

**Personal Financial Report**

**Client ID:** Barnes, Walt

**Financial Goals:** Buy a House and Reduce Debt

**Occupation:** Electrical installer

**Age:** 44

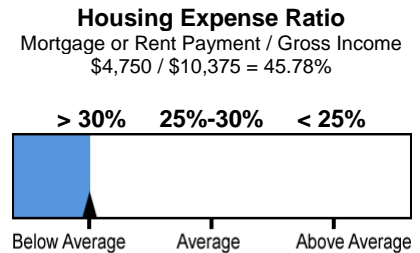
**Marital Status:** Single

**Location:** US VA

**INCOME & EXPENSES** ★★★★★

*Generally, how do my personal and household earnings look?*

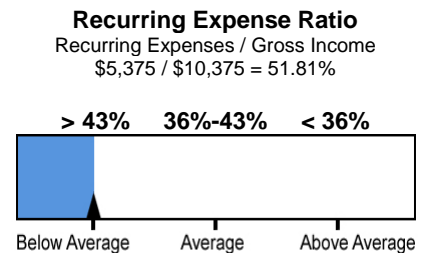
Overall, things look to be in decent shape for you. Compared to others in your profession and area of the country, you are doing quite well as far as salary goes, bringing in more than the average worker. While your expense ratios are a little out of line, the money that you are spending towards housing costs still might be a good investment for you. There may be some short-term risk in that your expenditures are a little out of whack here, but your overall big picture looks encouraging, so hopefully you can get things more in moderation over time.



**CASH FLOW** ★★★★★

*Is my household budget reasonable and how can I improve?*

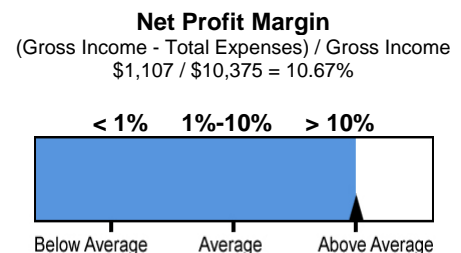
It doesn't look like you are performing well right now in the cash flow area. Still, there may be some possibility for improvement here, as you have kept spending fairly low, and have a nice portion of your income left over each month. Perhaps, over time, this discretionary income can help you build some emergency savings and strengthen your liquidity position. If you were to lose your income right now, you would not be able to survive for very long on the liquid resources you have available, so hopefully you can add more resiliency to your finances.



**WEALTH & SAVINGS** ★★★★★

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

It looks like things may be a little out of line for you right now. Given that your net worth is not in a good range for someone your age, it is good to see that you have not taken on a significant amount of debt. Still, for the resources that you have available, your short-term debts look pretty high. This may be detracting from your ability to save, as you might not have much income available after required payments. It would probably be a good idea to try to keep expenses low and build up your savings, since things generally seem to be a little weak in this area.



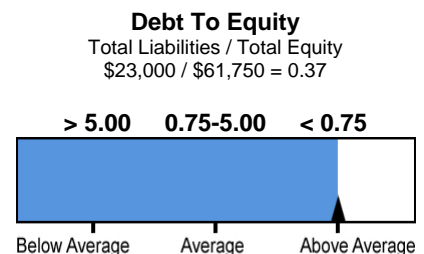
**INVESTING TIPS**

*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:

- **Large-cap funds:** These funds invest in companies with large market values, and are less volatile for investors who require a lower level of risk. For most investors, these funds are good as a long-term core



holding.

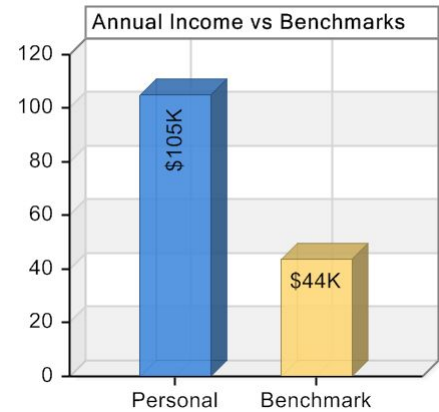
- **Mid-cap funds:** These funds invest in companies with medium-sized market values (\$1-\$8 billion). Mid-cap funds can exhibit more growth than large-cap, but will also have more volatility. They can be a good way to diversify holdings.

Generally, at this stage in life you want to select investments that are safe enough that your capital base will not be compromised, but that will provide you with a rate of return over the inflation rate.

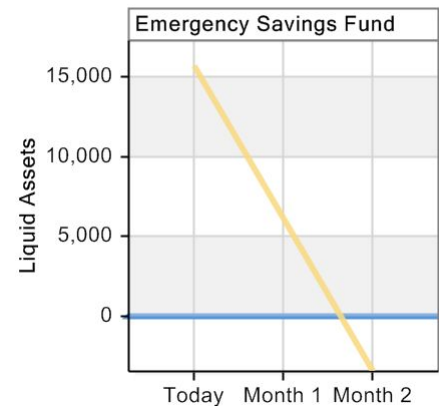
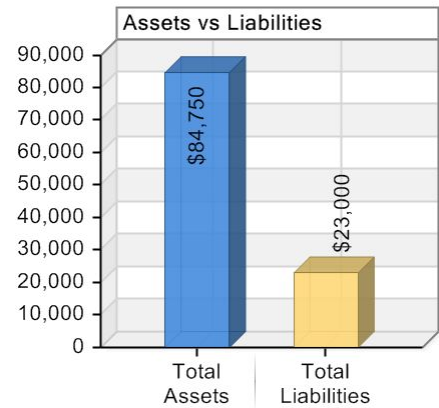
- You might consider investing in real estate. Generally, home investments are a good long-run investment as a hedge against inflation and a forced savings plan; that is, you can't spend away the amount of money in your mortgage payment.
- If you are an employee of a company, see if you can get automatic 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 basic financial checklist that you should review (this is not a complete list, but it is a good start):

- Do you have a valid will? Be sure that a licensed attorney has reviewed it.
- Is your life insurance policy appropriate for where you are in life? Many times, people don't take the time to be sure that they have adequate life insurance in place. When considering how much insurance you really need, keep in mind that estate taxes can be quite high.
- 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 to review 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.



\* Industry Benchmarks from US Bureau of Labor Statistics



## RAW DATA

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### Household Income (12/31/2006)

	Amount	Percent
Personal Gross Wages	\$8,750	84 %
<b>After-Tax Income</b>	<b>\$5,550</b>	<b>53 %</b>
Other Regular Income	\$1,500	14 %
Investment Income	\$125	1 %
<b>Total Gross Income</b>	<b>\$10,375</b>	<b>100 %</b>
<b>Total After-tax Income</b>	<b>\$9,632</b>	<b>93 %</b>

### Funds used for Housing and Recurring Debt Payments (12/31/2006)

	Amount	Percent
Credit Cards	\$300	6 %
Student Loans	\$325	6 %
Mortgages/Rent	\$4,750	88 %
<b>Sum of Recurring Debt Payments</b>	<b>\$5,375</b>	<b>100 %</b>
<b>Gross Profit</b>	<b>\$4,257</b>	

### Monthly Cash Flow Analysis (12/31/2006)

	Amount	** US Average	% Difference
Food	\$900	\$868	4%
Utilities	\$400	\$371	8%
Household Expenses	\$325	\$348	-7%
Apparel (clothing and services)	\$550	\$306	80%
Transportation	\$275	\$1,293	-79%
Gasoline	\$0	\$224	-100%
Healthcare	\$425	\$318	34%
Entertainment	\$200	\$393	-49%
Personal Care	\$175	\$99	76%
Education	\$750	\$181	316%
Insurance	\$225	\$75	199%
Other	\$0		
<b>Total Monthly Household Expenses</b>	<b>\$4,225</b>		
<b>Total Monthly Net Profit</b>	<b>\$32</b>		
Regular Retirement / Investment payments	\$1,075		
<b>Discretionary Income</b>	<b>\$1,107</b>		

\*\*Annual Household Gross Income between \$120,000 and \$149,999

### Assets (12/31/2006)

	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>

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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**Liabilities (12/31/2006)**

	<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.

Keep an eye out in newspapers and on TV for store sales, clearances, close-outs, etc. These are the same quality clothes that just need to be moved by the store for new incoming lines of clothing.

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.

Stick to clothing in basic styles, colors, and fabrics that you like. These items are much less likely to go out of style and can be worn for years.



#### **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.

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 just apply for the national scholarships - there may be plenty of opportunities in your hometown. Scholarships from local cultural, civic, or religious groups may be great possibilities.

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.

At some schools, you can pay less for taking classes at off hours. Although this may mean having early morning or Friday afternoon classes, it could help you save on school expenses.



#### **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.

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.

Some people eat meatless meals occasionally to save money. Adding variety to your menu can save money on groceries.

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.

Try to preserve fruits and vegetables while they are in season. They will be great for the winter when prices are a lot more expensive.

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."

Try to avoid grocery shopping when you are hungry. You are much more likely to overspend when

shopping on an empty stomach.



#### **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.

If you think you may be responsible for medical expenses that are not reimbursed by insurance, consider contributing to a Flexible Spending Account (FSA), if offered by your employer. Your contributions are not taxed, although you must be sure to spend all funds by the end of the year or else they will be returned to the employer.

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.

You might want to fill prescriptions through mail-order pharmacies, as their prices are typically cheaper. Although your prescriptions will not be filled as quickly, this still may be very beneficial for patients on medication for long-term diseases.

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

If you are required to be on a medication for a month or more, talk to your doctor about prescribing a bulk supply, as this may be available at a lower overall cost.

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.



#### **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.

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 generally in good health and not making frequent trips to the doctor, you might consider a high deductible healthcare plan.

Make sure that insurance claims get paid.

If the cost of your collision and comprehensive coverage on your insurance is more than 10% of the value of your car, you might consider dropping it.

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.

To do your research on potential insurance providers, you might check out the National Association of Insurance Commissioners website at <http://www.naic.org/cis>.



#### **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.

Females may try doing their own manicures and pedicures. Or, even better, ask a friend to help you out.

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

To keep personal care expenses lower, you might choose a hairstyle that lasts a while between haircuts and doesn't require a lot of styling products.



**Utilities :**

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.

Fix leaking faucets or running toilets immediately. A running toilet can use more than 8,000 gallons of water a year.

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.

Use fluorescent lights to replace greatly used incandescent bulbs. These bulbs will use one-third of the energy and also help keep your home cooler.

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

Turn off lights if you are not using them or when you leave the room. Not only will this save on electricity, but also on heating costs, as the heat that lights produce can make your air conditioning work even harder.

