Personal Financial Plan

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# List of Goals

## Short-Term Goals and Attainment Process:

* **Attend the Nov 2023 Boston Career Forum for English-Japanese bilinguals**
  + Reach a level of Japanese proficiency equivalent to JLPT N1 or N2 or higher
    - When abroad in Japan, enroll in university intensive Japanese language courses
    - Practice Japanese off-campus while abroad
    - Outside of Japan, take conversation lessons biweekly to improve fluency
    - Where appropriate, substitute material in English for material in Japanese (ex. reading, television/movies, music)
    - To improve listening, continue listening to podcasts in Japanese
  + Expand Japanese cultural knowledge to become better bridge between English-speaking and Japanese-speaking societies
    - Travel around Japan while abroad and make friends
    - Read more Japanese literature
* **Write a senior thesis for the Department of Asian Studies**
  + While abroad, explore possible topics, especially related to the exposure and influence of Buddhism in Japanese art and literature
  + Satisfy degree requirements while abroad to have space in schedule for thesis project
* **Set up a new account, likely a checking account, for cash withdrawal purposes**
  + Research different banks, especially those with global presence
  + Get cash card/debit card for the account
* **Acquire a credit card and start building good credit**
  + Apply for a credit card. If denied, apply for a secured card
  + Make small purchases, staying under the 30% utilization ratio, and setup an autopay to ensure balance is always paid on time
  + If need to make multiple purchases that would put utilization ratio over 30%, try to zero out balance throughout billing cycle so that balance is under 30% utilization on the 30th
* **Begin to diversify income by investing in a series of stocks and bonds**
  + Look into places to invest
  + Consider a plan of 70/30 ratio of investment in stocks to bonds
* **Start an emergency fund**
  + Open new account with credit union, deposit at least $200

Current Situation

* I am scheduled to study abroad in Japan for the 2022-2023 academic year, which will help me improve my Japanese fluency and proficiency. While abroad, I will surely have opportunities to explore various aspects of Japanese cultural. Through these two aspects, I should be better prepared to attend the career forum
* I am familiar with several staff in the Asian Studies department, including the thesis advisor. We have spoken several times about the thesis process, including partnering with a professor to support me as I write my paper
* I have done some preliminary research regarding credit cards and opening a checking account but have yet to take action.
* I have not begun investing
* I have taken no action on an emergency fund, although this is an account I can open at my credit union

## Intermediate-Term Goals and Attainment Process

* **After graduating, begin working a full-time job or internship with path toward full-time employment**
  + Attend the Boston Career Forum and speak with different employers
  + Attend career fairs hosted through UT and reach out to employers
  + Apply to the JET Program for a CIR position during fall of senior year
  + As an alternative to JET (which is a max of 5 years), consider path in consulting
* **Have a history of at least 2-3 years with a single employer as well as build relationships with people there who would be willing to endorse my future employment** 
  + Take appropriate time to find a job I’m well-suited to and will stay at for a few years
* **After finding employment, be sure to start saving with a 401(K)**
  + At a minimum, take out percentage for employer to match in full
* **Attend informal cooking classes to improve cooking skills and kitchen proficiency**
  + Factor this into leisure time
  + Substitute some entertainment-related expenses for cooking classes
* **Consider path of marriage**
  + Assess whether I am at a stage in life, both personally and financially, that would make marriage an option
  + Before making any decisions, plan to live together with partner for a few years to better understand mutual interests and avoid rushing into marriage
* **Take on more managerial roles and projects developed by myself**
  + Gain suitable experience and tenure at a company
  + Consider ways in which I can contribute to a firm in ways other than fulfilling the tasks expected of me
* **Run a full marathon**
  + Allot enough time in my schedule each week for training
  + Maintain enough of a budget surplus to be able to afford equipment (shoes, etc.)

Current Situation

* I plan to get a feel for different employment opportunities during my time abroad in Japan. Additionally, I have began exploring different post-graduation career paths
* I am not working, so I cannot begin working on these goals until finding employment
* Given that I do not work, I have no income to expend on cooking classes.
* Marriage is not something that I can see in my future yet, nor am I anywhere near a financial situation for this. At present, I do not plan on having children

## Long-Term Goals and Attainment Process:

* **Buy a permanent residence**
  + Consider the area where I want to live most of the time and research housing options
  + Factor into savings enough money to make a down payment. Perhaps have a separate savings account for this purpose
* **Grow into an employee suitable for much higher positions where I lead and create my own projects as opposed to working on other people’s projects**
  + Spend time working in leadership positions, using this time to explore how I can initiate my own projects
* **Buy a set of nice cookware, such as ironclad**
  + Wait until I have established a residence that I see myself living in for at least the next 10-15 years
  + Continue to put money aside into savings for these future expenses
* **Donate money to scholarships and research initiatives**
  + Put money into a savings account that I can use for donations, or invest in a source like CDs early on with enough time to grow my money, using the gains from interest as a source of donations while reinvesting the original amount or putting a portion into savings
* **Make payments to parents if still alive**
  + Routinely put money into savings from which I can pull from to make payments like this
* **Get pilot’s license, or at least experience with flying planes**
  + Make routine contributions to savings throughout my life to be able to afford this
  + Make friends with people who can fly planes

Current Situation

* I have no job and no practical work experience
* I have yet to start saving for a purchase as large as a house
* Rather than make payments to my parents, I am financially dependent on them
* I have no money to donate and instead rely on scholarships
* Without a source of steady income, I cannot make regular savings deposits

# Current Financial Situation

**Assets and Debts**

|  |  |  |  |
| --- | --- | --- | --- |
| Assets | Value | Debts | Value |
|  |  | $ |  |
| MacBook Air | $700 |  |  |
| Lenovo Laptop | $1400 |  | At present, I am supported in large part by my parents and have no debts. |
| iPhone 8 | $100 |  |  |
| TI-nspire cx | $80 |  |  |
| Dell Monitor | $50 |  |  |
| Other electronics | $600 |  |  |
| Kitchen Equipment | $150 |  |  |
| Young Adult Savings | $5185.84 |  |  |
| Money Market Account | $38644.61 |  |  |
| 36-Month CD | $26886.71 |  |  |
| Total | $73097.2 | $0 | $ |

**Incomes and Expenses (broken down monthly)**

|  |  |  |  |
| --- | --- | --- | --- |
| Income | Value | Expenses | Value |
|  |  |  |  |
| Rent support (parents) | $800 | Rent | $800 |
| Bridging Scholarship | $333.33 ($4000 award) | Apple Music | $8.25 |
| Mitsubishi Endowed Scholarship | $250 ($3000 award) | Streaming services | $8 |
| Wayne Abramson Scholarship | $208.33 ($2500 award) | Groceries | $263 |
| Japanese speech contest | $33.33 ($400 award) | Japanese Conversation Lessons | $184 |
| Asian Studies Departmental Awards | $18.75 ($225 combined award) | iCloud Storage | $0.99 |
| Short-term university employment | $33.33($400 award) | Tuition (includes fall, spring, summer) | $1311.08 |
| CD Dividends | $18 | Books/Supplies | $41.67 |
| Money Market Account Dividends | $7 | Study Abroad Fees | $73.33 ($500 + $380 initial fees) |
|  |  |  |  |
| Grocery income by parents | $263 |  |  |
| Total | $1965.07 |  | $2690.32 |

Analysis:

I am currently living on a budget deficit, relying on funds in my credit union account to pay for tuition. With this, many expenses, including large recurring ones like rent and groceries, are paid for by my parents. Once I become more financially independent, I will lose the income aspect that balances out these expenses. While I will likely continue to live in a budget surplus until finding full-time employment after graduating, I have no debt, nor should I expect to start my career with debt.

Suggestions for Expenses:

* Where appropriate, buy used products in good condition as a way to reduce expenses even while purchasing the same items
* If buying new, delay buying decision to a point when the price has dropped or there is a sale
* In periods with less income, consider purchasing inferior goods, but not to the extent that health would be affected and create new expenses

# Micro and Macro Factors

## Short-Term Micro Factors:

* **Family Structure**
  + For the foreseeable future, I will be a dependent of my parents and otherwise remain single
* **Health**
  + I run quite frequently, which imposes risk both of injury originated from outside of the body like being hit by a car and injury originating from within the body, such as a muscle injury
  + I mainly prepare my own meals, allowing me to better control what I eat. I should make more of an effort to avoid eating foods that may affect my health later on in life and look for better alternatives that provide similar utility levels
  + Until age 26, it is possible that I will remain on my parents’ health insurance plan. The alternative would be if I can receive a better employer-sponsored health insurance plan
* **Career Choice**
  + I major in Japanese, Economics, and East Asian Studies. When applying for jobs and/or internships, I will specifically look for potential career paths with a large incorporation of Japanese
  + The fall of my senior year, I will try to attend the Boston Career Forum, which is a career fair for English-Japanese bilinguals held each year at the beginning of November
  + One potential path after graduating is to go into economic consulting. The JET program is another short-term employment option I will look into.

2 Potential Options Example:

JET Program CIR:

Economic Consulting:

Starting salary around $80,000 (depending on the firm)

ESHI almost certainly available

~35 hours/week

Year 1 (2022):   Approx. ¥3,360,000

Year 2:                 ¥3,600,000

Year 3:                 ¥3,900,000

Year 4/5:             ¥3,960,000

Insurance benefits included/mandatory

Since both the JET program and consulting (as an entry-level position) are shorter term careers (no more than 5 years), these offer to separate paths that meet the same goal of initial employment

* **Age**
  + While I won’t be working full-time until after graduation, I can still find ways to prepare for later life by taking wages from part-time jobs and using the income for savings and investments

## Intermediate-Term Micro Factors:

* **Family Structure**
  + I find it reasonable that I may be married in the future, although I want to hold off on marriage until late 20s at the earliest. Aside from the expenses marriage would bring, there is also a large opportunity cost that would prevent me from living independently and accomplishing goals as I see fit, so I don't want to constrain myself to be married early on in my life
  + I do not plan on having children
* **Health**
  + I am mostly healthy and expect to remain so in the future, although I have exercise-induced asthma. While this does not really affect my day-to-day life, having access to specialists like a pulmonologist may become more important as I age, so it is important that I find a well-rounded health insurance plan
  + Since I will likely continue to participate in physical activities that put me at risk of injury, I need to keep this in mind when making an emergency funds account, perhaps adding extra funds into the account in case I face a large medical-related expense in the future
  + At this stage in life, I should have more disposable income to afford services centered around encouraging good health into the future, such as by going to a dietician or joining a sports club
    - It is possible that I can find inexpensive or even free resources/classes. Similarly, there may be groups related to physical activities I’m interested in that may be free or require only costs of purchasing my own equipment, such as a running group or access to a local natatorium
* **Career Choice**
  + I would ideally like to have a career that incorporates Japanese and some sort of connection to Japan or East Asia more broadly in some sense. This may limit my career options, as some fields require licenses that may only apply for work in the US. However, my goals with this may change if I find some outside of work connection, such as through a city Japanese association that allows me to continue to practice Japanese
  + It's also important to consider that I don't have plans to marry early on in my career, so my lifestyle will need to reflect income from wages coming only from myself
  + Ideally, I would like to work either for:

A) a Japanese company in the US or elsewhere in the world

B) a company in Japan, either Japanese or originating from another country

If these are not realistic, I will try to find work in a predominately English-speaking (as opposed to non-English/Japanese) place with a somewhat large Japanese population, such as Washington state, California, or an international city like London or Sydney, or Canada. Washington DC may also be a place to look at

* + If I go the economics route and need a master's, I will try to get into a PhD program that offers funding and then leave after 2 years to get the master's degree but without having to pay. If more appropriate, I can apply directly to a master's, hopefully one that would be shorter than 2 years. I don't plan on getting a PhD in economics
  + I am also interested in exploring paths in diplomacy, although this seems like a career that I would develop into as opposed to starting out in
* **Age**
  + Beginning from my very first paycheck, I plan to take out the max amount allowed to go toward a 401K. If not possible, at the very least I want to contribute the minimum amount to max out the reciprocated employer contribution. This will be important as I become less reliant on income from wages later on in life
  + This is a good time to consider buying a life insurance policy in the case that I have dependents later on in life

## Long-Term Micro Factors:

* **Family Structure**
  + While I have no plans for children, I would like to get to a point where I can give money back to non-dependents, such as my parents
* **Health**
  + As I age, health-related expenses will likely increase
  + The older I get, the more important it will be to consider the types of activities I participate in. A non-weightbearing activity like swimming may be more appropriate than running
* **Career Choice**
  + Tenure is an important consideration. The longer I stay at one job, likely the more my salary would increase, and I would gain more experience that can boost salary. Switching jobs frequently is something I will try to avoid, and having experience of long employment at a single firm will only grow in importance
* **Age**
  + During mid to late career, I will be making more money which can be used to increase retirement savings
  + After retirement, I will depend mostly on income from previous investments. Even so, I think I would enjoy maintaining some sort of wage-earning labor activity

## Macro Factors

* **Business Cycles**
  + While looking at career opportunities and forming post-graduation plans, it will be important to consider how the state of the economy may affect my immediate employability as well as how factors like interest rates will influence my choice of investments and savings decisions
  + Expansion/contraction of the US relative to other countries will also influence my decisions, since I am including working abroad as an option
    - Even the US is expanding and in a better economic state than other countries where I may be offered employment, starting my career in the US may be the better option
    - Conversely, even if the US is not contracting, if economies outside the US are booming, it may benefit me to look outwards to those opportunities
  + As of now, the US economy is in a somewhat uncertain state
* **Employment**
  + Unemployment in the US is currently at 3.6%
  + Japan’s UE rate is 2.6%, UK UE rate is 3.8%
  + More than unemployment rates, it is more important that I consider the future of industries I may be entering. If large changes are probable, I may undergo a period of structural unemployment, indicating that I will need to plan with alternatives.
    - Depending on career path, the size of my emergency fund will change to reflect the possibility of unemployment
* **Economic Indicators**
* **Current Stability**
  + US inflation measured over 9% for the month of July
  + Expected inflation will affect real wages and other incomes, encouraging greater investment
    - Higher inflation may also benefit me in terms of taking out loans
  + Need to keep inflation in mind when discussing salary with employers

# Insurance

**Health Insurance**

* Unless I can find a more appropriate health insurance plan, I intend to remain on my parents’ plan until age 26
* If offered a choice of plans by my employer, it will be important to estimate my total healthcare spending for the period of coverage
  + Look back at past years’ health spending as a guide
  + Plan ahead for any changes in lifestyle/career/family and how this may affect healthcare spending and the most appropriate insurance plan

**Life Insurance**

* Buying life insurance will be a decision I make primarily in the intermediate term. Within that 10-year period, I should have a better understanding of what my family structure will look like and whether there will be people who depend on my income in the future.

**Property Insurance**

* When entering the house-buying process, property insurance will have to be factored into the overall cost estimate. Since I don’t plan on buying my own home for some time, I will have time to observe different insurance schemes for different properties to better determine how much coverage I should buy
* Before buying a house, I need to make sure to have it professionally inspected, both to help understand fair pricing and to get an idea of factors that may need to be included in insurance coverage

Other Tips:

* Don’t purchase extended warranties
  + If something will break, it will most likely happen right out of the box or soon after, during which it will be covered by the standard warranty or manufacturer’s warranty

# Investment

**Short-Term**

* Since I will have more risk tolerance when I begin investing due to the time ahead of me before retiring, I will invest primarily in equity while largely ignoring fixed-income assets like bonds and CDs until later life.
* When I begin investing, I will open an account to have money invested in mutual funds and/or ETFs. This will start after I begin working full-time
* It seems like this will be a good place to start, as I will be able to hold a diversified portfolio without needing to necessarily hire someone to manage a portfolio for me or spend the time to go through diversification myself

When starting my career, a large portion of investment will be in the form of retirement investment

* At a minimum, I will contribute to my 401(K) plan the amount that maxes out my employer’s contributions, if they contribute
* Even if my employer does offer and match investment in a 401(K), and especially if they don’t, I want to have a Roth IRA plan available.
  + I think it may help to have the experience of using an IRA early on in case I need to rollover an account like the 401(K) into IRAs

**Intermediate-Term**

* Once I am decently far along in my career and have built up a sturdy asset base, it may be time to consider hiring someone to manage a portfolio for me, either in addition to something like an ETF or as a substitute for it
* I may also purchase a mortgage on a home during this time. While I don’t plan on looking for a property with the mindset of making a profit, it will be important to consider the home as an investment that may later yield capital gains
* During this time, I may begin integrating more fixed-income investments into the portfolio

**Long-Term**

* Certainly, if I accumulate a large amount of assets, I will hire someone to help me manage an investment strategy
* During this time, I will become much more risk averse
* Without the need for high returns, fixed-income investments like bonds will become an increasingly present part of my portfolio
* Once I retire, I will be taking income out of prior investments

# Retirement and Estate Planning

## Retirement Planning

If possible, I would like to continue working into my 70s at reduced workloads or more at my leisure. While this would mean wages would continue to serve as a source of income, working would give me something to engage my time with, possibly reducing expenses as opposed to not working where I would have to fund my own activities.

For the following calculation, I make the assumption of retiring at age 67. With this, I assume needing around $55,000 a year to cover my own expenses in addition to contribution goals.

Using the 4% rule, I’ll need available in retirement.

Given 2% inflation in the long run, $55,000 47 years from now becomes

So, I really need to aim for a retirement goal of

Currently, I have 47 years until age 67. If I take about ½ of my CD after it matures—around $15000—and save $500 per month, I get:

N=47

PV=$15000

FV=$3487475

PMT=12\*500=$6000

Yielding a target return rate of 8.183%. Being not very realistic, it will be necessary to adjust.

Now, we look at what return would be needed if monthly contributions to retirement savings are increased to $1500, or $18,000 over each year.

Given the same parameters and the adjusted PMT, the target return rate is now a much more realistic 5.127%.

Given an approximate savings of 11.2% coming from social security and a 401(K) plan, I would need to be earning an income around , which does not seem realistic.

Contributing $1000/month would require a salary near /year, which is more reasonable but may still be a little high.

Assuming the same rate of 5.127% and allowing the future value to be variable, the new FV would be about $2,377,300. Using the 4% rule, this would be $95,092, which when adjusted for inflation is a little less than $37,492.

* Taking these results into account, the original retirement goal may be unattainable, but the plan should be revisited after beginning my career. It may also be possible to save more of my salary in addition to social security and 401(K). In this case, I would need to take into consideration the affect this would have on lifestyle when adjusting expenditures to fit in more savings.
* Since it is likely social security distributions will change, I may require a larger income base to meet my goals if social security withdrawals increase or if the payout is decreased

## Estate Planning

**Wills**:

* After graduating from university and beginning my career, I will have a will written. At that stage, I plan to be unmarried, so the document will probably instruct for assets to be dispersed to my parents or other family members that I designate.
* With each major update in life, such as marriage, or the accumulation of new assets, I will need to revisit the will and have it updated
* Managing debts throughout my life will be important not only for my own sake, but for anyone in my will to ensure that they get as much as possible
* Although I plan to write a will after graduation, this probably will not include a living will. Instead, I will write when I am much older, or when it seems that I am at high risk for medical emergencies outside of what any healthy person can experience

**Trusts**:

* Since I don’t plan on having children, it is likely that I will not have dependents. However, I can build a trust to give assets tax-free to other family members and friends.
* Instead of trying to maintain an income around $55,000 in retirement to be able to make donations toward items like scholarships like I originally planned on, it may be better to build those assets into a trust that can be dispersed after my death.
  + With this, I may end up wanting to change where I donate to later or may not want to donate at all. Because of this possibility, it may benefit me to look into a revocable trust

**Gift Giving**

* As up to $16,000 in gifts can be given tax-free each year, if I don’t want someone to have everything up front, I should consider setting up some type of fund for distributions under $16,000 each year.
* If I need to help out people in the future for expenses such as college, I should try to keep gifts under $16,000 for this reason of the money being tax-free
  + If I end up having dependents of my own, I will build up savings accounts early on for them to be used towards expenses like college as opposed to relying on gift giving