

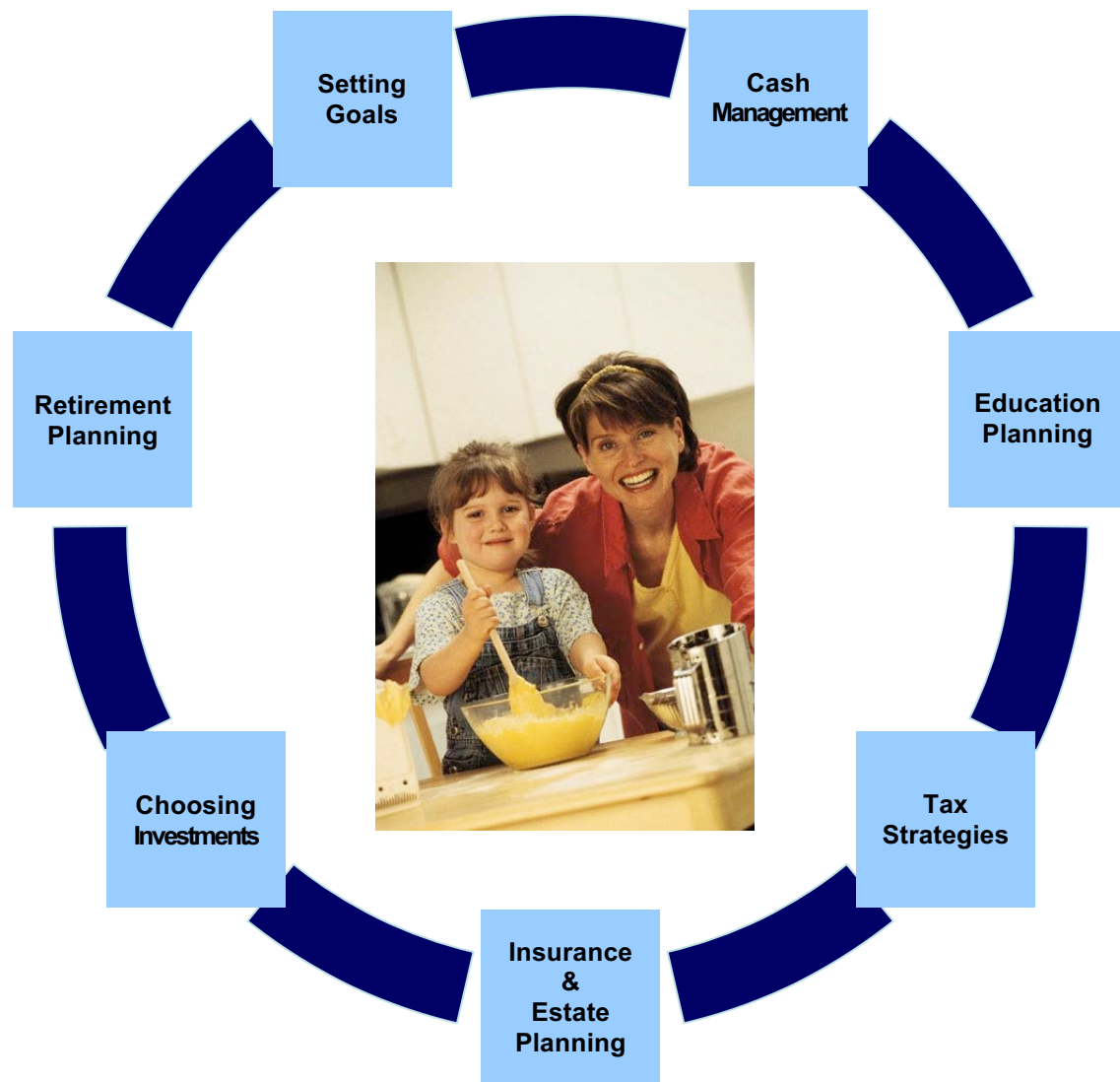
Workbook

Restructuring your Finances



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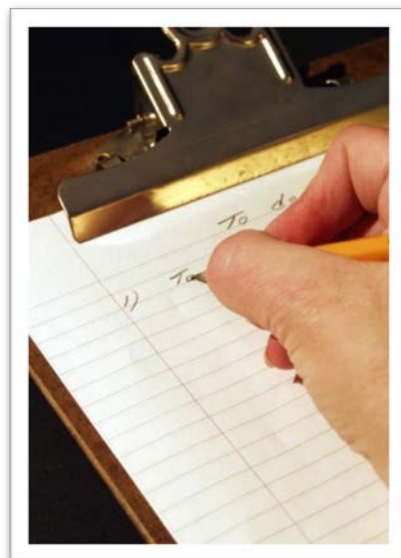


What Is Financial Planning?

Step 1

Setting Your Financial Goals

- Establish your goals
- Prioritize the order of importance
- Calculate how much you will need



Goal checklist	Priority #	Estimated Cost	Years to Goal
<input type="checkbox"/> Establish an emergency fund	_____	\$ _____	_____
<input type="checkbox"/> Eliminate debt	_____	\$ _____	_____
<input type="checkbox"/> Purchase a home	_____	\$ _____	_____
<input type="checkbox"/> Fund children's education	_____	\$ _____	_____
<input type="checkbox"/> Retire financially secure	_____	\$ _____	_____
<input type="checkbox"/> Other _____	_____	\$ _____	_____
<input type="checkbox"/> Other _____	_____	\$ _____	_____
<input type="checkbox"/> Other _____	_____	\$ _____	_____

Plan Around the Obstacles

- Procrastination
- Rising cost of college education
- Inflation
- Taxes
- Market volatility



Potential Obstacles to Achieving My Financial Goals

- | | |
|--|--|
| <input type="checkbox"/> Procrastination | <input type="checkbox"/> Taxes |
| <input type="checkbox"/> Market volatility | <input type="checkbox"/> Long retirement (life expectancy) |
| <input type="checkbox"/> High expenses | <input type="checkbox"/> Lack of financial knowledge |
| <input type="checkbox"/> College costs | <input type="checkbox"/> High consumer debt (credit cards, auto) |
| <input type="checkbox"/> Dependent parents | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Inflation | <input type="checkbox"/> Other _____ |

Step 2

Manage Your Expenses

- Live below your means
- Establish an emergency fund
- Reduce and manage credit card debt



Tip:

When setting up your budget, a good rule of thumb is to limit your housing costs to no more than 25% of your monthly income and your transportation expenses to about 10%.

Easy Spending Plan

Follow these easy steps to create your spending plan:

1. Enter your income, current savings and current expenses under "Actual." The percentages in blue in the left column are guidelines for spending and saving. The figures in the "Target" column on the right show how much you should be spending and saving, based on these guidelines and your actual take-home pay.
2. If you can't meet the targets for saving and spending, look for ways to save more and/or cut back spending in as many categories as possible. (Note that the 10% guidelines for retirement and other savings are a good starting point, but are not guaranteed to meet your specific goals.)

	Actual	Target
100% Monthly take-home (after 10% to retirement)	\$	
10% Savings	\$	\$
10% Other Goals		
Paying extra on debt	\$	\$
Other goals: _____	\$	\$
Total	\$	\$
60% Household Expenses (Needs)		
Housing (rent or mortgage)	\$	\$
Utilities	\$	\$
Groceries	\$	\$
Transportation (car loan, gas, etc.)	\$	\$
Insurance (home, car, life, etc.)	\$	\$
Taxes (property, IRS payments)	\$	\$
Debt payments	\$	\$
Family expenses	\$	\$
Miscellaneous other expenses	\$	\$
Total	\$	\$
20% Nonessential Expenses (Wants)		
Entertainment	\$	\$
Dining out	\$	\$
Vacations	\$	\$
Clothes	\$	\$
Hobbies	\$	\$
Gifts	\$	\$
Personal care	\$	\$
Miscellaneous other expenses	\$	\$
Total	\$	\$
Total	\$	\$
Net Available for Goals	\$	\$

My Personal Cash Management Action Plan

☐ I will transfer \$ _____ each payday to my savings account

☐ I will track my expenses by using:

- Easy Spending Plan
- Excel spreadsheet I design or customize
- Cash management software (e.g. www.mint.com)

☐ I will start looking for deals on sites such as:

- Groupon
- Living Social
- Restaurant.com
- CoolSavings
- Coupons.com

My goal is to have \$ _____ in an emergency savings account by 12/31/2018.

Budgeting and Debt Control

The Cost of Credit	The Savings Advantage
<ul style="list-style-type: none"> \$16,883 average balance for households with credit card debt \$330 average monthly payment 16.15% average APR 	<ul style="list-style-type: none"> \$330 saved per month for 30 years in 401(k) 8% average rate of return
\$ _____	\$ _____

Even a little extra paid toward debt can make a BIG difference in time to pay it off AND interest paid!

Credit Cards and Loans	Balance Owed	Interest Rate	Current Monthly Payments	New Monthly Payments	Months to Pay Off
Credit Card 1	\$5,000.00	15.10%	\$70.00	\$120.00	43
Credit Card 2	\$4,000.00	11.99%	\$65.00	\$65.00	54
Credit Card 3	\$1,000.00	13.99%	\$65.00	\$65.00	18
Total:	\$10,000.00		\$200.00	\$250.00	54

**Extra monthly amount paid
(to highest interest rate card):** **\$50.00**

Your New Monthly Payment: **\$250.00**

Just by adding an additional \$50 per month to the regular monthly payment, you can see what a difference this makes!

	Current monthly payments	New monthly payments
Estimated Years Until Debt Free:	15 years 4 months	4 years 6 months
Estimated Cost of Debt:	\$20,170.15	\$13,365.76
Estimated Interest Paid:	\$10,170.15	\$3,365.76

Total interest saved: \$6,804.39

Debt Inventory

Before you can make a plan to pay off your debt, you need to take stock and find out how much you owe and how much interest you are paying on each account. The Debt Inventory chart below will help you to do just that.

DEBT INVENTORY				
Name of credit card or loan	Total Balance Owed	Interest Rate	Required Minimum Payment	Usual Monthly Payment (if different)
TOTAL	\$		\$	\$

Credit scores consider five main types of credit information. The chart below lists these items in order of importance:

Your Credit information	Percentage of Score
Payment history	35%
Amount owed	30%
Length of credit history	15%
New credit	10%
Type of credit	10%

My Personal Debt Reduction Plan

- ☐ I will order a free copy of my credit report from www.annualcreditreport.com and check it for accuracy.
- ☐ I will pay the minimum on all cards with the exception of the highest interest rate card. (This is the most efficient way to pay down debt.)

OR

- ☐ I will pay the minimum on all cards with the exception of the card with the lowest balance. (This results in a psychological win and creates a “snowball effect”.)
- ☐ I will look into a balance transfer. Resource: www.bankrate.com
- ☐ I will apply my tax refund/bonus to the highest interest rate credit card first and next highest rate debt in descending order.
- ☐ **I will apply an extra \$ _____ per month to paying down my credit card debt.**

Step 3

Planning for Retirement

- Target at least 80% income replacement
- Consider all income sources available
- Make use of tax-advantaged savings options
- Contribute at least up to the match
- Choose between traditional (pre-tax) and Roth (post-tax) contributions



My goal is to retire at age _____.

I should plan for _____ years of retirement based on an average life expectancy of 85.

What are my potential income sources that should provide at least 80% income replacement?

1. ABC Money Purchase Plan
2. ABC 401(k) Plan
3. _____
4. _____
5. _____

How Much Will I Need For Retirement?

Current Monthly Income \$ _____

Replacement Ratio (e.g. 80%) X _____ %

Target Monthly Retirement Income = \$ _____

Projected Social Security Benefit - \$ _____

Other Projected Retirement Income - \$ _____

Required Monthly Income from Savings = \$ _____

300* X 300

Target Retirement Nest Egg = \$ _____

**The number of months in 25 years.*

ABC Retirement Plans

ABC Money Purchase Plan

- ABC contributes 5% of base pay to eligible employees.
- Employees cannot contribute but may be able to roll over funds from other retirement accounts.

ABC 401(k) Plan

- Contribute as much as 25% of your base salary up to the 2018 IRS limit of \$18,500, with an additional catch-up of \$6,000 at age 50+.
- Choice of either traditional *pre-tax* 401(k) contributions or Roth *after-tax* 401(k) contributions.
- Company base match of \$1 for each \$1 contributed up to 3% of base pay.



Based on my age, how much can I contribute to my retirement plan
this year? \$ _____

I am receiving all of my company's matching 401(k) contributions:

Yes No If no, I plan to get these by: _____

Traditional vs. Roth 401(k)

Feature	Traditional 401(k)	Roth 401(k)
Maximum contributions	Combined limit: \$18,500 in 2018 (or \$24,500 if you turn age 50 or older in 2018)	
Contributions are made	Pre-tax	After-tax
Tax on distributions	Withdrawals are fully taxable as ordinary income	Withdrawals may be tax free if you satisfy a 5-year waiting period and are at least age 59½ at the time of distribution

Which might be better for you, Traditional or Roth 401(k)?

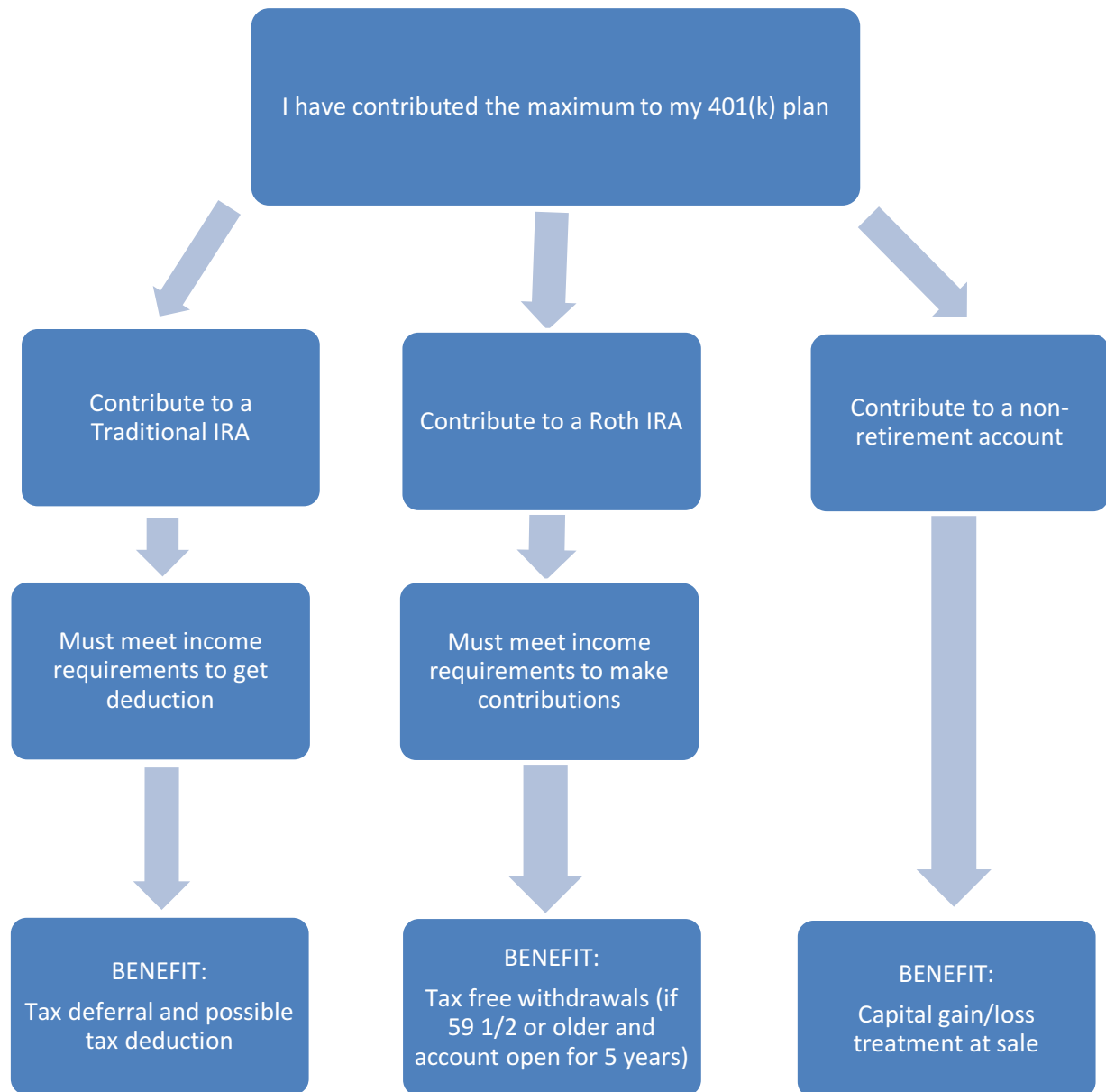
Traditional 401(k)

- ☐ I need to lower my current taxable income
- ☐ I believe tax rates will be lower for me in retirement

Roth 401(k)

- ☐ I have a long time before I retire
- ☐ I believe tax rates will be higher for me when I retire
- ☐ I want more options to minimize taxes in retirement

Alternative Saving Strategies



Can I Contribute to an IRA?

You may be able to contribute to either a traditional IRA or a Roth IRA (or both), depending on your modified adjusted gross income (MAGI). In order for your traditional IRA contributions to be tax deductible, you need to meet the following MAGI limitations if you are also covered by an employer's retirement plan. If you are not covered by an employer's retirement plan, your contributions are usually fully deductible regardless of your income.

Deductible IRA Eligibility for 2018			
<i>(For individuals covered by an employer's retirement plan)</i>			
Filing Status	Full Deduction	Reduced Deduction	No Deduction
Single/Head of Household	Below \$63,001	\$63,001 – \$72,999	\$73,000 or more
Joint Return	Below \$101,001	\$101,001 – \$120,999	\$121,000 or more
Married-Separate return*	Not available	\$0 – \$9,999	\$10,000 or more

Contributing to a Roth IRA does not depend on your participation in an employer-sponsored retirement plan. Use the chart below to see if you are able to contribute to a Roth IRA based on your MAGI.

Roth IRA Eligibility for 2018			
Filing Status	Full Contribution	Reduced Contribution	No Contribution
Single/Head of Household	Below \$120,000	\$120,000 – \$134,999	\$135,000 or more
Joint Return	Below \$189,000	\$189,000 – \$198,999	\$199,000 or more
Married-Separate return*	Not available	\$0 – \$9,999	\$10,000 or more

Remember: If you can contribute to both types of IRAs, your total contribution between the two cannot exceed the annual limit, which is \$5,500 (or \$6,500 for those ages 50 and over) in 2018.

* If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the "single" filing status.

My Personal Retirement Planning Action Plan

- ☐ I am currently contributing _____% to the ABC 401(k)
- ☐ I will increase my contributions by _____% each year
- ☐ I will go to <https://www.401kplan> to adjust my contribution rate
- ☐ I will run a retirement calculation annually to see if I'm on track
- ☐ I will review my retirement statements each quarter

My goal is to be contributing _____% by the time I reach the age of _____.

Step 4

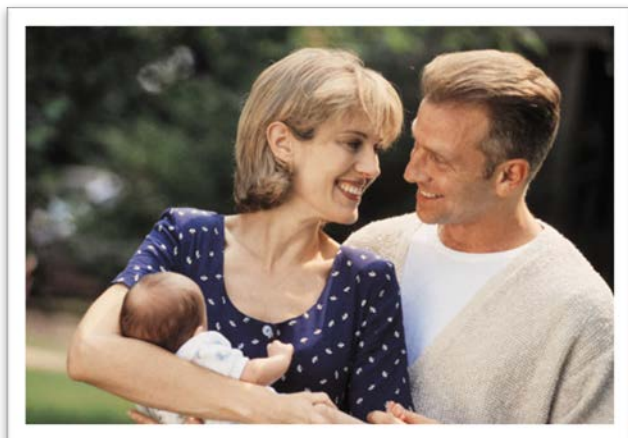
Planning for Education

Tax-Free Savings Options:

1. Section 529 Plan
2. Coverdell Education Savings Account
3. U.S. Savings Bonds

Additional Options:

- Financial Aid/Scholarships
- Student Loans
- UGMA/UTMA Accounts *(Note: This type of account has the most negative effect on eligibility for financial aid as it is counted as the student's asset.)*



My College Planning Action Plan

- ☐ I will check out my state's 529 plan to see if there are any state income tax benefits for contributions.
- ☐ I will use a 529 plan expense analyzer, such as the one found here:
http://apps.finra.org/Investor_Information/Smart/529/Calc/529_Analyzer.asp
- ☐ I will run a retirement estimate to see if I'm on track for my retirement.*
- ☐ I will go to www.collegeboard.org to get an estimate of college costs.
- ☐ My goal is to fund _____% of the cost of education.
- ☐ **I will set aside \$_____ per month / quarter / year to achieve this goal.**
https://ffcalcs.com/education_savings
- ☐ If applicable, I have completed the Free Application for Federal Student Aid (FAFSA): <http://www.fafsa.ed.gov/>

**This is to ensure you are not sacrificing your retirement income at the expense of funding education.*

Step 5

Choosing Investments

Short-term goal (less than 5 years)

- Conservative: Loss of principal not an option

Intermediate-term goal (5-10 years)

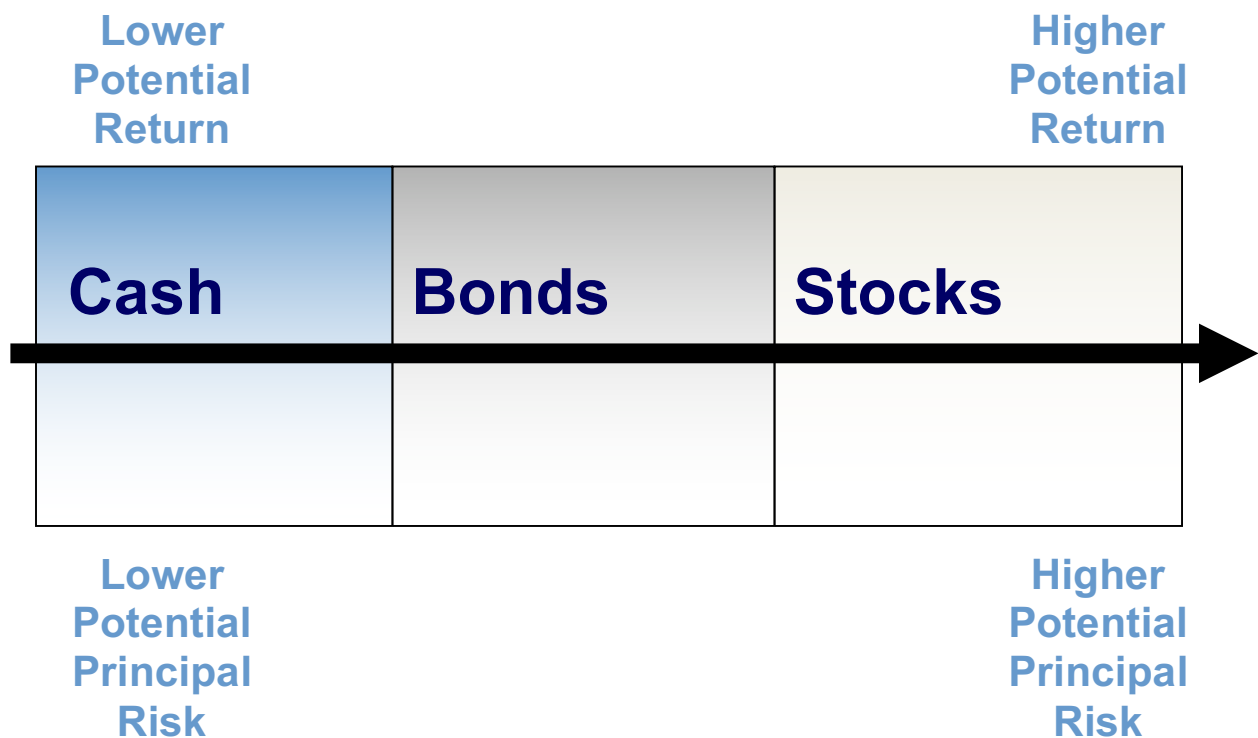
- Moderate: Accept some risk for higher return

Long-term goal (Over 10 years)

- Aggressive: Risk is probably worth taking



Investment Guidelines



How Should You Invest?

Investment Type	Pros	Cons
Individual Stocks and Bonds	<ul style="list-style-type: none">• Maximum control• Can be lowest cost option for large accounts	<ul style="list-style-type: none">• Requires time, training, and larger balances (\$200k+) to be properly diversified• Transaction costs• Not available in 401(k)
Asset Class Mutual Funds	<ul style="list-style-type: none">• Instant diversification within asset class• Professional management	<ul style="list-style-type: none">• Lack of control over security selection• Fund fees and expenses• Can be lowest cost option for small accounts
Asset Allocation Funds	<ul style="list-style-type: none">• One-stop shop• Professional management• Automatic rebalancing	<ul style="list-style-type: none">• Lack of control over asset allocation• Generally have higher fund expenses
Managed Accounts	<ul style="list-style-type: none">• Professional and customized investment management	<ul style="list-style-type: none">• Additional management fees

Tip: Your portfolio should never have more than 15% invested in any one company, which would include your exposure to ABC company stock.

What Type of Investor Are You?

- Aggressive
- Moderate
- Conservative



How much risk you take in your investment choices is dependent on:

- What are you investing for? Investing for retirement is different than saving to buy a home.
- When do you need to have the money available? If you need your money in less than 5 years you really don't have time to recover from investment losses. On the other hand, if you don't need your money for 20-30 years you have a better chance of recouping investment losses.

Finally, don't forget about the "sleep at night" factor. Even if you understand all the fundamentals of investing, if you can't sleep when your investments are down, the investment is too risky!

Risk Tolerance & Asset Allocation Worksheet

How do you choose the investment mix that's right for you?

Determine your risk tolerance: Take this quiz to find out your risk profile.

TIME HORIZON	FIND YOUR SCORE	YOUR SCORE
1. I plan to begin making withdrawals from my investments in: A. 5 years or less B. 6-10 years C. 11-20 years D. 21 years or more	Question 1 Answer Score A 1 B 3 C 5 D 8	
2. Once I begin making withdrawals from my investments I will need the funds to last: A. Less than 5 years B. 5-10 years C. 11-15 years D. 16 years or more	Question 2 Answer Score A 1 B 2 C 3 D 4	
RISK TOLERANCE		
3. Perception of Risk: When you think of the word "risk," which of the following comes to mind first? A. Loss B. Uncertainty C. Opportunity D. Thrill	Question 3 Answer Score A 1 B 2 C 3 D 4	
4. Investment Knowledge: When it comes to investing in stock or bond mutual funds, I would describe my knowledge of these investments as follows. A. None B. Limited C. Good D. Extensive	Question 4 Answer Score A 1 B 2 C 3 D 4	
5. Investment fluctuation: I am willing to accept some degree of fluctuation in my investments over time. A. Strongly disagree B. Disagree C. Agree D. Strongly Agree	Question 5 Answer Score A 1 B 2 C 3 D 4	
6. Risk and Inflation: I am willing to take on additional risk in order for my investments to keep pace with inflation. A. Strongly disagree B. Disagree C. Agree D. Strongly Agree	Question 6 Answer Score A 1 B 2 C 3 D 4	

RISK TOLERANCE										FIND YOUR SCORE		YOUR SCORE							
7. Future Risk Perception: Assume that your financial plan is statistically likely to fail. Which of the following actions would you perceive as the most appropriate way to increase the likelihood of your financial plan's success? A. Lowering your future expectations B. Saving more C. Selling assets D. Taking on more risk with your investments										Question 7									
										Answer	Score								
										A	1								
										B	2								
										C	3								
D	4																		
8. Short-term Gains & Losses: Assume you had an investment portfolio with a balance of \$100,000. Given the best and worst case returns of the four investment choices below, which would you prefer over the course of a one-year period? A. \$10,000 gain best case; \$0 loss worst case; \$4,500 average gain B. \$18,000 gain best case; \$12,000 loss worst case; \$6,000 average gain C. \$26,000 gain best case; \$18,000 loss worst case; \$8,000 average gain D. \$35,000 gain best case; \$30,000 loss worst case; \$12,000 average gain										Question 8									
										Answer	Score								
										A	1								
										B	2								
										C	3								
D	4																		
9. Risk Need: Given your current financial situation, which of the following describes your need to take risk with your finances, in order to accomplish your primary goal? A. I need to take extremely little to no financial risk to accomplish my goal. B. I need to take a little financial risk to accomplish my goal. C. I need to take a moderate amount of financial risk to accomplish my goal. D. I need to take considerable financial risk in order to accomplish my goal.										Question 9									
										Answer	Score								
										A	2								
										B	4								
										C	6								
D	8																		
10. Matching Risk With Goals: When thinking about using your investments to reach important life goals, where would you place yourself on the following scale? (Circle one)																			
1		2		3		4		5		6		7		8		9		10	
I need to minimize my losses and fluctuation as much as possible				I need to maintain a balanced mix of investments with some fluctuation, growth, and income.						I need my money to grow as much as possible regardless of risk or fluctuation.									

Your Profile Score (add all of your points from each of the 10 items)

Total Score_____

(11 to 21 Points) CONSERVATIVE: Conservative investors tend to prefer current income and stability. They are most concerned with capital preservation and hold larger positions in fixed income investments and cash equivalents.

(22 to 29 Points) MODERATELY CONSERVATIVE: Moderately Conservative investors prefer current income and relative stability. They want access to some investments with an opportunity to increase in value.

(30 to 39 Points) MODERATE: Moderate investors tend to seek solid growth with relative stability. They are willing to take some risk and feel more comfortable in a balanced portfolio with a mix of stocks and bonds.

(40 to 47 Points) MODERATELY AGGRESSIVE: Moderately Aggressive investors tend to hold larger positions in established large-cap and international equity companies with slightly less exposure to market volatility and other risks compared to Aggressive investors.

(48 to 54 Points) AGGRESSIVE: Aggressive investors tend to hold the largest percentage of positions in stocks (i.e., large-cap, small-cap, and international) that seek to potentially generate higher returns. Aggressive portfolio strategies in general can expose investors to a higher degree of market volatility (including loss of principal) along with other types of increased risks.

REVIEW SAMPLE ASSET ALLOCATION MODELS

Now that you know your time horizon and risk profile, you can make some asset allocation choices. The chart below provides sample allocations based on these factors. Remember, these guidelines are for illustrative purposes only, and should serve merely as a starting point for your decisions. Don't forget that some goals have multiple time horizons. If you are planning to retire in the next 5 years, it can actually be a long-term goal if you plan to be in retirement for 20 years.

RISK TOLERANCE									
Conservative		Moderately Conservative		Moderate		Moderately Aggressive		Aggressive	
Stocks	20 - 30%	Stocks	30 - 40%	Stocks	50 - 60%	Stocks	60 - 70%	Stocks	80 - 90%
Bonds	55 - 65%	Bonds	50 - 60%	Bonds	35 - 45%	Bonds	15 - 25%	Bonds	5 - 15%
Cash	15 - 25%	Cash	10 - 15%	Cash	5 - 10%	Cash	5 - 10%	Cash	0 - 5%

The hypothetical portfolios reflect potential investment strategies based on commonly accepted guidelines and historical rates of return. These illustrations should **NOT** be construed as advice to meet the particular needs of any investor. You should adjust your own portfolio based on your individual savings goals, risk tolerance and time horizon. The final decision is always yours, although you should consult a financial professional should you have questions about your portfolio objectives or allocations.

BALANCE RISKS, TIME FRAMES AND INVESTMENTS

Only you can decide the appropriate investment mix that is right for you. By understanding these three components you will be better prepared to make investment decisions. The final decision is always yours!

Hands On vs. Hands Off Investing

Hands-on Investor	Hands-off Investor
<ul style="list-style-type: none">▪ Regularly reviews account▪ Confident in making your own investment decisions▪ Prefers to customize allocations▪ Regularly researches fund details▪ Routinely rebalances account	<ul style="list-style-type: none">▪ Infrequent review of account▪ Not comfortable making your own investment decisions▪ Prefers a pre-mixed portfolio▪ Unfamiliar with fund strategy▪ Rarely makes allocation changes or rebalances account



Choose among the following funds to create a portfolio to match your risk tolerance:

☐ Money Market

BONDS

☐ Short Term Inv. Grade

☐ Total Return

☐ Intl. Bond

STOCKS

☐ S&P 500 Index

☐ Large Company Growth Fund

☐ US Small Cap

☐ International Fund

☐ Intl Small Company

☐ Emerging Markets

REAL ESTATE

☐ US Real Estate Instl



Choose the Target Date Fund that matches your retirement age/risk tolerance:

☐ Target Retirement Income

☐ Target Retirement 2015

☐ Target Retirement 2025

☐ Target Retirement 2035

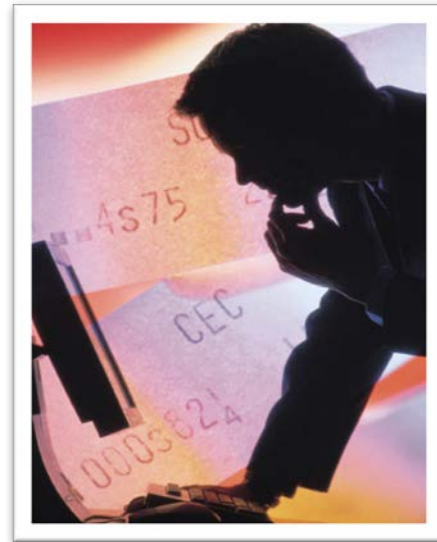
☐ Target Retirement 2045

☐ Target Retirement 2055

How to Pick a Mutual Fund

Do your homework:

- Look at risk and return history
- Consider manager tenure
- Know what you're investing in
- Consider fees and expenses



Should You Invest in an Actively Managed Fund or an Index Fund?

	Index Funds	Actively Managed Funds
Fees	Generally around 0.09% of assets under management.	Varies depending on type of fund. On average, 0.82% of assets under management.
Performance	Over last 15 years, index funds have beaten actively managed funds about 80% of the time.	Generally underperform index funds, though performance varies widely depending on the individual fund.
Risk	Risk is highly correlated with the segment of the market the index fund represents. Small cap index funds are riskier than large cap index funds.	Varies depending on the fund. May be higher or lower risk than the market. To determine risk of an actively managed fund, look at its standard deviation and beta (a beta greater than 1.0 means higher risk than the stock market as a whole). You can also look at year to year returns to see how much they fluctuate.
Tax Efficiency	Highly tax efficient because the funds hold their stock positions for long periods of time.	Typically less tax efficient than index funds. To determine tax efficiency, look at a fund's annual turnover ratio. 25% or less is very tax efficient. Above 100% is not.

Financial Independence Fund

The following information is for purely illustrative purposes. This is not an actual investment. Data for the Standard and Poor's 500 Index provided by Ibbotson Associates.

Analysis Summary: 1

The Financial Independence Fund is a large company growth fund that invests in many of the stocks that comprise the Standard and Poor's 500 Index. The fund has consistently performed as well or better than its peers and is a good choice for investors seeking long-term growth of principal.

2 Portfolio Composition: Top 20 Holdings

Altria Group	Intel
AT&T Inc	Johnson & Johnson
Chevron	Merck
Cisco Systems	Microsoft
Citigroup	PepsiCo
Coca-Cola	Pfizer
Equifax, Inc	Procter & Gamble
ExxonMobil	Starbucks
General Electric	United Parcel Svc
IBM	Wal-Mart Stores

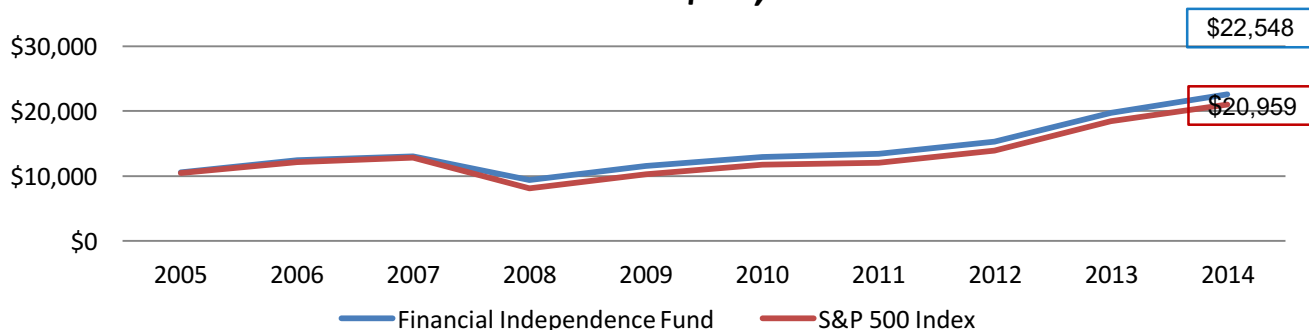
Ratings

3	Standard Deviation	17.46
4	Beta	0.90
5	Sharpe Ratio	-1.05

Fund Expenses

6	Management Fee: 1.05%
7	Sales Charge: No-load
8	Redemption Fee: 2% within year 1

Growth of \$10,000



Returns by Year 9

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Financial Independence Fund	5.3%	18.2%	4.9%	-29.5%	23.2%	12.6%	3.3%	14.5%	28.9%	14.2%
S&P 500 Index	4.9%	15.8%	5.5%	-37.0%	26.5%	15.1%	2.1%	16.0%	32.4%	13.7%

Portfolio Managers 10

Susan A. Smith CFA has managed the fund since its inception in 1/95. She holds a Masters in Economics. Co-manager Jane M. Jones CFA has been with the fund since 8/00 and holds a BA in Finance.

This key explains the information found on the sample mutual fund report. Although actual fund reports may not contain all of the following information, these items are commonly included in such reports.

1

Analysis Summary: Explains the fund's investment objective and may describe the securities in the fund. It may also provide commentary on the fund's performance relative to its peers.

2

Portfolio Composition: Lists the top security holdings in the fund. This tells investors how some of the assets in the fund are invested. For a complete listing of securities, see the fund's annual report.

Ratings: A fund fact sheet may contain any or all of the following ratings. These can be used to evaluate the fund and compare it to other funds.

3

- **Standard Deviation:** A measure of how a stock or bond fund's return fluctuates around its average return

4

- **Beta:** A measure of a stock's risk relative to the market as a whole.

5

- **Sharpe Ratio:** A risk-adjusted measure calculated using standard deviation and excess return. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

Fund Expenses: A fund fact sheet may contain any or all of the following expenses. This may help investors determine the cost of investing in the fund.

6

- **Management Fee:** A charge paid to a fund's manager for their services; generally also includes fund administration costs and other fees, and is usually a percentage of assets under management.

7

- **Sales Charge (or Commission):** A fee charged by a broker or other investment professional for facilitating a transaction, such as the buying or selling of investments.

8

- **Redemption Fee:** Fee charged for liquidating an investment, usually a mutual fund.

9

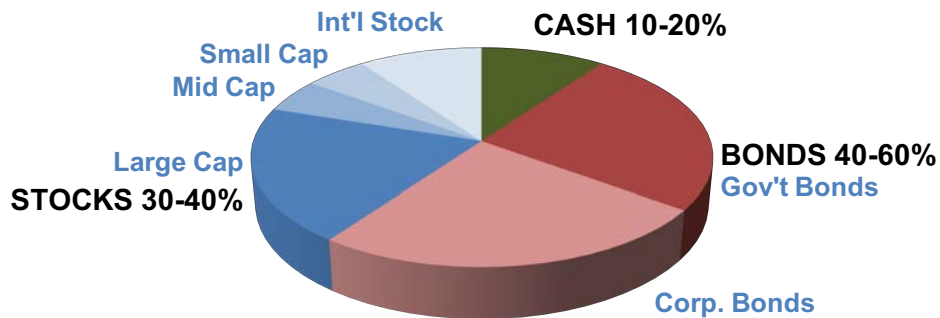
Returns by Year: A fund fact sheet may show the fund's returns over a certain time period or for a certain number of years. This information may show the fund's return relative to an industry benchmark for comparative purposes.

10

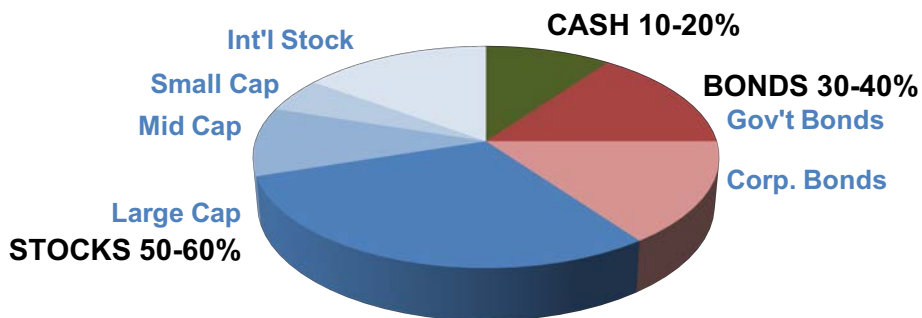
Portfolio Managers: A fund fact sheet may list the managers of the fund and their tenure. It may also include where the manager went to school and any degrees or designations they hold. This information can be used to evaluate the fund's stability and to see if the current management was responsible for the fund's return in any given year.

Long-term Time Horizon

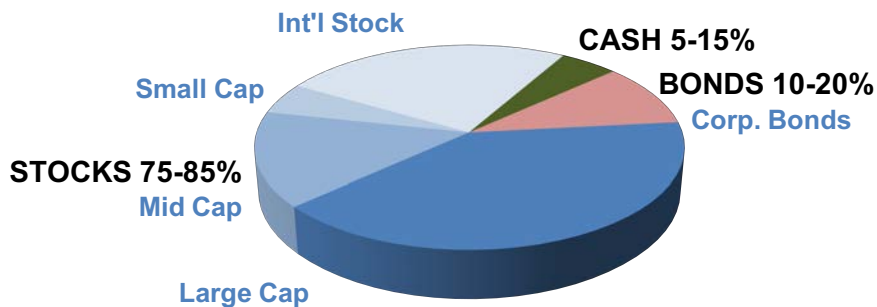
Conservative Risk Profile



Moderate Risk Profile



Aggressive Risk Profile



Cash

Money Market

Bonds

Short-Term Inv. Grade

Total Return

Int'l Bond

Large Cap Stock

S&P 500 Index

Large Company Growth

ABC Common Stock

Small Cap Stock

US Small Cap

International Stock

International Fund

Int'l Small Co.

Emerging Market

Real Estate

US Real Estate Instl

What is the Best Portfolio for ME?

- Assess your risk tolerance
- Seek the most return for YOUR given level of risk

How will you diversify *within* asset classes? Write in the percentages you feel comfortable with and create your asset allocation pie chart.

Cash/money market funds _____ %

Money Market

Bonds/funds _____ %

Short-Term Investment Grade

Total Return

International Bond

Large-cap stocks/funds _____ %

S&P 500 Index

Large Company Growth

Mid/Small-cap stocks/funds _____ %

US Small Cap

International stocks/funds _____ %

International Fund

International Small Company

Emerging Markets

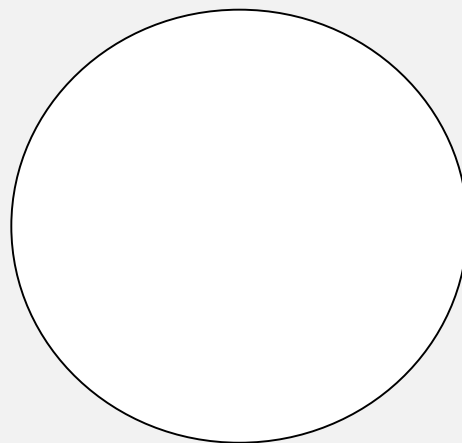
Real Estate _____ %

U.S. Real Estate

Employer Stock _____ %

ABC Common Stock

TOTAL 100%



TIP: Automate your diversification by choosing a Target Date Fund, or the Managed Account option available through your retirement plan.

Real Estate Considerations

Deciding Whether to Refinance or Sell Your Home



Refinancing Your Mortgage

- ☐ I have (or will have) at least 20% equity in my primary residence.
- ☐ My credit score is in line to receive competitive rates. (This currently is around 700 with 750 and above for the best rates.)
- ☐ In general, refinancing will make sense if you can get a rate at least 1% lower than your current rate.
- ☐ Try to match the term of your refinance with the length of time remaining on your current mortgage. For example, if you have 23 years left on your current mortgage, refinance for a 23-year term.

Buying Your Home

- ☐ I have (or will have) money for a down payment.
- ☐ I have (at least) 3 months of emergency savings.
- ☐ I plan on living in the house for at least 5 years.

Selling Your Home

- ☐ I am looking to downsize (or upsize) based on changing family dynamics.
- ☐ I am underwater on my current mortgage and want to avoid foreclosure (this would be a short sale strategy).

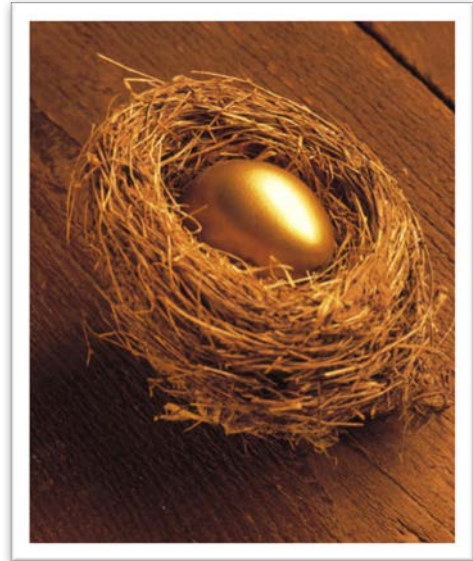
Selling Tips

- ☐ When selling your home, find out what comparable homes have sold for in your area. This will help with pricing.
- ☐ Do a home inspection prior to listing. This will allow you to either fix issues or price repairs into the list price.
- ☐ Stage your home. This will give your home a clean and impersonal look which can help when showing.
- ☐ If you are looking at a short sale, work with a short sale specialist.
- ☐ You can negotiate with your lender if they present you with a deficiency notice.

Step 6

Protecting Your Wealth

- Insurance
- Estate Planning
- Tax Strategies



Protecting Your Wealth with Insurance

- Health / Medicare
- Life
 - ABC provides core benefit of 2 times your annual salary
 - Optional group life insurance may be purchased for employee, spouse, and child(ren)
- Disability
 - ABC STD for up to 26 weeks
 - ABC LTD pays at 66.67% of annual base salary
- Long-Term Care



Tip:

If you don't think you will have enough to replace your standard of living and you have limited savings, you may wish to look into purchasing a supplemental LTD policy.

Insurance – (What type and how much)

Do I need life insurance?



Yes



No



What am I insuring? _____



Do I need to insure it for my lifetime?



Yes



No



Permanent
Insurance



Term
Insurance

How much do I need to insure?

My current coverage is \$ _____

Amount needed: \$ _____

Difference: \$ _____

Protecting Your Wealth with Estate Planning

- Allows you to maintain control
- Minimizes estate taxes and other expenses
- Maximizes heirs' inheritance
- Plans for contingencies



Estate Planning Updates: Have any of the following life events occurred that might require you to update your estate plan (and/or any documents)?

- ☐ Marriage or re-marriage – *Need to update beneficiary forms, will/trust, POAs*
- ☐ Divorce – *Need to update beneficiary forms, will/trust, POAs*
- ☐ Birth of a child or grandchild – *Need to update beneficiary forms and will/trust*
- ☐ Death of an heir or change in relationship – *Need to update beneficiary forms and will/trust*
- ☐ Inheritance or other type of asset acquisition – *Need to update will or trust*

Crucial Documents

- Healthcare directive, or “living will” – important to get this for the state you reside in.
- Durable Power of Attorney
- Last Will and Testament
- Trusts – can make sense if you own a home, business, or have properties in multiple states.
- Beneficiary designation form



My Estate Planning Action Plan

- ☐ I will check my beneficiary designations to make sure they are all current. I will also add contingent beneficiaries if I currently do not have any named.
- ☐ I will create (or update) my will.
- ☐ I will complete my health care directive and living will.
- ☐ I will set up a durable financial power of attorney.
- ☐ I will look into whether a revocable living trust may make sense for my situation. Here is an article that offers some good guidance as to when a trust may make sense:
<http://money.cnn.com/magazines/moneymag/money101/lesson21/index6.htm>

Tax Strategies

- Max out tax-deferred and tax-free accounts.
- Contribute to the ABC Flexible Spending Accounts for healthcare and dependent care costs.
- Take full advantage of all exemptions, credits, and deductions.
- Match capital gains and losses and hold taxable investments for over twelve months.



What tax deductions am I eligible for?

- ☐ I pay interest on a student loan (up to \$2,500; income restrictions apply).
- ☐ I have eligible mortgage interest (mortgage restrictions apply)
- ☐ I contribute to my favorite charity and/or make church donations.
- ☐ I own rental real estate (up to a \$25,000 loss; income restrictions apply).

What tax credits am I eligible for?

- ☐ I have children living at home under the age of 17 (\$2,000 per child; income restrictions apply).
- ☐ I have daycare expenses for a family member under age 13 or incapacitated.
- ☐ A family member has tuition expenses (income restrictions apply).
- ☐ I qualify for the Earned Income Credit (AGI threshold changes annually).

**These deductions and credits are examples of common federal income tax items. Yours may vary, so check with your tax accountant or CPA to find out if you are eligible.*

Next Steps

- Set your financial goals
- Choose the right investments
- Protect your nest egg
- Work with an expert



Setting Your Goals

- ☐ I will prioritize goals I want to achieve.

Cash Management

- ☐ I will pay down my credit card balances and avoid credit card debt.
- ☐ I will establish an emergency fund.

Retirement Planning

- ☐ I will increase my payroll contribution to my employer-sponsored plan.
- ☐ I will open a Roth or a Traditional IRA.

Protecting My Wealth

- ☐ I will create or update my will.
- ☐ I will take full advantage of all tax exemptions, deductions, and credits I am eligible for.

Resources

Unbiased Financial Education, brought to you by Financial Finesse:

- *Online Financial Learning Center and Financial Wellness Assessment:* <https://secure.financialfinesse.com/flc/abcdemo>
- *Financial Helpline:* 1-877-234-1948

Market information:

- *Morningstar:* www.morningstar.com
- *Value Line:* www.valueline.com
- *The Wall Street Journal:* <http://www.wsj.com/>
- *Yahoo Finance:* <http://finance.yahoo.com>

Tax information:

- *IRS:* www.irs.gov or 1-800-829-1040

Other information:

- *Probate information by state:* www.law.cornell.edu/uniform/probate.html
- *Legal documents:* www.nolo.com
- *Consumer Guide to Financial Self-Defense:* http://www.cfp.net/docs/publications/cfpboard_consumer_guide_to_financial_self-defense.pdf

For more resources check us out at:



Connect with us: <http://www.facebook.com/FinancialFinesse>



Connect with us: https://twitter.com/fin_finesse



Read the blogs: <http://www.financialfinesse.com/blog/>

Forbes

Read the columns: <http://www.forbes.com/sites/financialfinesse/>

How to Choose a Financial Planner

Before you set out to find a financial planner, take some time to think about what you want a planner to do for you. Once you have determined what you're looking to get out of a relationship with a planner, it is easier to find one who offers the services you desire. So before you start contacting planners, take a moment to think about what you want to accomplish – investment help, retirement planning, or a comprehensive financial plan.

You'll probably want to interview at least three planners before you choose the one to work with. You may want to consider asking people you know if they work with someone they would recommend. Ask your other advisors as well; your CPA or attorney may have a few planners that they work closely with. To assist in your search, we have provided the following links to make finding a financial planner easier.

Find a CERTIFIED FINANCIAL PLANNER™ (CFP®) professional
(800) 322-4237
<http://www.fpanet.org/PlannerSearch/PlannerSearch.aspx>

Certified Divorce Financial Analyst™ (CDFA™)
(800) 875-1760
<http://www.institutedfa.com/cdfaSearch.php>

National Association of Personal Financial Advisors (NAPFA)
(888) 333-6659
<http://findanadvisor.napfa.org/Home.aspx>

Society of Financial Service Professionals (ChFC® and CLU®)
(800) 392-6900
<http://national.societyoffsp.org/>

When you call each planner, here are ten questions to ask:

1. What are your credentials?



While there are no formal requirements to practice as a financial planner, there are several financial planning designations that will assure you of a minimum level of education and experience. A person holding the CERTIFIED FINANCIAL PLANNER™ (CFP®) designation must pass five college-level courses that cover topics such as retirement planning, estate planning, tax planning, investment analysis and employee benefits. Then they must pass a one-day, 6-hour exam. Planners also must have a bachelor's degree and a minimum of three years' of professional experience working with clients.

Another credential is the Certified Public Accountant/Personal Financial Specialist (CPA/PFS). These are CPAs who are members of the American Institute of Certified Public Accountants (AICPA), have at least 3 years of experience in financial planning, and pass a comprehensive and rigorous personal financial planning exam.

For a more complete description of different financial planning designations, check out:
<http://www.investopedia.com/articles/01/101001.asp>

2. Can you tell me about your experience?



It's important to know how long the planner has been in practice, and with what companies. You'll also want to know if they have experience working with clients who have financial issues like yours. If they have been with a number of different firms in a short period of time, ask why.

3. What services do you offer?



Find out what financial planning services they offer, as well as other services they provide. Some stockbrokers or insurance agents may earn a financial planning designation to appeal to more clients. Other planners may be limited to your planning needs, but they may not be able to provide specific investment options. Make sure you choose a planner that will meet all of your needs.

4. Do you specialize in a particular area?



Some planners work only with a particular type of client. Others focus on one or two planning areas, such as retirement or education planning. Because planners offer different services and have various fee structures, it's a good idea to know what type of services you want so you can find out if the planner is a match.

5. Will others in your office be working with me?



Depending on the size of the planner's practice, there may be other planners, paraplanners or other professionals you will also work with. Be sure to find out who will handle the maintenance of your account and who else will be involved in your financial planning relationship.

6. How are you compensated?



There is a wide variety of ways that planners get paid. It's important to ask this question upfront, so there are no misunderstandings. A financial planning agreement, or engagement letter, should clearly spell out the compensation arrangement. Planners can be paid as fee only, commission only or fee based, which is a combination of fees and commissions. Fee only arrangements can include a flat fee, hourly billing, or a fee based on a percentage of assets under management.

7. Do you recommend specific investments?



There is no right or wrong answer to this question, but you need to know if you will get this type of advice. Whether the planner receives a fee or commission for recommending a specific mutual fund or other investment is less important than the quality of the advice. Ask what criteria they use to screen investments and if most of their clients hold the same stocks or funds.

8. Have you ever been disciplined for unprofessional behavior?



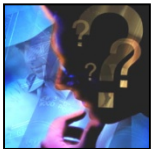
A number of regulatory agencies keep records on disciplinary actions of financial planners. These include the Financial Industry Regulatory Authority (FINRA), CFP Board of Standards (if the planner has a CFP® designation) and your state securities and insurance departments.

9. Can you give me references to some of your clients?



Many planners are happy to let you speak with a few of their clients to find out how their experience has been working with that planner. Other planners do not provide client references due to confidentiality issues. If you are able to check references, find out how often their planner calls them, how easy is it to get an appointment, and whether or not they would recommend their planner.

10. What questions do you have for me?



A good planner wants to know what your needs are, your work and family situation, and what kind of advice you are seeking. If a planner does NOT ask you a lot of questions when you call to interview them, it could be a red flag. You want a financial planner that focuses on your goals, not theirs.

After asking these questions of three or more planners, you may find one that clearly fits the bill. If not, don't be afraid to keep looking for more referrals. As you talk to these planners, get a feel for their style – you want to make sure you'll be comfortable revealing personal information to your planner.

Notes

Notes
