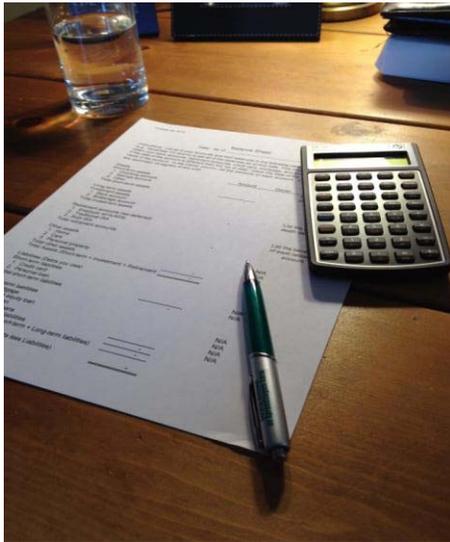


## Foundations for a Strong Financial Future

Use this guide to prepare for a sound financial future. It provides easy-to-use templates to organize your finances. After completing the Balance Sheet and Monthly Cash Flow Statement, you can use them to prepare an Analysis of your Current Financial Position.



This guide also provides a checklist of important insurance policies and it explains key features of each policy. These policies are important to protect against various risks of loss to your health or property.

The guide provides a list of important estate documents to ensure your heirs are cared for after your passing.

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## Balance Sheet

Date: As of \_\_\_\_\_

Instructions: List all of your asset accounts and their balances as of the same date in the following categories. If the date of the account is different than the "as of date," place the date of the balance next to the name of the account. In the Owner column, list the owner(s) of each account. For liabilities (debts), list any secondary co-signers on the loan. Total each grouping as appropriate.

Assets	Amount	Owner	Payable on death/beneficiary
<b>Short-term assets</b>			
1. Checking account	\$ -		List the payable on death designee for each account.
2. Savings account			
3. Other:			
<b>Total short-term assets</b>	-		
<b>Long-term assets</b>			
<b>Investment assets</b>			
1. Bank account			List the payable on death designee for each account.
2. Brokerage account			
<b>Total investment assets</b>	-		
<b>Retirement accounts (tax-deferred)</b>			
1. Employer 401k/403b			List the beneficiary of each retirement account
2. Traditional IRA			
3. Roth IRA			
<b>Total retirement accounts</b>	-		
<b>Other assets</b>			
1. Home			N/A
2. Cars			N/A
3. Personal property			N/A
<b>Total other assets</b>	-		
<b>Total Assets</b>	-	(Add Asset subtotals)	
<b>Liabilities (Debts you owe)</b>			
<b>Short-term liabilities</b>			
1. Credit card			N/A
2. Personal loan			N/A
<b>Total short-term liabilities</b>	-		
<b>Long-term liabilities</b>			
1. Mortgage			N/A
2. Home equity loan			N/A
3. Auto loan			N/A
4. Student loans			N/A
<b>Total long-term liabilities</b>	-		
<b>Total liabilities</b>	-	(Add Liability subtotals)	
<b>Net Worth (Total Assets less Liabilities)</b>	-		

# Monthly Cash Flow Statement

Date: \_\_\_\_\_

Instructions: This sheet shows the money coming in and going out each month. Pick a typical month. In the Inflows section, list your monthly gross salary, dividends, and interest. In the Outflows section, list each of your monthly payments in the four categories provided. Total the four categories and then subtract the total outflows from total inflows to determine if your monthly cash flow is positive or negative.

Monthly Cash Inflows	<u>Amount</u>
1. Salary	\$ -
2. Interest/dividends	
Total cash inflows	<u>-</u>
Monthly Cash Outflows	
Taxes and tax-deferred savings (from paystub)	
1. Federal & state taxes (including FICA and Medicare)	
2. Benefits	
3. Retirement plan contribution	
Total taxes and tax-deferred savings	<u>-</u>
Fixed expenses	
1. Mortgage / rent	
2. Property taxes	
3. Homeowners / renters insurance	
4. Auto insurance	
5. Student loan repayment	
6. Other monthly debt obligations	
Total fixed expenses	<u>-</u>
Housing expenses	
1. Utilities (gas, electric, water, security)	
2. Cable / telecommunications	
3. Home repairs	
Total housing expenses	<u>-</u>
Living expenses	
1. Food and Dining	
2. Entertainment	
3. Shopping	
4. Gifts and Donations	
5. Transportation (gas, car repair, tolls, parking)	
6. Travel	
7. Other (pets, day care, gym memberships, subscriptions)	
Total living expenses	<u>-</u>
Total cash outflows (taxes + fixed + housing + living)	<u>-</u>
Net cash amount (Inflow - Outflows)	<u><u>-</u></u>

## Analysis of Current Financial Position

Instructions: Calculate each ratio using the categories from the Balance Sheet and Monthly Cash Flow Statement. The comments are suggestions and are starting points for your consideration.

Ratio Category	Calculation	Comments
<b>LIQUIDITY RATIOS</b> examine your ability to meet monthly financial obligations.		
1. Emergency fund ratio compares your short term assets to your monthly fixed, housing, and living expenses.	Total short-term assets / (Total fixed + housing + living expenses)	A good emergency fund is 3 to 6 months of monthly fixed, housing, and living (not including savings) expenses. A smaller fund is okay if you have a very secure job; a bigger fund is advisable if income is variable or a job change is expected.
2. Current ratio compares your savings to your current debt payments.	Total short-term assets / Total fixed expenses	A good current ratio is 6 to 12 months of debt payments.
<b>SAVINGS RATIOS</b> examine your savings rate and investments compared to your income.		
3. Savings rate compares your monthly savings (retirement + employer match + savings) to monthly gross income	(Retirement plan contribution + Savings) / Salary	Goal range is 20 to 25% of gross income. Don't forget to add in any employer match you receive.
4. Investment assets (retirement and savings fund) to annual gross income	Total investment assets / Salary	Goal range is 2-2.5x salary for 35 year olds, 4-5x salary for 45 year olds, 8-10x salary for 55 year olds, and 16-20x salary for 65 year olds. These figures are for those without pensions.
<b>MONTHLY DEBT RATIOS</b> measure your debt as a percentage of your monthly income.		
5. Monthly housing costs to monthly gross income	(Mortgage/Rent + Property taxes + Homeowners insurance) / Salary	Goal is to keep this ratio below 28%, meaning that not more than 28% of salary is devoted toward housing.
6. Monthly housing costs and other fixed expenses to monthly gross income	Total fixed expenses / Salary	Goal is to keep this ratio below 36%, meaning that not more than 36% of salary is devoted toward fixed expenses including debt payments.
<b>LONG-TERM DEBT AND ASSET RATIOS</b> examine your debt in comparison to your total assets, net worth, and annual income.		
7. Net worth to total assets	Net worth / Total assets	Goal is to raise this percentage as you near retirement
8. Total debt to annual gross income	Total liabilities / Salary	Goal is to lower this percentage as you near retirement.
9. Total debt to total assets	Total liabilities / Total assets	Goal is to lower this percentage as you near retirement.

## Insurance Coverage

Instructions: List the key features of each of your insurance policies. The comments highlight the significance of these features.

Type	Features of your policy	Comments
Life insurance	Amount: Premium: Whole or term policy? Expiration of term coverage: Cash balance for whole policy:	Ideally, term life insurance should cover payoff of the home mortgage, children's education expenses, and a death benefit to cover 1-2 years of living expenses. You can buy multiple cascading term policies that provide more coverage now and less coverage later as your savings increases. You don't necessarily need level coverage.
Health & dental	Premium: Deductible: Type of plan: Emergency care hospital:  Dental coverage: Dental premium:	Type of plan refers a Health Maintenance Organization (HMO), Preferred Provide Organization (PPO), Point of Service (POS). Some of these plans may have a Health Savings Account (HSA). Check to make sure the hospital you would use in case of an emergency is in your plan's network.
Disability	Amount: Type of coverage: Waiting period: Residual benefits: Inflation protection:	Amount refers to a percentage of your current salary (e.g., 65%) that would be paid if you meet the coverage criteria. Type of coverage refers to "any occupation" or "own occupation." Own occupation is better because it is more specific to the exact work you do; however, it will be more expensive than "any occupation" coverage. Waiting period is the amount of time before coverage kicks in. Residual benefits (or loss of income rider) pays the difference between your old salary and the best salary you can earn after being disabled.
	Daily Amount: Policy term: Inflation protection: Waiting period: Coverage determination: Premium:	Daily amount refers to the maximum amount of coverage that will be paid each day. Reasonable amounts are between \$200 and \$250 in the DC area. Term of policy refers to the number of year (e.g., a 3-year policy). Inflation protection can be compound or simple. Determination of need refers to whether your physician or the insurer's physician determines your eligibility for coverage.

## Insurance Coverage (page 2)

Type	Features of your policy	Comments
Property (home)	Coverage amount (dwelling): Personal property coverage: Deductible: Liability coverage: Premium:	Coverage amount should cover the cost to rebuild the home. Look for "replacement cost" coverage (not "depreciated" or "actual value") for personal property because in the case of a loss, you will have to repurchase your belongings. Your liability limit protects against accidents by others in the home. Use this form to itemize your belongings: <a href="https://static1.st8fm.com/en_US/content_pages/1/pdf/us/home-inventory-checklist.pdf">https://static1.st8fm.com/en_US/content_pages/1/pdf/us/home-inventory-checklist.pdf</a>
Property (auto)	Liability coverage: Comprehensive deductible: Collision deductible: Rental coverage: [Y or N] Premium:	Liability coverage is the limit the policy will pay for bodily injury to a third-party. Ideally this amount will be equal to the amount of your financial assets. Your deductibles for comprehensive (fire, theft) and collision (hitting something else like a tree) are generally higher for new cars and lower or eliminated for older model cars. Check to see if you have rental car coverage to avoid rental car companies' expensive liability coverage.
Personal liability	Amount: Premium:	Nice to have if substantial assets that should be protected and/or you engage in activities that increase your personal liability.

## Important Estate Documents

Instructions: List the date when the document was prepared. The comments briefly discuss the document's purpose.

<b>Document</b>	<b>Date Prepared</b>	<b>Comments</b>
Current will	Date	Wills are important to direct how your assets will be distributed upon your death. For parents of minor children, wills are crucial to establish <u>guardianship</u> and management of assets until the children are on their own.
Living will (Advanced Medical Directive)	Date	Living wills are critical to direct how physicians and hospitals will provide your health care if you are in a <u>persistent vegetative state</u> and cannot make decision any longer.
Durable Power of Attorney for Health Care	Date	Allows another person to make medical decisions on your behalf if you are <u>temporarily incapacitated</u> .
Durable Power of Attorney	Date	Allows another person to make financial decisions on the named accounts if you are <u>temporarily incapacitated</u> .
Beneficiary Designations Life Insurance Retirement accounts		These designations are helpful so that in the case of an untimely passing, the assets will transfer to the beneficiary/payee without having to go through probate.
Payable on death (PODs) designations Bank accounts		