

# Don & Lisa Smith

For the period ending 12/15/2008

Provided By



Bakken & Associates CPA

**(508) 746-4663**

Personal Financial Report

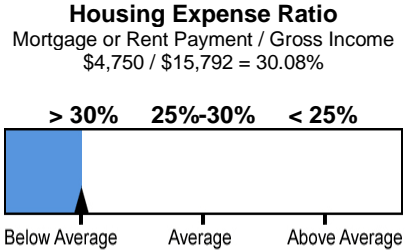
Client ID: Don & Lisa Smith
Financial Goals: Buy a House and Reduce Debt
Occupation: Architect and Publisher

Age: 34 and 32
Marital Status: Married with 1 dependent
Location: US MA, 02360

INCOME & EXPENSES

Generally, how do my personal and household earnings look?

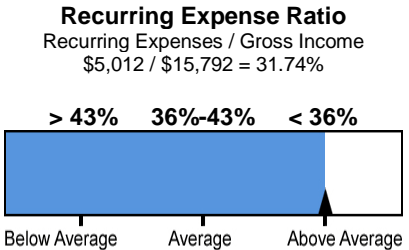
Results in this section of the report are slightly mixed for your household at this time. While your spouse's earnings are a bit below average relative to occupation, it seems as though your income is quite high relative to what others in your profession earn.



CASH FLOW

Is my household budget reasonable and how can I improve?

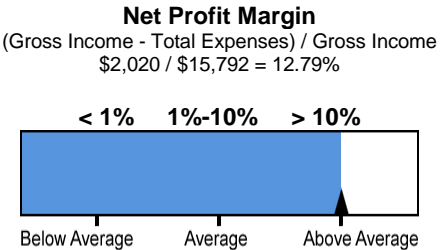
You are bringing in a positive cash inflow each month, after all expenses, which shows that you are doing a pretty good job here, overall. Since you have this discretionary income, perhaps you can improve upon your liquid emergency savings.



WEALTH & SAVINGS

What is my financial situation, with respect to assets and liabilities?

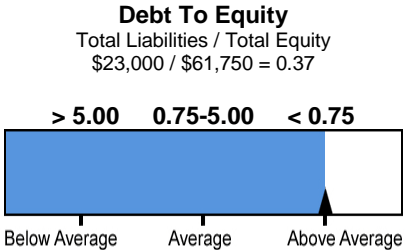
You seem to be doing pretty well in the wealth and savings area. Although you don't have a lot of liquid assets to cover your short-term debts, it looks like your income can easily service these debts.



INVESTING TIPS

What are some simple things I can do to improve my financial situation?

- Since credit card debt typically carries a higher interest rate, a good strategy might be to pay all credit card debt down.
Based upon where you are in life, here are some investments you might consider:
• Small-cap mutual funds: The volatility of these funds will depend on the aggressiveness of the manager, so you may want to do your research before selecting a particular fund.



larger cap funds – but expect a smaller return.

- **Exchange traded funds:** These funds are similar to indexed mutual funds, but trade like stocks on the American Stock Exchange. Their liquidity and low cost (most funds sell for less than \$100 a share) have led them to become increasingly popular in recent years.

- Since you have indicated that you are supporting dependents, you might consider investing in an education plan. The Federal Government offers tax free savings bonds, such as Series EE/E bonds, as investment vehicles that can be purchased at any bank for as little as \$25 each. All interest on these bonds is tax exempt as long as simple rules are followed. For more information, visit

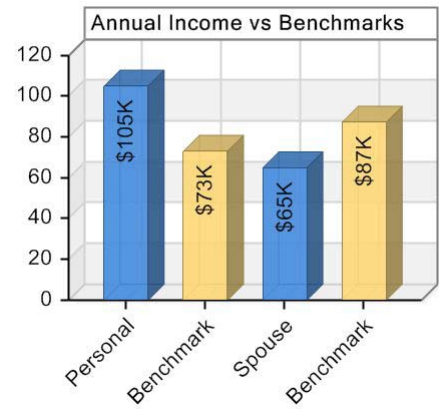
<http://www.treasurydirect.gov/indiv/products/products.htm>

- You might consider investing in real estate. Generally, home investments are a good long-run investment as a hedge against inflation and a forced savings plan; that is, you can't spend away the amount of money in your mortgage payment.

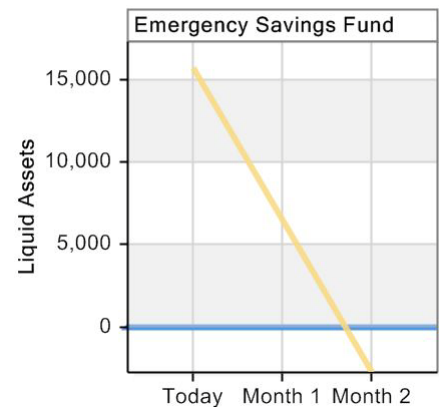
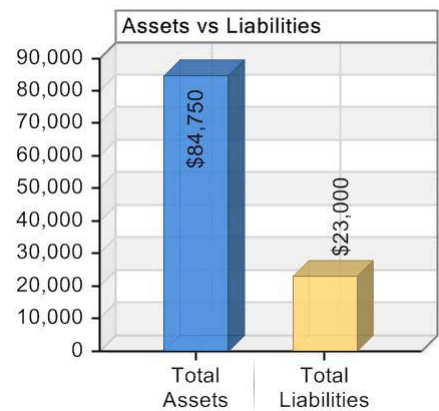
- If you are an employee of a company, see if you can get automatic deductions for savings plans, like 401 K plans and such. The best way to save is to automate the process - have your savings deducted each pay period. It may be a good idea to max out your 401 K or IRA each year, as this is one of the best ways to save for your future. As with any other investment, you do need to carefully watch your portfolio and make wise investment choices.

Here is a good and basic financial checklist that you should review (this is not a complete list but it is a good start):

- Is your life insurance policy appropriate for where you are in your life? Many times, people don't take the time out to be sure they have adequate life insurance in place. Keep in mind that estate taxes can be quite high when considering how much insurance you really need.
- Do you have a valid will? Be sure that a licensed attorney has reviewed it.
- What would happen if you were disabled - do you have disability insurance in place? It might be a good idea to see your insurance representative so you can go over all the policies you have in place and those you might require.
- Who are the financial professionals you need in life to help you make good decisions generally? Most people need a good accountant, a banker, and an insurance representative.
- Try the following books to learn more about investing, generally: The Best Investment Advice I Ever Received by Liz Claman, The Money Game by Adam Smith, and The Total Money Makeover: a Proven Plan for Financial Fitness by Dave Ramsey. If you are a financial professional, two must-read investing books include The Intelligent Investor, by Benjamin Graham and Extraordinary Popular Delusions and the Madness of Crowds by Charles Mackay. Both of these are classics because of their common-sense approach to understanding financial markets and people.
- Generally, at this stage in life, you may want to select investments which are safe enough that your capital base will not be compromised, but aggressive enough to give you good returns over time - this is always a tough balance to achieve.



\* Industry Benchmarks from US Bureau of Labor Statistics



### Debt Reduction Plan

If you apply \$2,282 each month to the selected loans, and incur no new charges, it will take you until 11/1/2009 to pay off these loans. You will pay a total of \$1,085 in interest.

Name	Balance	Payments	Interest	Paid Off
Visa	\$15,000	8	\$795	Aug-2009
University	\$8,000	11	\$290	Nov-2009

### Mortgage Affordability Guidelines

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Gross Monthly Income:	\$15,792
Recurring Monthly Debt Payments:	\$262
Estimate of Money Available for Mortgage:	\$4,422
Estimate of Money Available for Mortgage and Monthly Debt Payments:	\$5,685
<b>Optimal Monthly Housing Payment:</b>	<b>\$5,423</b>
Fixed Loan Term in Years:	30
Interest Rate:	8.0%
Down Payment Percentage:	5%
Approximate Annual Property Taxes:	\$3500
Approximate Homeowners Insurance:	\$500
<b>Mortgage Qualification Amount:</b>	<b>\$586,000</b>

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## RAW DATA

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### Household Income (12/15/2008)

	Amount	Percent
Personal Gross Wages	\$8,750	55 %
<b>After-Tax Income</b>	<b>\$5,550</b>	<b>35 %</b>
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Spouse Gross Wages	\$5,417	34 %
<b>Spouse After-Tax Income</b>	<b>\$4,082</b>	<b>26 %</b>
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Other Regular Income	\$1,500	9 %
Investment Income	\$125	1 %
<b>Total Gross Income</b>	<b>\$15,792</b>	<b>100 %</b>
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<b>Total After-tax Income</b>	<b>\$11,257</b>	<b>71 %</b>
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### Funds used for Housing and Recurring Debt Payments (12/15/2008)

	Amount	Percent
Credit Cards	\$100	2 %
Student Loans	\$162	3 %
Mortgages/Rent	\$4,750	95 %
<b>Sum of Recurring Debt Payments</b>	<b>\$5,012</b>	<b>100 %</b>
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<b>Gross Profit</b>	<b>\$6,245</b>	<b>40 %</b>
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### Monthly Cash Flow Analysis (12/15/2008)

	Amount	**Average	% Difference
Food	\$900	\$1,046	-14%
Utilities	\$400	\$430	-7%
Household Expenses	\$325	\$481	-32%
Apparel (clothing and services)	\$550	\$459	20%
Transportation	\$275	\$1,526	-82%
Gasoline	\$0	\$214	-100%
Healthcare	\$425	\$382	11%
Entertainment	\$200	\$548	-63%
Personal Care	\$175	\$119	47%
Education	\$750	\$365	105%
Insurance	\$225	\$125	79%
Other	\$0		
<b>Total Monthly Household Expenses</b>	<b>\$4,225</b>		
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<b>Total Monthly Net Profit</b>	<b>\$2,020</b>		
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Regular Retirement / Investment payments	\$0		
<b>Discretionary Income</b>	<b>\$2,020</b>		
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\*\*Annual Household Gross Income between \$150,000 and \$99,999,990

### Assets (12/15/2008)

	Amount	Percent
Cash / Checking / Savings / Money	\$5,500	6 %
Public Company Stocks / Bonds	\$4,250	5 %
Mutual Funds or Pooled Securities	\$6,000	7 %
<b>Total Liquid Assets on Hand</b>	<b>\$15,750</b>	<b>19 %</b>
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Retirement Accounts	\$32,000	38 %
Approximate Value of Other Personal Investments	\$10,000	12 %
Automobiles	\$6,500	8 %
Furniture / Fixtures	\$12,500	15 %
Jewelry	\$8,000	9 %
<b>Total Personal Assets / Belongings</b>	<b>\$69,000</b>	<b>81 %</b>
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<b>Total Assets</b>	<b>\$84,750</b>	<b>100 %</b>
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<b><u>Liabilities (12/15/2008)</u></b>		
	<b>Amount</b>	<b>Percent</b>
Balance of all Credit Cards	\$15,000	65 %
<b>Total Current Liabilities</b>	<b>\$15,000</b>	<b>65 %</b>
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Student Loans	\$8,000	35 %
<b>Total Liabilities</b>	<b>\$23,000</b>	<b>100 %</b>
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<b>Total Net Worth</b>	<b>\$61,750</b>	
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## SAVINGS TIPS

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### *How can I reduce my expenses to save more money?*



#### **Apparel (clothing and services) :**

You might think about buying clothing out of season. Clothing that needs to be sold to make room for the new clothing season may be discounted to move it quickly.

Consider purchasing clothes at consignment shops. Consignment shops typically only sell high quality brand named clothing in excellent condition at greatly discounted prices.

Visit outlet malls. Brand named stores at outlet malls often sell the same or similar clothes to those being sold at normal retail outlets, but at a fraction of the price.

Arrange a "clothing swap" with friends or neighbors. This will help you get rid of unwanted or ill-fitting clothes and allow you to gain new wardrobe options at no additional cost.

Purchase clothes that are versatile and can be used for different occasions. This means that you can buy less clothing overall and not be stuck with clothing that only gets used once a year.

Choose clothing that coordinates well so that mix and matching is easy. This will enable you to have more outfits to wear with less clothing.

When shopping, have a definite plan of what you need and stick to it. Avoid spending extra time in stores, as this may result in purchasing items that you did not really need.



#### **Education :**

Billions of dollars in scholarships and grants are available. With some research on the internet or with the help of a guidance counselor, you may be able to find out which options are best suited for you.

If you are interested in saving money for your college expenses, you may want to look at programs that allow your money to grow without paying any taxes on the earnings. These include state-sponsored prepaid tuition plans, education IRAs, federal income tax credits, and federal income tax deductions.

If you or any dependents plan on working towards a bachelor's degree, you may consider starting out at a two year community college and then transferring to a four year school. These two year colleges are partially funded by state and local taxes, so they are typically less expensive. Be sure to check that the credits will transfer between schools.

Stick to the basics with school supplies - paying for pens with fancy colors and notebooks with flashy covers is unnecessary on a budget. Be sure to stock up when items you will need go on sale.

If needed, apply for federal financial aid through the Free Application for Federal Student Aid (FAFSA). You can complete the form online at <http://www.fafsa.ed.gov/index.htm>.

Don't get trapped by high prices at the campus bookstore. Consider purchasing your books online or from a previous student to get better deals. Always try to buy your book used if available.

Plan ahead. It is never too early to start saving for college or other education expenses.



#### **Entertainment :**

Consider visiting your local library. Aside from great books and magazines, many libraries now have DVDs and videos that you can take home to enjoy.

Try to say no when you really just cannot afford a night out. A night in with friends can be just as enjoyable.

When you go out, only take the money you will need plus a little extra for any emergencies. This will help you avoid overspending.

Most libraries sponsor free events for the community and also have bulletin boards announcing low-cost and free events around town.

Check out the weekend section of your newspaper. Concerts and other community events that are cheap (or even free!) are generally published each week.

You might consider getting involved in community events - visit a local elementary or high school for

their art shows, school plays, band concerts, or even sporting events. This could serve as an easy afternoon or evening of cheap entertainment.

If you have children, be aware that babysitting can often be one of the biggest expenses of a night out. Consider trading a night of babysitting with your friends who also have children.



**Food :**

Your grocery budget includes all money you spend on food. Dining out is part of your grocery budget. The first big and sometimes difficult grocery savings tip is to reduce eating out where possible.

When eating out, make an effort to save with discount restaurant coupons and certificates. You can get your discount restaurant certificates at <http://www.Restaurant.com>.

Try not to use prepared mixes. Increase grocery savings by making your own mixes. Cake, breads, muffins, pastries, pizza dough, pancakes, and waffles all come in a variety of prepackaged mixes.

Planning is an essential part of saving money in all areas of your household budget. Investing a little extra time in planning will help maximize grocery savings and reduce the food budget. Grocery savings can easily be increased by simply taking a few minutes to create a menu.

Stick to your grocery list. Create a list of items needed for your menu and buy only the items on your list.

Cut Coupons. Coupons are great if you use them correctly. Look for coupons for products you plan on purchasing already.

Keep track of the prices you pay for items that you buy more frequently. This way, you will know when you are truly purchasing the item "on sale."

By knowing exactly what you need before you enter the food store, you may be able to minimize convenience purchases that are typically more expensive. Also, you may be able to purchase items in larger quantities, which is generally less expensive.



**Gasoline :**

Try not to drive somewhere unless it is absolutely necessary. This can save you money in other areas of your budget as well. When you are at home, you avoid many consumer traps and are not as tempted to spend.

Shop around. Gas prices can vary between 10 and 15 cents around town.

Generally, it is not a good idea to use gas credit cards if you cannot pay the entire balance each month. Gas cards usually carry an even higher interest rate than major credit cards.

Try to drive steadily, since slowing down or speeding up can waste fuel. Also, avoid tailgating - the driver in front of you is unpredictable. Not only is it unsafe, but it affects your economy if he slows down unexpectedly.

Monitor the heating and cooling of your vehicle. Auto air conditioners can reduce fuel economy by 10% to 20%. Also, heater fans and power windows and seats increase engine load; the more load on your engine, the less miles per gallon.

Pay special attention to maintaining clean air filters. Diminished air flow increases the waste of gas. By doing so, you can improve mileage by up to 10%.

Carpool or make use of public transportation if possible. Or, if your destination is close by, consider walking or biking.



**Healthcare :**

It might be a good idea to buy the generic version of over-the-counter medicines, as these are generally less expensive. If your doctor approves, consider buying the generic version of prescription drugs too.

For planned surgeries or other hospital visits, ask if the procedure can be performed on an outpatient basis or on the day you are admitted to the hospital. Otherwise, try to arrange for your procedure to be early in the week, so you can avoid paying for a weekend in the hospital.

Make sure that your household receives the proper vaccinations, as this will help fight against unwanted doctors visits.

Many major drug companies currently have programs to give patients medications that they need but cannot pay for. Although the application must be submitted by your doctor, you can learn more by

visiting <http://www.pparx.org>.

The most painless way to avoid significant healthcare expenses is to simply stay healthy. Exercising regularly, eating properly, and engaging in other healthy habits will help minimize your time spent with the doctor.



**Household Expenses :**

Remodeling or making repairs on your house can be expensive. It is very important to get bids from several different contractors so that you can compare and choose your best option.

Consider doing small jobs by yourself. Painting and repairing are two examples of tasks that could be reasonable to take on yourself without spending a significant amount of money to hire someone.

Get ideas from home furnishing stores, such as IKEA or Pottery Barn, and then create them yourself for less. Try visiting discount stores for the items you will need.

Consider borrowing needed equipment, like a tractor or wheelbarrow, from your friends or neighbors. Or, try to split the cost on any machinery that must be rented.

Be careful not to sign a contract that requires full payment before the satisfactory completion of your home improvements.

Keep up with even the very small home maintenance tasks. Neglecting small repairs or putting them off until they get worse may lead to very large repairs and possibly even significant damage.

Consider landscaping with longer lasting and lower maintenance selections, such as mulch, drought tolerant perennials, or larger trees.



**Insurance :**

When choosing an insurance provider, be sure to shop around. Especially with car insurance, prices can vary by hundreds of dollars from company to company. Pick a provider that will offer you both excellent service and a fair price.

Consider raising your deductible. Although this may mean that you assume more risk, it will also save you money each time your policy is renewed.

Take advantage of discounts, particularly for car insurance. Examples include multiple car discounts, good student discounts, and discounts from passing defensive driving courses.

If you are driving less, let your insurer know. You may get a cheaper rate for driving under a specified number of miles per year.

Make sure that insurance claims get paid.

If you plan to buy universal life, whole life, or other cash value policies, be sure to hold them for at least 15 years. Otherwise, your life insurance costs can more than double if you cancel after only a few years.

Consider a low profile car. If your insurance costs are high or you are in the market for a new vehicle, you might check out the insurance rates on cars with a higher safety rating.



**Personal Care :**

Most of your favorite personal care products have generic or store brand alternatives. Consider switching to lower your personal care expenses.

For hair appointments, try visiting beauty schools or having a friend or family member cut your hair instead of paying more at a full priced salon.

Local discount stores often offer personal care items for less than you would pay elsewhere.

For the products you need, it might be a good idea to look for coupons or check the newspaper ads for specials.



**Transportation :**

Shop around. For long distance trips, remember that your options range anywhere from trains to airplanes. Fares can differ significantly depending on your method of travel and the company or provider you select.

Don't limit yourself to only one arrival or departure destination. You may be able to travel for less to or from a nearby location.

Take advantage of any special offers or memberships that you have when you are traveling.

Check online for great deals on last minute airfare.

Consider using a travel agent to help you find the best method of transportation. Agents can usually get great deals, and if you find something cheaper elsewhere, it may be possible to negotiate prices.



**Utilities :**

Whether it be laundry or dishes, always try to run a full load. Conserving energy on your appliances is a great way to lower your monthly bills.

Monitor your thermostat - it does not have to be set on the same temperature all day. Turning it down at night is great if you can remember, or you also might consider investing in a programmable thermostat.

Consider a front-loading washer. These washing machines use 7,000 less gallons of water a year and 50% less energy.

Keep other utility expenses to a minimum by not overspending on services that you do not need or will not use. For example, consider just purchasing basic cable instead of a more advanced package.

You might consider having an energy audit performed on your home by a local utility company. This will generate ideas for energy saving tips that are tailored specifically to your home.

Turn off your TV, computer, or stereo when you are not at home to save on electricity costs.

Set your hot water heater somewhere between 110 and 120 degrees. It is typically unnecessary to have it any higher, and this will help you save on energy expenses.

