

## My Plan

April 19, 2021

Congratulations, Oliver! With your Plan in hand, you now have a comprehensive snapshot view of your financial picture and three steps you can take to continue your progress from Building the Foundation to Financial Independence.

### **About Your Plan & Act financial plan**

Complexity is the enemy of execution. Knowledge is potential power. Power is the ability to act. With just three manageable ACTIONS you have only to Decide and Do.

Wherever you are on your journey, your Next Steps are the three most important actions you can take now to help you move toward your goals. Focus on these and feel better immediately.

When you complete your three Next Steps, return to [www.planandact.com](http://www.planandact.com) and run your Plan again to receive a new set of three Next Steps.

With your income statement and balance sheet in hand, you're completely prepared to have your specific questions answered by any financial expert you choose.

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## My Key Accomplishments

### #1 You have a good handle on where your money is going.

You obviously know your spending habits, or where your money is going, because you entered them in the interview. Having this information at your fingertips helps you respond when unexpected expenses arise or when you generate more income to save or pay down bad deb.

Below is a comparison of the breakdown of your monthly expenditures as you entered them relative to the national average in each expense category.

Categories	Your Monthly Expenditures	National Average
Housing	29.0%	28.4%
Utilities	7.2%	7.8%
Household operations	3.0%	3.3%
Household Goods	2.7%	2.9%
Transportation	21.7%	15.8%
Food	10.6%	12.0%
Alcohol & Tobacco	1.8%	2%
Entertainment	5.1%	5.4%

Categories	Your Monthly Expenditures	National Average
Personal care	1.4%	1.3%
Apparel	3.0%	3%
Healthcare	8.7%	8.0%
Insurance Premiums	0.3%	0.5%
Cash contributions	3.6%	5.1%
Education	1.8%	2.3%
Miscellaneous		2.2%

### #2 You have begun to build your cash reserves, the money you need to cover the monthly variability in your expenses.

Here are your stats:

Cash reserve in checking / saving account: \$1,500

Recommended cash reserves for your circumstances: \$4,200

Percent of cash reserve need met: 36%

### #3 You are saving 3% of your income.

Here are your stats:

Income: \$42,000

Expense: \$33,150

Taxes: \$7,463

Savings (income – expense – taxes): \$1,387

Savings as a percent of income: 3%

## My Next Steps

**#1 Eliminate your credit card debt as a top priority. Target a monthly payment of \$350 which will eliminate \$1,800 in credit card balance in 6 months.**

### Why this is important

Paying interest on credit card debt is the destroyer of wealth. It's borrowing from your future to pay for your now. Over time it exponentially increases the cost of whatever you purchased. If you had included the total amount of the interest over time, it's very likely you never would have purchased the item. It's a cancer on your financial health and future. To learn more see [Good Debt vs. Bad Debt](#).

Once the credit cards are paid off continue to pay them monthly unless the interest rate is 0%. If you cannot pay off credit cards monthly, by definition, you are living beyond your means.

Where you stand today:

Total credit card balances: \$1,800

Your minimum monthly payment: \$150

Your proposed monthly payment: \$350

Months to pay off credit card balances at proposed monthly payment: 6 months

### How to do it?

Card	Current Balance	Interest Rate	Min Monthly Payment	Payments Plan											
				Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
visa	\$1,800	13.00%	\$150	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$111
<b>Total</b>	<b>\$1,800</b>		<b>\$150</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$350</b>	<b>\$111</b>

The following are some strategies you can use to help pay off your credit cards:

- Contact your credit card company and ask if they will lower your annual percentage rate (APR) on the card. Many credit card issuers would rather lower your rate than have you transfer to another company. If you don't ask, you'll never know.
- Watch for credit card offers you receive in the mail. Often, these offers include a low fee to transfer your balances and then a period of time with 0% interest. Paying 0-3% interest instead of 10-21%, allows you to pay off the balance much quicker.
- Consider requesting a personal loan from a family member and offering an interest rate higher than what they can get at a bank but lower than what you are paying on your credit card.
- Consider whether you could get a personal loan from a family member who would want to get a good interest rate, like 8 or 10%, which would cut your payments in half.

**#2 Eliminate your car debt as a top priority. Target a monthly payment of \$700 which will eliminate \$8,176 in loan balance in 12 months.**

### Why this is important

The interest rate on your car loan is expensive compared to other kinds of debt and also many times more

than what you could make if you put this same money in a savings or investment account. Every penny you pay down on your loan saves you a lot of money in the long run.

Where you stand today:

Your proposed monthly payment: \$700

Months to pay off car loan balances at proposed monthly payment: 14 months

### How to do it?

Reduce your loan by making a monthly payment of \$700 in the coming months.

Car Loan	Current Balance	Interest Rate	Min Monthly Payment	Payments Plan											
				Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
GM	\$9,000	4.25%	\$278	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700
<b>Total</b>	<b>\$9,000</b>		<b>\$278</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>	<b>\$700</b>

Consider refinancing with your current lender: the average car loan rate is 4 - 5%.

Consider whether you could borrow from a family member: paying a family member an interest rate of 8 - 10% would provide a very good return to them and cut your payments in half.

Consider whether you can transfer your loan balance to a credit card with a lower interest rate using a balance transfer:

- Know your credit score. You can get your credit report free once per year from each of the 3 credit bureaus by starting here: [annualcreditreport.com](https://annualcreditreport.com). Credit card companies weigh your credit score in determining whether to open a new account for you and in determining the interest rate on the credit card. It's good to know where you stand going into the discussion.
- Call the bank that has your loan and find out if there are any prepayment penalties or fees.
- Search for a credit card that offers a 0% interest rate for a period of time or a very low rate for an extended period of time. Many cards start with a 0% for a year and then ratchet up. Be sure you know the rate it will go up to after that first year.
- There are usually fees associated with a balance transfer onto the credit card based on the amount you are shifting. Be aware of the fees but don't be discouraged, even with those up-front fees, the lower interest rate can still help you save over time.

**#3** Work to add an additional \$2,700 to your cash reserve bringing you to a total of \$4,200 to cover your regular monthly expenses plus create a cushion for unexpected expenses. This is the cash reserve goal that will get you to the level where you can comfortably cover your regular monthly ins and outs that require cash.

### Why this is important

Adequate cash reserves, an emergency fund and the right types and amounts of insurance protect you from going backwards when you experience a loss of income or unexpected expenses, such as auto repairs broken furnace replacing the roof or large medical bills. Cash reserves are not intended to pay for things you plan, budget and save for like a new TV, vacation or holiday gifts.

Where you stand today:

Checking: \$1,500

Current cash reserves total: \$1,500

Recommended cash reserves: \$4,200

Additional cash reserves needed: \$2,700

### **How to do it**

As you work to always be saving 10% of your income, continue to allocate a portion of those savings to cash reserves and put it into an easily accessible account until it reaches \$4,200.

This cash reserve goal focuses on the day-to-day ins and outs of cash as well as shorter-term unexpected expenses – it is your first priority in building your total emergency funds.

## What to do next

### **Do your Steps – then get more**

After you complete your Steps, return to [www.planandact.com](http://www.planandact.com) and enter your info again to receive an updated Plan and a new set of three Next Steps.

### **Get your questions answered**

Have a question that wasn't addressed in your Plan? [Schedule](#) a coaching session with a financial adviser to get a deeper understanding of your financial situation.

Our financial advisers have access to your info and will review it beforehand, so that your meeting is as productive as possible.

### **Explore more**

Still working on your three Next Steps, but curious about what might come after?

- Log in to your Dashboard to download your personalized More Next Steps.
- Remember, your future Next Steps may change as you act on your current Next Steps. If it has been 90 days or more since you last completed your interview, enter your info again to get updated More Next Steps.

## Income Statement

This personal income statement details your expenses as well as your income. Its purpose is to help you understand your “net cash flow.” Your net cash flow is just your expenses subtracted from your income. If it's a positive number, you've earned more than you spent. If not, you've spent more money than you earned. In either case, the personal income statement will help you assess your spending and adjust your habits and obligations as necessary.

Income (how much you are making)	Expenses (how much you spend)
Salary and other compensation \$42,000	Housing \$13,900
Business income	Transportation \$7,200
Investment income (interest, dividends)	Food \$3,500
Rental income	Alcohol and Tobacco \$600
Alimony income	Entertainment \$1,700
Unemployment income	Personal Care \$450
Retirement income	Apparel \$1,000
Social security	Healthcare \$2,900
Other income	Insurance \$100
	Charitable Contributions \$1,200
	Retirement
	Education \$600
	Miscellaneous
	<b>Expenses before income taxes \$33,150</b>
	Social Security, Medicare, Federal Income, State Taxes \$7,463
<b>Total Income \$42,000</b>	<b>Total Expenses \$40,613</b>
	Income minus Expenses
	<b>Total Savings: \$1,387</b>



## Balance Sheet

Your balance sheet is a picture of your financial position at a given time. It details the dollar amounts of what you own and what you owe.

What you own is called your assets. Your assets include your cash – like what’s in your checking or savings accounts – as well as things like houses, cars, boats, property, stocks, bonds, CDs, etc. What you owe are called your liabilities, and can include monthly bills, amounts still owed on assets like cars and houses, credit card balances, and other loans.

When you subtract your liabilities from your assets, you find your net worth. This figure represents what you own after everything you owe has been paid off. If it's a positive number, you are building your net worth. If it's a negative number, you owe more than you own.

Once you understand your net worth, you're more easily able to work toward increasing it. There are two ways to do that: increase your assets (save and/or invest) or decrease your liabilities (pay down your debts).

Assets (what you own)		Liabilities (what you owe)	
Cash	\$1,500	Credit Card Debt	\$1,800
(Checking Accounts/Savings Accounts)		Car Loan	\$9,000
Investments		Student Loans	
Retirement Accounts	\$3,780	Home Mortgage	
(401(k), SEP, Roth)		Other Real Estate Mortgage	
Home		Business Loan	
Business		Other Loans	
Other Real Estate/Land			
Other Valuable Items (Art, Jewelry)	\$2,500		
<b>Total Assets</b>	<b>\$7,780</b>	<b>Total Liabilities</b>	<b>\$10,800</b>
		Assets minus Liabilities	
		<b>Total Net Worth:</b>	<b>(\$3,020)</b>