to pay for yearly medical expenses of $1,040 saves $230 in federal taxes
Cash Flow/Net Worth Impact	+ $230 yearly to cash flow but zero impact on net worth			
Add inflation endorsement and increase HO policy to $250,000	Tyler & Mia	Immediately	Missouri National Insurance	House is covered for less than its market value
Cash Flow/Net Worth Impact	Net zero impact on cash flow (due to bundling and an increase in deductible) and zero impact on net worth			
Add personal articles policy to HO insurance to cover jewelry, art, and musical instruments	Tyler & Mia	Immediately	Missouri National Insurance	High value items are not currently insured through HO policy
Cash Flow/Net Worth Impact	Net zero impact on cash flow (due to bundling and an increase in deductible) and zero impact on net worth			
Add boat insurance to fully cover Alumacraft Lunker	Tyler & Mia	Immediately	Missouri National Insurance	Boat may not be covered (or fully covered) by current HO insurance policy
Cash Flow/Net Worth Impact	Net zero impact on cash flow (due to bundling and an increase in deductible) and zero impact on net worth			
Increase auto insurance property	Tyler & Mia	Immediately	Missouri National Insurance	Vehicles are not covered at the recommended minimums

damage coverage by $50,000				
Cash Flow/Net Worth Impact	Net zero impact on cash flow (due to bundling and an increase in deductible) and zero impact on net worth			
Redirect contributions from the Sagebrush Fund to the Rocket Fund	Tyler & Mia	Immediately	Brokerage Account	Rebalance accounts to meet risk and return benchmarks
Cash Flow/Net Worth Impact	Zero impact on cash flow and zero impact on net worth			
Move funds and savings for the art gallery from checking to savings account	Tyler & Mia	Immediately	Personal Bank	Savings for art gallery need to earn interest of at least 3% to meet goals
Cash Flow/Net Worth Impact	Zero impact on cash flow but a future increase in net worth due to added interest			
Establish a 529 plan for Becky's college funding	Tyler & Mia	Immediately	Missouri Most	Redirect $450 of non-retirement savings to 529 plan each month for tax deferred growth and tax-free withdrawals to pay for Becky's college education
Cash Flow/Net Worth Impact	A potential positive impact on cash flow and net worth due to tax deferred growth of the funds			
Sell 75% of retirement funds in the Graham fund and purchase shares of the Rocket and Growth Fund	Tyler	Immediately	401(k) Admin	Improves account diversification and could improve return, but without tax consequences due to tax advantaged account
Cash Flow/Net Worth Impact	Zero impact on cash flow and a potential increase to net worth due to higher returns			
Adjust future 401(k) contributions and the employer match to be invested in the Value Fund instead of the Graham Fund	Tyler	Immediately	401(k) Admin	Reduces investment in the Graham Fund and allows for additional diversification and possibly better returns
Cash Flow/Net Worth Impact	Zero impact on cash flow and a potential increase to net worth due to higher returns			
Review wills to ensure information is accurate and consistent with current wishes	Tyler & Mia	Immediately	Home	Reviewing the status of your named executor, listed guardian, gifts to charity, and other specifics ensures that your wills are up to date

Cash Flow/Net Worth Impact	Zero impact on cash flow and zero impact on net worth			
Create living wills and medical power of attorneys	Tyler & Mia	After tax refund	Attorney	These documents provide the proper guidance to loved ones should you become ill or injured
Cash Flow/Net Worth Impact	Zero impact on cash flow due to using tax refund for attorney's fees and zero impact on net worth			
Write letters of last instruction/side instruction letters	Tyler & Mia	After tax refund	Attorney	These letters provide clear directions regarding your funeral and burial wishes, and the disposition of specific tangible possessions.
Cash Flow/Net Worth Impact	Zero impact on cash flow due to using tax refund for attorney's fees and zero impact on net worth			

Next year + **Recommendation (What)**	**Who**	**When**	**Where**	**Why**
Evaluate need for additional long-term disability insurance	Tyler	Next year and beyond	Mass Mutual	Reconsider budget constraints as compared to perceived need
Cash Flow/Net Worth Impact	A potential - $850 yearly to cash flow and zero impact on net worth to be evaluated at a later date			
Evaluate cost/benefit analysis of long-term care insurance vs self-insurance	Tyler & Mia	Next year and beyond	AALTCI	Usually purchased between the ages of 50 and 52. But, high costs and limited coverage can precipitate self-coverage
Cash Flow/Net Worth Impact	A potential - $2,466 yearly to cash flow and zero impact on net worth to be evaluated at a later date			
Evaluate the need for additional liability insurance	Tyler & Mia	Next year	Missouri National Insurance	As net worth increases and life changes occur, it may be necessary to add more liability coverage
Cash Flow/Net Worth Impact	A potential decrease to yearly cash flow and zero impact on net worth to be evaluated at a later date			
Evaluate rolling EE Bonds into Becky's established 529 Plan when they mature in 5 years	Tyler & Mia	In 5 years	Missouri Most	It may be advantageous to roll the EE bonds when they mature into the 529 plan to allow for a possible higher rate of return while avoiding tax consequences

Cash Flow/Net Worth Impact	Zero impact on cash flow but a potential increase in net worth due to a higher rate of return			
Evaluate retirement portfolios for rebalancing	Tyler & Mia	Yearly	401(k) Admin	Required if the accounts exceed their targeted level of risk
Cash Flow/Net Worth Impact	Zero impact on cash flow and zero impact on net worth			
Consider yearly gifting and the establishment of a living trust for estate planning purposes	Tyler & Mia	At some point in the future	Attorney	Establishing a trust and practicing yearly gifting can, at some point in the future, help to eliminate or reduce the process of probate
Cash Flow/Net Worth Impact	Undetermined impact on cash flow and net worth at this time			

CASH FLOW

INCOME (rounded)		**Annually**
Tyler	Salary	$68,467.00
Total Income: $102,722	Bonus	$34,233.00
	Section 79	$22.00
Mia	Salary	$32,496.00
Total Income: $32,592	Section 79	$96.00
Joint	Unearned Income	$4,121.00
TOTAL INCOME:		**$139,435.00**

TAXES (annual)		**Before**	**After**
Tyler	Federal	$18,668.00	$14,330.00
	State & Local	$4,862.00	$4,862.00
	FICA	$7,800.00	$7,857.00
Mia	Federal	$3,510.00	$3,510.00
	State & Local	$1,404.00	$1,404.00
	FICA	$2,486.00	$2,486.00
TOTAL TAXES:		**$38,730.00**	**$34,449.00**

RETIREMENT PLAN (annual)		Before	After
Tyler – 3% of Salary	Consumer Fund	$2,054.00	$4,108.00
Employer Match: $2,054.00	Graham Fund	$2,054.00	
	Value Fund		$4,108.00
Mia – 10% of Salary			
Employer Match: $975.00	Rocket Fund	$3,250.00	$3,250.00
TOTAL RETIREMENT:		**$7,358.00**	**$11,466.00**

SAVINGS (annual)		Before	After
Non-allocated	Sagebrush Fund	$3,000.00	
	Rocket Fund		$1,200.00
	Haley Fund	$3,000.00	$1,200.00
	Ruth Fund	$3,000.00	$1,200.00
Cash Reserves	Money Market	$1,800.00	$7,347.00
	Gallery Savings		$1,800.00
Dividends & Interest	Reinvestment	$4,121.00	$4,121.00
Mia's Retirement	Potsdam Fixed Annuity	$3,000.00	$3,000.00
Becky's 529 Plan	Missouri Most		$5,400.00
TOTAL SAVINGS:		**$17,921.00**	**$25,268.00**

EXPENSES (annual)		Before	After
DEDICATED			
Housing	Mortgage Loan	$13,056.00	$10,188.00
	Real Estate Taxes	$1,675.00	$1,675.00
	Insurance	$700.00	$700.00
	Utilities	$4,200.00	$4,200.00
	Other	$400.00	$400.00
	Subtotal:	**$20,031.00**	**$17,163.00**

Transportation	Auto Loan	$5,412.00	$5,412.00
	Insurance	$2,000.00	$1,613.00
	Maintenance	$1,500.00	$1,500.00
	Vehicle Plate/Tag	$450.00	$450.00
	Subtotal:	**$9,362.00**	**$8,975.00**
Food & Clothing	Food	$5,100.00	$5,100.00
	Clothing	$2,800.00	$2,800.00
	Subtotal:	**$7,900.00**	**$7,900.00**
Medical	Copays	$240.00	$40.00
	Prescriptions	$240.00	
	Dental & Eye Care	$600.00	
	FSA		$1,040.00
	Insurance (pretax)	$3,600.00	$3,600.00
	Subtotal:	**$4,680.00**	**$4,680.00**
Insurance	Life	$2,064.00	$2,942.00
	Section 79	$118.00	$118.00
	Umbrella	$175.00	$175.00
	Disability	$300.00	$300.00
	Boat Insurance		$87.00
	Personal Articles		$300.00
	Miscellaneous	$300.00	$300.00
	Subtotal:	**$2,957.00**	**$4,222.00**
Miscellaneous	Telephone	$1,500.00	$1,500.00
	Personal Care	$1,200.00	$1,200.00
	Bank Charges	$120.00	$120.00
	Credit Card	$5,100.00	
	Subtotal:	**$7,920.00**	**$2,820.00**
Dedicated Expenses TOTAL:		**$52,850.00**	**$45,760.00**

DISCRETIONARY	Entertainment	$2,700.00	$2,400.00
	Satellite TV	$600.00	$600.00
	Dining Out	$3,300.00	$3,000.00
	Recreation	$2,700.00	$2,400.00
	Travel	$3,000.00	$1,000.00
	Gallery Savings	$1,800.00	
	Holiday Giving	$1,800.00	$1,800.00
	Home Improvement	$1,800.00	$1,800.00
	Dues	$1,800.00	$1,800.00
	Subscriptions	$960.00	$960.00
	Housekeeping	$960.00	$960.00
	Pet Care	$420.00	$420.00
	Tax Prep	$400.00	$400.00
	Charity: Church	$4,200.00	$4,000.00
	University	$1,000.00	$950.00
	United Way	$600.00	
Discretionary Expenses TOTAL:		**$28,040.00**	**$22,490.00**
TOTAL EXPENSES:		**$80,890.00**	**$68,250.00**

CASH FLOW SUMMARY (annual)		**Before**	**After**
Income	**$139,435.00**		
Taxes		$38,730.00	$34,449.00
Retirement		$7,358.00	$11,466.00
Savings		$17,921.00	$25,268.00
Expenses		$80,890.00	$68,250.00
		$144,899.00	**$139,433.00**
NET INCOME:		**($5,464.00)**	**$2.00**

NET WORTH STATEMENT

Names(s): Tyler & Mia Bedo **Date:** Fall 2018

ASSETS

Monetary Assets		
Checking/Cash Reserve	$ 3,500.00	10,000 -5,500 +2,000 +2,868 +536 +200 10,104
Checking Account II	5,000.00	
Savings	10,104.00	
Money Market Funds	10,000.00	
Certificates of deposit (<1 yr. to maturity)		
Total Monetary Assets		**$ 28,604.00**
Investments		
Stocks	133,000.00	255,000 +4,108 259,108
Bonds	25,000.00	
Certificates of deposit (>1 yr. to maturity)		
Mutual Funds		
Tyler's Retirement Funds	259,108.00	
Mia's Retirement Funds	224,750.00	
Life Insurance Cash Value	17,100.00	
Total Investments		**$658,958.00**
Real Assets		
Primary Residence	250,000.00	
Second Home		
Other		
Total Real Assets		**$250,000.00**
Personal Property		
Auto (Ford Taurus):	20,000.00	
Auto (Nissan Quest):	15,500.00	
Recreational Vehicle	5,800.00	
Household Furnishings	45,000.00	
Jewelry and Artwork	15,000.00	
Sporting Equipment	7,500.00	
Yard Equipment	8,000.00	
Total Personal Property		**$116,800.00**
(I)Total Assets		**$1,054,362.00**

LIABILITIES AND NET WORTH

Current Liabilities		
Utilities	$	5,500 -5,500 0.00
Rent		
Insurance Premiums		
Taxes		
Medical/Dental Bills		
Repair Bills		
Personal Loans		
Springfield National Bank Credit Card		
University Bank Credit Card		
Gas and Other Credit Card Balances		
Bank Line of Credit Balance		
Other Current Liabilities		
Total Current Liabilities		**$0.00**
Long-Term Liabilities		
Primary Mortgage	134,242.00	130,332 +3,910 134,242
Second Home Mortgage		
Real Estate Investment Mortgage		
Auto Loan	10,396.00	
Appliance/Furniture Loans		
Home Improvement Loans		
Single-Payment Loans		
Education Loans		
Margin Loans to Purchase Securities		
Other Long-Term Loans		
Total Long-Term Liabilities		**$144,638.00**
(I) Total Assets		**$1,054,362.00**
(II) Total Liabilities		**$144,638.00**
Net Worth [(I) - (II)]		**$909,724.00**

Summary

Thank you for the opportunity to work with you on your financial plan. The recommendations we have developed result in a positive budget and growing net worth to provide a solid foundation for your financial future. Let us know if you have any questions, as we are available to assist you in the implementation of this financial plan now, and in the future. It is our objective to ensure the efficient management of your personal finances for the attainment of your goals. Therefore, we recommend revisiting this process at least annually to make certain your plan is current and effective. We sincerely look forward to our continuing partnership in life planning.

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