

Financial Goal Outline

1- 3- and 5-year horizons




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Rules, Strategies, & Habits for Achieving Financial Freedom:

Savings/Spending:

- For items not categorized as obligations or needs, ask “Do I need it? If yes, why? Is there a more affordable substitute?”
- Each weekend, review spending & saving from the prior week to identify areas for improvement. Set spending and savings goals for the upcoming week and plan a weekly budget. Focus should be on minimizing wasteful spending.
- Strategies for reducing unnecessary spending:
 - Eat in as often as possible
 - Pack lunch for work
 - Limit use of debit card by leaving it at home 3 days per week and using a conservative amount of cash that day
- Expect and prepare for the unexpected: Strive to build and maintain an emergency fund
- Make a budget and stick to it

Debt:

- Strive to pay off debt with highest interest rates first
- Whenever possible, pay more than the minimum required payment on debt
- Credit cards:
 - If I can't afford it, I can't afford it - do not pay with a credit card if I cannot pay the balance in full when the payment is due (the ONLY exception is in case of emergency)
 - DO NOT carry a balance on credit card – pay the balance in full each period
 - If balance cannot be paid in full, the credit card debt will be top priority among other debt at the time (assuming it has the highest interest rate) and I will pay as much as possible towards the balance until it is paid off
 - Only keep one credit card – do not open additional credit cards to receive special offers
 - Do not pay off credit card with other credit lines

Investing:

- If working for an employer with a retirement match program, always contribute AT LEAST the maximum amount that the employer will match, but strive for more when possible
- Never cash out retirement early
- Make saving for retirement a priority starting NOW
- Understand my investments before I invest

Horizon: 1 Year

My 1-year horizon goals will focus on savings, specifically the accumulation of an emergency savings fund, and debt reduction. Other aspects of my financial goals will be developed further over a longer horizon.

Savings:

During the next one year, my savings goals will focus on building an Emergency Savings Fund.

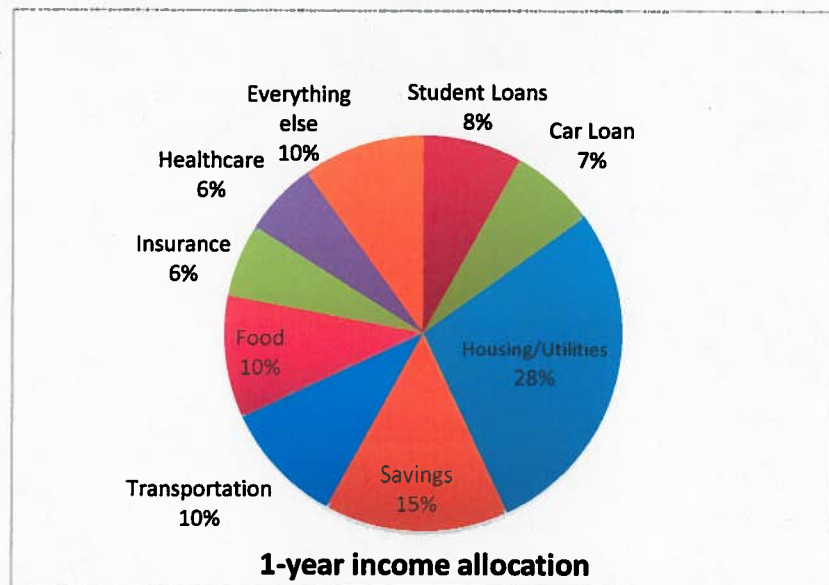
Goal 1: Begin Emergency Savings Fund

- Equivalent to 6 months of current after-tax salary at first job
 - Rate: 15% of each paycheck (after-tax)
 - Estimated time to meet goal: 40 months from start of year 1
 - Savings type: Cash
 - Account type: High yield savings account
 - Purpose: to provide protection and security in the event of job loss, injury, disaster, or other emergency
 - Allowable usage:
 - May only be used as last resort if:
 - out of work
 - in case of emergency when checking account cannot meet immediate needs
 - For essential expenses (i.e. rent, utilities, food, insurance, etc.) or emergency
 - If used for emergency while still working, replacement of used funds must be top priority

Goal 2: Manage spending to maximize saving

- Manage expenses by making a budget based on:
 - Obligations, Needs, & Wants, based on the following allocation:

Monthly Expenses	% of total
Obligations:	
Student Loans	8%
Car Loan	7%
Needs:	
Housing/Utilities	28%
Savings	15%
Transportation	10%
Food	10%
Retirement	6%
Healthcare	6%
Wants:	
Everything else	10%
Total	100%



- This allocation was calculated based on the projected after-tax income of the position I have accepted (to begin after graduation at the end of this semester), my current obligations, and a realistic but modest estimate of living expenses, or “Needs”. These percentages were developed to maximize savings while allowing for enough remaining income to meet my needs.
 - For the 1-year horizon, the “Everything else” category will include additional insurance coverage (such as life and disability, outlined later), entertainment, clothing, unforeseen expenses such as car repairs, credit card payments (outlined in more detail in the rules section on page 2), charitable donations, and any other expenses not included in the other categories.
- Additional rules and strategies will be utilized to manage spending based on the Rules, Strategies, & Habits listed on first page

Debt Reduction:

A major 1-year goal is to significantly reduce my debt by paying more than the minimum payment each month.

Goal 3: Reduce Student Loan Debt

- Reduce student debt by paying \$100 more towards the principle each time a payment is made (monthly)
 - Purpose: to reduce the amount of interest paid on student loans, which charge higher interest rates than my car loan
 - Affect: reduce the amount of total interest paid and pay off student loans more quickly than making minimum payments
 - Meanwhile, I will pay slightly more than the minimum payment on my car loan (5% more than the minimum), which has a lower interest rate than the student loans

Investing:

Goal 4: Retirement planning

- The position I am planning to accept upon graduation provides two retirement accounts that are contributed to solely by the company, based on my performance. With this system, I am not permitted to make my own contributions to the retirement accounts. When I begin working, I will open a retirement account, so I can have more control over my retirement savings.
 - Account type: Roth IRA
 - Savings amount: 6% of after-tax income

Protection:

Protection goals will provide a stable foundation for my financial plan for the long-term horizon. These measures, listed below, will be maintained and updated as necessary on a running basis.

Goal 5: Insurance

- Insurance will serve to protect my financial assets and my earning ability for myself, my husband and family

- Insurance type: Whole Life
- Cost: choose coverage based upon available disposable income
- Purpose: Protection for my family in case of my death; build equity in policy to serve as additional savings if needed (this will not replace other savings plans, but merely serve as an additional safety net)
- Insurance type: Disability
- Cost: choose coverage based upon available disposable income
- Purpose: Protection incase my ability to earn an income is lost or reduced

Horizon: 3 year

My 3-year savings goals will focus on saving the remainder of my emergency savings fund and paying off the remaining balance on my car loan. All other aspects of the plan from my 1-year horizon will remain the same, such as Investing and Protection.

Savings:

My savings goals over a 3-year horizon are very similar to those of the 1-year horizon. I will achieve my savings goal within my emergency savings fund and continue to manage spending to maximize savings, as outlined below:

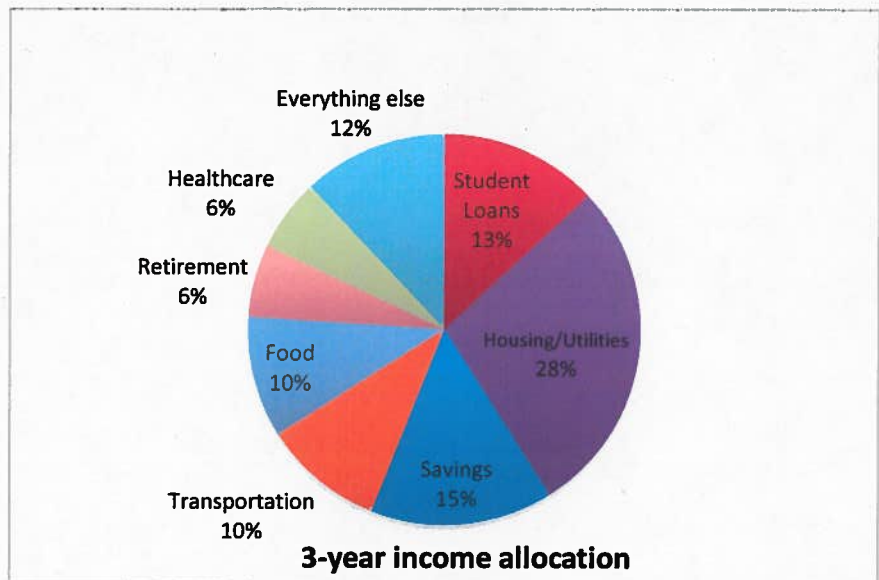
Goal 1: Continue toward Emergency Savings Fund Goal

- Equivalent to 6 months of current after-tax salary
 - Rate: 15% of each paycheck (after-tax)
 - Estimated time to meet goal: 4 months remaining at end of year 3
 - Details: Same as details in 1-year horizon

Goal 2: Manage spending to maximize saving

- Manage expenses by making a budget based on:
 - Obligations, Needs, & Wants, based on the following allocation (after car loan is paid off in year 3):

Monthly Expenses	% of total
Obligations:	
Student Loans	13%
Needs:	
Housing/Utilities	28%
Savings	15%
Transportation	10%
Food	10%
Retirement	6%
Healthcare	6%
Wants:	
Everything else	12%
Total	100%



- After paying off my car loan in year 3, I will adjust my budget by increasing my payments on my student loan by 5% of my income (from 8% to 13%) and I will increase my disposable income in the “Everything else” category by 2% of my income to allow for more the possibility of increasing my investment in insurance protection, charitable donations, or other “wants”.

Debt Reduction:

A major 3-year goal is to pay my car loan in full and continue reducing my student loan debt by paying more than the minimum payment each month.

Goal 3: Pay off car loan & increase payments on student loan

- By paying the minimum required payment plus 5% on my car loan each month, my loan will be paid in full by the beginning of year 3.
 - The income that had been going towards the debt of the car loan will be distributed to increase payments towards the principle of my student loans, savings and “wants” as outlined above.

Horizon: 5 year

My 5-year savings goals will focus on saving for a down payment on a house, after my Emergency Savings Fund goal has been met. All other aspects of the plan from my 1-year horizon will remain the same, such as Investing and Protection.

Savings:

My savings goal over a 5-year horizon is to achieve my target savings of 6 months of my after-tax salary, and to begin saving toward the down payment on a house.

Goal 1: Achieve Emergency Savings Fund Goal

- Goal achieved in second month of year 4.
- All details are the same shown in previous, shorter horizons.

Goal 2: Save down payment for house

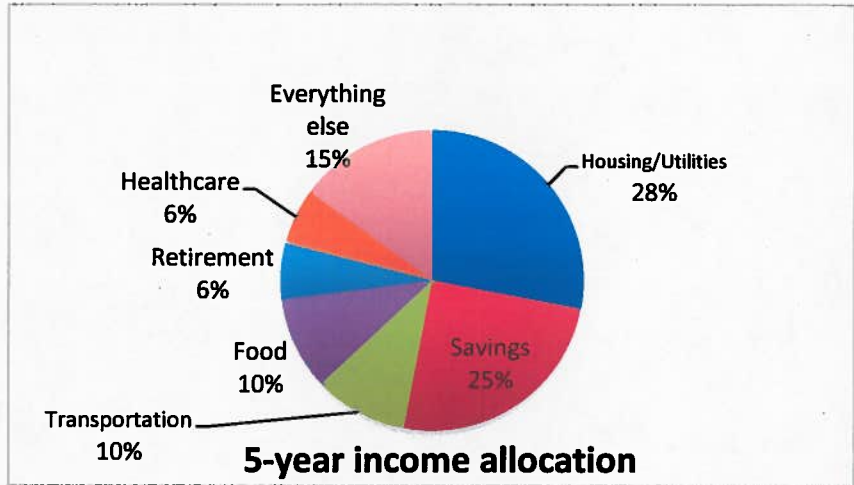
- Upon achieving my emergency savings fund goal, I will analyze my income and expense level at the time and determine the price, down payment and monthly payments I can afford for a mortgage. Using the Monthly Expenses budget shown in the previous horizons, I will determine what I can afford based on the percentage of my income allocated towards Housing/Utility expenses. This will determine the target amount of my savings for a down payment on a house.
 - Target Amount: 20% of total price of house in my price range
 - Savings Rate: 15% of after-tax income
 - Account Type: Certificate of Deposit with appropriate maturity depending on when invested
 - Between investment in CDs, savings will be accumulated in high-yield savings account

- Details: Upon repayment of my student loans, I will increase my savings rate to 25% in order to attain my goal more quickly.

Goal 2: Manage spending to maximize saving

- Manage expenses by making a budget based on:
 - Obligations, Needs, & Wants, based on the following allocation (after student loans are paid in full):

Monthly Expenses	% of total
Needs:	
Housing/Utilities	28%
Savings	25%
Transportation	10%
Food	10%
Retirement	6%
Healthcare	6%
Wants:	
Everything else	15%
Total	100%



- After paying off my student loans, (for which I was unable to calculate a date based on my plan due to insufficient information of how the various loans will consolidate) I will increase my savings rate to 25% of my total after-tax income. By increasing savings so significantly and continuing to tightly manage other expenses, I will reach my goal of savings a down payment for a house more quickly. A small increase (3% of my after-tax income) will be applied to the "Everything else" category. As before, the "Everything else" category will include additional insurance coverage (such as life and disability, outlined in the year 1 horizon), entertainment, clothing, unforeseen expenses such as car repairs, credit card payments (outlined in the rules section on page 2), charitable donations, and any other expenses not included in the other categories.

Debt Reduction:

Over the next 5 years, I will significantly reduce my debt by paying more than the minimum payment each month.

Goal 3: Reduce Student Loan Debt

- Reduce student debt by paying \$100 more towards the principle each time a payment is made (monthly)
 - Estimated time to meet goal: I was unable to calculate the expected final payment date for my student loans at this time. Because I have various loans from different sources with different interest rates, I was not able to determine a final payment date because I do not know the rates I will be charged after the loans are consolidated. I have included this goal in the 5-year horizon in order to be prepared with a plan in the instance that I am able to pay off the loans within this horizon.

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