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FINCRAFTERS

We specialize in

Retairment Statergies, IUL, Annuity, LTC and Life Policies

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John's Personal Finance Report

TOPICS

1. SNAPSHOT OF YOUR FINANCES	[1]
2. LIVING EXPENSES DEEP DIVE	[2]
3. TAX-FREE RETIREMENT SCENARIO	[3]
4. TAX-FREE RETIREMENT RESULTS	[4]
5. FINANCIAL PROJECTION DURING WORKING YEARS	[5]
6. FINANCIAL PROJECTION DURING RETIREMENT	[6]
7. RECOMMENDATIONS	[7]
8. FINANCIAL PLANNING CHECKLIST	[8]

 $Disclaimer: This \ material \ does \ not \ constitute \ tax, \ legal \ or \ investment \ advice. \ Always, \ consult \ with \ your \ licensed \ advisors \ regarding \ your \ personal \ circumstances.$

SNAPSHOT OF YOUR FINANCES

Current view of your yearly cash outlay and tax diversification of assets

ANNUAL CASH FLOW

Income	\$160,000	After Retirement
Living Expense	\$50,000	Before Retirement Working Lifetime
Housing	\$36,000	
Income Tax	\$40,000	
Savings	\$40,000	

- lacktriangle For a good balanced budget, the four categories should be roughly equal
- Relative to your income,
 - \bigcirc You have a healthy savings rate
 - O You have higher living expenses

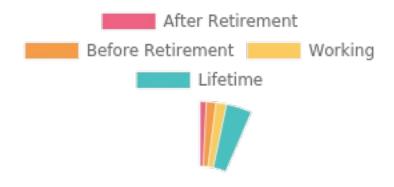
ASSET ALLOCATION

Pre-Tax (e.g., 401k, Traditional IRA)	\$160,000	After Retirement
Post-Tax (e.g., 401k, Traditional IRA)	\$50,000	Before Retirement Working Lifetime
Taxable (e.g., 401k, Traditional IRA)	\$36,000	
Real estate (e.g., 401k, Traditional IRA)	\$40,000	
Total	\$40,000	

- Reduce buildup of Pre-Tax asset by reallocating savings to Post-Tax should be roughly equal
- Buying a house will reallocate Taxable asset to Real Estate bucket

LIVING EXPENSES DEEP DIVE

You are spending 34% less than the benchmark



- \blacksquare Your expense items in the table are color coded relative to the benchmark.
- Your Restaurant, Outdoor Entertainment and Supplies expenses are higher than the benchmark.

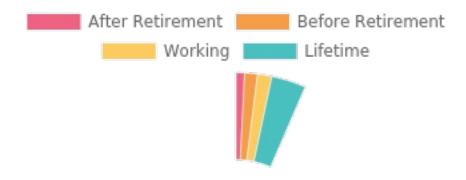
	MONTHLY EXPENSES			VARIANCE
Utilities	Internet	\$50	\$55	9%
	Phone	\$50	\$55	9%
	Electricity & Gas	\$50	\$55	9%
	Water, Sewer & Trash	\$50	\$55	9%
Car	Insurance	\$50	\$55	9%
	Maintainance	\$50	\$55	9%
	Loan/Lease Payment	\$50	\$55	9%
	Gas	\$50	\$55	9%

	Groceries	\$50	\$55	9%
Food		<u></u>		
	Restaurant	\$50 	\$55	9%
	Gym / Wellness	\$50	\$55	9%
Personal	Salon	\$50	\$55	9%
reisoliai	TV	\$50	\$55	9%
	Outdoor Entertainment	\$50	\$55	9%
Medical	Insurance	\$50	\$55	9%
мецісаі	Copays	\$50	\$55	9%
	Gym / Wellness	\$50	\$55	9%
Home Maintenace	Salon	\$50	\$55	9%
	TV	\$50	\$55	9%
W: J	Kid's Classes / Summer Camp	\$50	\$55	9%
Kids	Day Care	\$50	\$55	9%
Cash Transaction		\$50	\$55	-14%
Monthly Total		\$50	\$55	-14%
Annual Total		\$50	\$55	-14%

ANNUAL EXPENSES	BENCHMARK	YOU	VARIANCE
Travel	\$67	\$50	9%
Travel	\$67	\$50	9%
Annual Living Expences	\$50	\$55	9%

TAX-FREE RETIREMENT SCENARIO

Your Human Capital is \$4.2M and Financial Capital is \$3M



- Human Capital is your lifetime earning potential. It declines with age.
- Financial Capital is your asset value. It usually grows during your working life and declines during retirement.

WHEN WORKING		RETIREMENT YEARS	
Current Age	40	Want to Retire at	40
Single/Couple	1	Life Expectancy	95
Annual Income	\$160k	Minimum Intended Legacy	\$220k

21%
\$350k
\$50k
\$150k
45
\$250k
3.6%
8.0%
4

Market growth during Retirement Years	\$220k
Lifetime Inflation	2.0%
Model in Real or Nominal terms(Enter 0 or	1)
	1

TAX-FREE RETIREMENT RESULTS

Your max inflation-adjusted retirement income is \$119K of which 43% is tax-free

Income

WHEN WORKING

Annual income before retirement	40
Lifetime income	40
Optimal allocation of retirement savings to Pre-Tax	40
WHEN RETAIRED	
Annual withdrawal as a % of pre-retirement income	40
Annual withdrawal as a % of assets at retirement	40
Tax-free portion of annual withdrawal	40

Asset

	NOW	AT RETIREMENT	AT EOL
Pre-Tax	\$356k (64%)	\$356k (64%)	\$356k (64%)
post-Tax	\$356k (64%)	\$356k (64%)	\$356k (64%)
Taxable	\$356k (64%)	\$356k (64%)	\$356k (64%)
Total	\$356k	\$356k	\$356k

FINANCIAL PROJECTION DURING WORKING YEARS

		SAVINGS					ASSE	ETS	
AGE	INCOME	PRE- TAX	POST- TAX	TAXABLE	TOTAL	PRE- TAX	POST- TAX	TAXABLE	TOTAL
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
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25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K

| 25 | \$55K |
|----|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 25 | \$55K |
| 25 | \$55K |
| 25 | \$55K |
| 25 | \$55K |

FINANCIAL PROJECTION DURING RETIREMENT

		RETIREMENT INCOME				ASSETS			
AGE	INCOME	PRE- TAX	POST- TAX	TAXABLE	TOTAL	PRE- TAX	POST- TAX	TAXABLE	TOTAL
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
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25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K
25	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K	\$55K

| 25 | \$55K |
|----|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 25 | \$55K |
| 25 | \$55K |

RECOMMENDATIONS

- Your savings to Taxable accounts exceeds that of Pre-Tax + Post-Tax at age 48. That is a good time to reallocate assets from Taxable to Post-Tax using methods described below.
- Even with optimal allocation of savings your Pre-Tax is still too large. To maximize your tax-free retirement income your Pre-Tax asset should be at ~\$294K when you retire at age 62. Reallocate out of Pre-Tax using methods described below.
- Generate additional streams of tax-free retirement income by,
 - Investing in an Annuity product from within Roth IRA account
 - Investing in an IUL product
 - Social security benefits will also not be taxable in a near tax-free retirement scenario

ADDITIONAL INSIGHTS

To achieve optimal allocation of assets between different tax buckets you can,

- Move assets from Pre-tax to Post-tax bucket using Roth Conversion
- Move assets from Pre-Tax to Taxable bucket using SEPP or Rule 72(t)
- Move assets from Taxable to Post-Tax bucket using IUL investment & After-Tax 401k plan

FINANCIAL PLANNING CHECKLIST

Cash Flow

- Be aware of your expenses. Do they add up to your income minus savings?
- Keep your financial capital on track
- Know your human capital

Retirement Planning

- Strive for near 0% income tax rate
- Understand Social Security benefits and when to avail them
- Plan to meet living expenses with tax-free annuity plan
- Keep a cash cushion using IUL and home line of credit
- Estimate your maximum withdrawal amount as retirement income
- Understand retirement risks arising from market condition, government behaviors, personal situation, etc.

Estate Planning

- Prepare a Will and Living Trust to avoid probate
- Think about creative ways to reduce estate tax, such as ILIT for HNW individuals
- Structure appropriate trust such as CRT when making sizeable charity contributions

Real Estate

- Understand the economics of home buying (rent vs. buy, PITI, etc.)
- Understand 1031 exchange for investment properties
- Don't get overexposed to real estate as an asset class

Life Insurance

Carry adequate life insurance to

Portfolio Planning

- Diversify across asset classes (stocks, bonds, etc.), sectors (tech, finance, etc.), and stocks
- Rebalance annually if you maintain a fixed allocation portfolio
- Neutralize capital gains by selling select lossy positions before year end

Tax Diversification

- Shelter savings in taxable accounts with tax-free IUL product
- Utilize tax-free savings vehicles such as Roth 401k, Roth IRA and HSA
- Limit accumulation in tax-deferred accounts such as 401k and Traditional IRA
- Use Roth conversion to periodically transfer excess funds from tax-deferred to tax-free account

Healthcare

- Enroll in HDHP to save using tax-free HSA
- Plan coverage for debilitating conditions in old age using a LTC policy or living benefits from IUL or Annuity
- Enhance coverage with a Medicare Supplement policy

College Planning

- Estimate college costs & develop a savings plan
- Know that 529 plan withdrawals are taxfree, but also count against financial aid
- Understand FAFSA process and how the underlying components affect financial aid

Learn Math

 Learn how money grows by understanding the effect of inflation, cover the living needs of your family while you are working

taxes, compounded growth, volatility, etc.

■ Learn the elegant Rule of 72