



The Jones Family

State of Residence: Utah



John, 36

Works full time



Sally, 32

Homemaker



Jane, 6



Sam, 3



Timmy, 2 months

Financial Snapshot

Gross Monthly Income	\$10,500
Expected Annual Bonus (after tax)	\$18,000
Monthly Taxes Withheld	\$2,720
Monthly Cost of Benefits Withheld	\$150
Income After Taxes and Benefit Withholding	\$7,630
Monthly 401k Savings Withheld	\$1,148
Net Monthly Income	\$6,482

Current Monthly Money Plan

Rent	\$2,500
Utilities and Bills	\$600
Donations to Charities	\$750
Transportation	\$400
Food, Home, and Personal Care	\$1,000
529 Savings for Jane and Sam	\$300
Hobbies and Entertainment	\$200
Flex Spending*	\$700
Remaining Free Cash	\$32

*special things like travel or gifts that come in waves during the year but are saved for monthly

Assets & Liabilities

Emergency Fund	\$7,100
House Down Payment Savings	\$15,000
John Rollover IRA	\$43,000
John 401k	\$20,100
Sally 401k	\$15,000
Sally Roth IRA	\$4,000
Jane 529	\$10,800
Sam 529	\$5,400

Credit Card Debt	\$0
Student Loans	\$0
Car Loans	\$0

🌱 Current Savings Rate (Retirement Savings as Percentage of Income After Taxes) = 15%

🌱 Current Net Worth = \$120,400



Other Items

Life Insurance on John \$800,000 10 year term
Life Insurance on Sally \$200,000 10 year term
Health, Dental, and Vision Insurance through John's employer
Disability insurance at 60% salary replacement through John's employer
Auto and Renters Insurance through Geico

The Jones Family Household Values and Desired Goals

- ☞ Self-sufficiency and financial security in retirement (\$100,000/annual income and no mortgage)
- ☞ Paying for their children’s college educations (\$50,000 saved per child)
- ☞ Enjoying life by pursuing hobbies and adventures as a family
- ☞ Have \$80,000 for a house down payment in 5 years
- ☞ Having a plan for using annual bonus in a financially prudent way

The Jones Family 2018 Financial Plan-----

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Debt Elimination-----

While living with debt from credit cards, student loans, or car loans is alarmingly common, it is best eliminated as quickly as possible and avoided at all costs. Our philosophy at Planbay is that if you don’t have the money for it, don’t buy it! Instead, plan ahead, save up, and pay cash. Not only does buying things on credit cost you extra money (the interest payments), it also significantly hinders your ability to save for any of your financial goals and can stunt your financial growth. For these reasons and more, one of our main missions is to help you make a debt repayment plan of attack and set up a solid budget and cushioned emergency fund to help you avoid going into debt in the future.

Credit Card Debt	None	Great Job! Keep up the good habits.
Student Loans	Recently paid off	Excellent!
Car Loans	None	Awesome job!
Mortgage	N/A, Renting	Need to save up \$80,000 for a down payment

🌱 *Action items:* None! Excellent job paying off the last of your student loans. We will discuss saving up for a home down payment in further sections.

Emergency Fund-----

We recommend that everyone have at least 3-6 months' worth of basic living expenses saved in a liquid account in the event of emergency expenses or job loss. Having an emergency funds give you a financial cushion to alleviate the stress of unexpected events like having to repair your car, living on savings for a few months while you hunt for a new job, or purchasing a last-minute plane ticket across the country for a funeral. Because Sally is no longer working and John's employment is your sole source of income, we recommend you save up 6 months' worth of basic expenses. Based on the figures you provided to us, this would be around \$4,500 a month, which would include essentials like housing, transportation, bills and utilities, basic food and home expenses, but not include savings, investments, shopping, or extras like travel or entertainment. For six months, that would come to a total emergency fund for your family of \$27,000. You currently have \$7,100 in savings which leaves you with a savings goal of \$19,900. We recommend that you build up this emergency fund over the next two years, using \$9,950 of this year's bonus and \$9,950 of next year's bonus. Your emergency fund should be kept in a high yield savings account where it can be accessed immediately as needed, while earning as much interest as possible, given the current rates.

🌱 *Action item:* Use \$9,950 of this year's bonus to increase your emergency fund. Move it from your current savings account, which is earning no interest, to a higher yield account.

Retirement Savings-----

As stated, you hope to retire when John is 67, with investments that would allow you \$100,000 per year in income, to last 30 years. You are currently saving \$1,148 per month for retirement, which is 15% of your income after taxes, and have combined retirement investments of \$82,100.


If you continue earning and saving the same amount you are today, you would have a total nest egg of \$1,668,060.97 * in 31 years, which would allow for a \$54,181.59* in annual income (in today's dollars), or 54% of your desired income in retirement of \$100,000. *

While you are young and employed you have compounding interest to work in your favor, which can greatly multiply the amount that you are able to set aside for retirement. When John retires and stops working, the total

amount that you will have saved (your “nest egg”) will be drawn down every month over the rest of your lives. The more you can save and invest now, the larger that nest egg can become before you begin to pull funds out of it.

As a young family who has recently paid off student loans, finished up graduate school, and started working, it is not uncommon to be under target dollar-wise for retirement funds. The main thing to focus on now, and from here on out, is percentages. We recommend that you save 20% (or more!) of your income towards retirement, which will help you reach your income goals in retirement. Given your other goals of filling up your emergency fund, saving for a home, and funding your kids’ 529 accounts, we recommend continuing to save the same amount you currently are monthly (15%) for the rest of this year. In a few years, after you have reached your savings goals for your emergency fund and down payment, we can increase your savings rate from 15% to 20%.

*Assumptions: an average inflation rate of 2% and investment return of 6%

 *Action items:* For this year, continue to save \$1,148 monthly for retirement (15% of income). We will revisit this figure annually and adjust it upwards as your income increases.

Investment Analysis-----

Your investment portfolio should be personalized and tailored to accurately represent your risk portfolio. Generally, the more risk tolerant you are, the more your portfolio can be exposed to the stock market. The more risk averse you are, the more you will have in less volatile investments, such as bonds, CDs, or even cash. As represented by the risk tolerance questionnaire you completed, you both have a high tolerance for market risk, which is appropriate when coupled with your long time horizon. Choosing what funds to invest in can be as complicated or as simple as an individual would like to make it. We recommend a simple approach to investing, and generally advise low cost index funds, mutual funds, or ETFs to achieve your desired asset allocation. According to the account statements provided, your combined retirement investment portfolio is broken down as represented below. Given your high-risk tolerance, we suggest you adjust your portfolio slightly and use the 5% cash you currently have to invest in additional domestic large cap equity funds.


Current Allocation

65%	Domestic Large Cap Equity Funds
10%	Emerging Market / International Mutual Funds
15%	Bond Funds
5%	Real Estate Funds
5%	Cash

Proposed Allocation

70%	Domestic Large Cap Equity Funds
10%	Emerging Market / International Mutual Funds
15%	Bond Funds
5%	Real Estate Funds

Planbay specializes in helping clients create a holistic financial plan; we do not manage any of our clients' investment accounts or oversee any trading within them. We recommend that you invest in highly rated, low cost index funds and that you keep an eye on the fees in your accounts, including the cost to buy or sell shares, annual fees, management fees, and other various fees. Any funds or managed accounts with fees over 1% annually are suspect and should be looked into. You can find many highly rated ETFs and index funds that have expense ratios between 0.45% and 0.75%.

 *Action item:* Adjust your investment portfolio by using the cash currently in your accounts to buy into additional shares of domestic large cap equity funds.

Insurance-----

Having the proper insurance for your family ensures that you are protected from the major financial blows that could wipe out your savings and stunt your ability to reach your goals. Your insurance needs, along with your entire financial plan, should be reviewed annually or any time you have a major life change. Below are what we consider to be the insurance essentials for your family at this stage in your life.

Health Insurance

Health insurance protects you by covering the cost of major illnesses or injuries as well as the covers routine and preventative care that keeps your family healthy and well. When evaluating different health insurance plans, always consider premiums, copays, out of pocket maximums, coinsurance, deductibles, and coverage for any special needs or circumstances.

🌱 *Analysis:* Have it! The health plan through John's employer is appropriate for your family's current needs. No changes needed at this time.

Renter's Insurance

Renters insurance protects you from unexpected loss of your belongings, whether from damage or theft. Your landlord is responsible for the building, but all of your belongings inside are up to you to protect.

🌱 *Analysis:* Have it! Coverage and cost looks appropriate for your current home. No changes needed.

Life Insurance

Life insurance is used to protect your family in the event of your untimely passing, and could cover anything from annual income replacement, to college education for your kids, to paying off the mortgage on your home, depending on how much you purchase and for what term.

🌱 *Analysis:* Looks good! Your policies (\$800,000 on John and \$200,000 on Sally) would be appropriate to cover any loss of income until the Sally could adjust and being working again, as well as fill up your kids' education funds and provide you with some cushion for retirement. If Sally were to pass away, the \$200,000 would soften the blow and help cover the cost of finding high quality care for your children for a number of years. No changes needed.

Disability Insurance

One of the most important things to protect is your ability to earn income. If you are in an accident or succumb to an illness that leaves you unable to perform your job, disability coverage will step in and provide you with monthly income, which is generally a percentage of your current income, for a set period of time. Many employers provide some disability insurance but not always an adequate amount, depending on your family and financial circumstances and obligations.

🌱 *Analysis:* Have it! The policy through John's employer would replace 60% of John's income in the event that he could no longer work. That, coupled with your emergency fund, should be enough to get your by until you adjust and Sally returns to work. No changes needed.

Auto Insurance

The minimum level of auto insurance is a legal requirement, but more than the minimum (a comprehensive plan) is advised, which would cover the cost of repairs to your car or another car in the event of an accident, and could also cover the cost of medical treatment for injuries. The specific coverage and cost of each plan varies based on the provider, cost, and risk factors.

🌱 *Analysis:* Have it! Your Geico policy is generous and provides adequate coverage for your car. No changes needed.

Umbrella Insurance

This is an additional catch-all policy that will cover you in the event that your other insurance is insufficient to cover all damages. It could also cover costs from lawsuits related to vandalism, invasion of privacy, slander, or libel.

🌱 *Analysis:* Not needed yet.

Long Term Care

This insurance would provide for long term, ongoing care for those with chronic or disabling conditions who cannot care for themselves. Some examples of this would be nursing home care, home health care, or day care, all of which can be very costly, particularly over years and years of service.

🌱 *Status:* Not needed yet.

Estate Planning

Will

Everyone needs a will, even if you think your estate isn't complicated. By having a will, your property and assets will be distributed as you wish simply and quickly after your passing, as opposed to having to go through the government process called probate, which can be costly and very slow. Your will would also name a legal guardian for your children in the event of your passing.

🌱 *Status:* Need to get.

Advance Medical Directive (AMD)

In the event that you cannot speak for yourself and medical decisions need to be made about treatments or prolonging your life, an AMD is essential.

🌱 *Status:* Need to get.

Health Care Power of Attorney

This form traditionally accompanies an AMD and will give the person of your choosing legal authority to make medical decisions for you, in the event that you cannot decide for yourself. This covers any situations that are outside the scope of an AMD.

🌱 *Status:* Need to get.

Beneficiary Designations

All retirement accounts and life insurance policies should be up to date with listed primary and secondary beneficiaries, which also allows the assets to pass directly to whom you wish, quickly, without going through probate.

🌱 *Status:* Update.

Transfer on Death / Payable on Death Forms

TOD/POD forms serve the same function as beneficiary designations and allows assets such as bank accounts or specific investment accounts to pass directly to the beneficiary without going through probate.

🌱 *Status:* Need to get.

Trust

Trusts are legal entities used for estate and tax planning strategies to hold and distribute assets to certain beneficiaries under certain conditions and timelines. They also avoid probate, which means your decisions won't be interfered with by the court. Trusts are highly customized and personalized entities and can serve a variety of special functions, from the very simple to the highly complex.

🌱 *Status:* Not needed yet.

College Saving-----

Goal: Paying for your children's college educations.

How much to save for college depends on your desires, savings ability, as well as what kind of school your children might attend. Some parents choose to cover 100% of the cost, while some cover none of it and expect their children work while in school or take on student loans. You expressed that you would like to cover the full cost of college for your three children if possible, to help them avoid taking out student loans. We will discuss the cost of tuition below, however, consider that college is more than the cost of tuition. Start thinking about if you would like to cover your children's living expenses in addition to tuition, which can vary greatly depending

on where they go to school. As a reference, here are some figures for the cost of tuition at various types of college today, as well as in 12 years when Jane will be starting school.

Assumptions: Average rate of education inflation = 6% (roughly twice as much as the regular inflation rate). Average rates taken from College Board data.

	Tuition Cost Per Year - 2018	Tuition Cost for 4 years, starting today, with inflation adjustments annually
Lower Cost Local College	\$5,800	\$32,032
In-State Colleges	\$9,970	\$55,062
Private Colleges	\$34,740	\$191,863

	Tuition Cost Per Year - 2030 (The year that Jane will start college)	Tuition Cost for 4 years, starting then, with inflation adjustments annually
Lower Cost Local College	\$11,670	\$64,455
In-State Colleges	\$20,061	\$110,797
Private Colleges	\$69,903	\$386,067

We know, some of these figures look big and scary. As your income increases over the years, a lot of special savings can be ramped up and put towards college, as long as other essentials like emergency funds and retirement savings are on track. For now, we will focus on savings the “minimal” amount for each child’s college education, or enough to cover the cost of four years at a less expensive school. As your children get older, we can explore additional ways to fund their college education, such as scholarships, grants, and savings from their own jobs.

🌱 *Action Plan:* Open a 529 for Timmy and deposit \$300. Continue to contribute \$150 per month per child to their 529 accounts, invested in age-based portfolios with low expense ratios and high ratings. After 18 years you will have contributed \$32,400 into each child’s 529. Assuming an average rate of return of 5%, this would grow to \$52,380. Though investment returns are never guaranteed and may vary over the years, using aged based investment funds will help balance out the investment risk as the child nears college. This additional \$150/month savings will alter your monthly cash flow - please see the “Updated Monthly Cash Flow” for details.

Home Ownership-----


Goal: Have \$80,000 saved up for a down payment in 5 years

Many factors go into whether it is more beneficial to rent or to buy a home. You stated that it was a goal of yours to buy a home in the next five years. Since you have no plans for moving out of the area and consider your job to be stable, purchasing a home could allow you more family stability as well as financial savings from the lower monthly cost of a mortgage vs what you are currently paying in rent. You estimate that you will need \$80,000 for a down payment on a home that will cost around \$400,000. Given the cost housing in your area, and your plans to save up 20% for the down payment, this is reasonable.

It's prudent to spend less than 30% of your income after taxes on housing expenses. With a new home and a mortgage around \$1,800 a month you are within those bounds. Keep in mind that closing costs and fees will also need to be paid at the time of purchase. Additionally, owning a home versus renting can increase some of your monthly expenses related to housing, such as utilities and insurance. We can work out the details of how your monthly cash flow will change when the time comes to start putting in offers.

To reach your goal of saving \$80,000 in five years, you will need an additional \$65,000 to add to the \$15,000 you already have saved. With your monthly cash flow covering basic living and saving expenses, we can use your annual bonus for the next five years to fund your down payment savings goal. The first two years' contributions will be lower while we are concurrently building up your emergency fund. The remaining schedule of savings allocations from your annual bonus would be as follows:

Goal	2018	2019	2020	2021	2022
Save an additional \$65k for a home down payment	\$8,050	\$8,050	\$18,000	\$18,000	\$12,900, then you're done!

 *Action Item:* Add \$8,050 from your annual bonus this year to your home down payment savings account.

Action Items for 2018-----

Emergency Fund

- ☐ Use \$9,950 of this year's bonus to increase your emergency fund. Move it from your current savings account, which is earning no interest, to a higher yield account.

Investment Allocations

- ☐ Adjust your investment portfolio by using the cash in your accounts (5%) to buy additional domestic large cap equity funds.

Estate Planning

We recommend that you get the following estate planning documents executed:

- ☐ Will - drafted by an attorney
- ☐ Advance Medical Directive (AMD) - drafted by an attorney
- ☐ Health Care Power of Attorney - drafted by an attorney
- ☐ Updated Beneficiary Designations to include your newborn son - provided by the financial institution where the funds are held
- ☐ Transfer on Death / Payable on Death Forms for your checking and savings accounts - provided by the financial institution where the funds are held

College Savings for the Kids

- ☐ Open a 529 for Timmy and deposit \$300. Contribute \$150 per month per child to their 529 accounts, invested in age-based portfolios with low expense ratios and high ratings.

Home Ownership

- ☐ Add \$8,050 from your annual bonus this year to your home down payment savings account.

Goal Timeline and Bonus Use Plan-----

John anticipates that his annual bonus will be \$18,000 after taxes this year and increase somewhat over the next five years. For the purpose of this year's plan, we will assume it stays constant. When we come back and review your financial plan next year, we can adjust the numbers accordingly.

Goal	2018	2019	2020	2021	2022
Save An Additional \$65k for a home down payment	\$8,050	\$8,050	\$18,000	\$18,000	\$12,900
Add \$19,900 to your emergency fund	\$9,950	\$9,950	-	-	-

Updated Monthly Cash Flow-----

Item	Original Monthly Expense	Adjustments	New Monthly Expense
Housing	\$2,500	None	\$2,500
Utilities and Bills	\$600	None	\$600
Donations to Charity	\$750	None	\$750
Transportation	\$400	-\$50	\$350
Food, Home, Personal Care	\$1,000	-\$100	\$900
529 Savings for Jane and Sam	\$300	+\$150 for Timmy	\$450
Hobbies and Entertainment	\$200	None	\$200
Flex Spending*	\$700	None	\$700