

2013 begins a year that I implement steps
to achieve my financial goals

Personal Financial Plan

A comprehensive outline of
my goals

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I. Personal Financial Plan Outline

A. Personal goals

1. Short-term: Goals for the current year
2. Intermediate: Goals for next year
3. Long-term: Goals for 5 years and beyond

B. Monetary needs to attain my goals

C. Financial Risk Protection

D. Accumulating Wealth

II. Short-term Goals (Begin this year, 2013)

A. Education

1. I propose to put this financial plan into action immediately following my graduation from the University of Pittsburgh, College of Business Administration: Class of 2013.

2. I aspire to obtain the 'Chartered Financial Analyst' (CFA®) qualification, which required the passing of 3 six-hour exams. Each test is spaced out over roughly 6 month periods. The completion of all 3 levels and obtainment of the qualification takes, on average, 4 years to get through.¹ I have scheduled to take the first of the tests, Level One, this December. I believe that becoming a charterholder will allow me to differentiate myself as a candidate for employment in my future endeavors.

B. Career

1. I plan to obtain a starting career in the investment banking industry. This will allow me to build wealth in order to meet my life-long financial needs and goals.

C. Financial

1. The total estimated cost of acquiring the CFA designation will be \$2,300. I will be putting this expense on my credit card that currently has a zero balance. The annual percentage rate I am charged for this card is 22%. I opened this card in an effort to establish credit as I did not have any credit at all. Unfortunately, I do realize this card carries a high APR, but I have used it for small necessities each month and have paid the total balance off at the end of each month so as to not incur the interest expense from carrying balances. Ideally I would like to have this credit card paid off in 1 year. According to the loan payment schedule (see appendix), in order for me to do so, I will have to make a monthly payment of \$215.27. I will incur a total interest expense on this loan of \$283.20.

2. Begin to pay off my student loan debt. Fortunately, I have been working full-time throughout my college career and paying down student loan debts as they incurred. In my opinion, this has given me the financial flexibility I desire in order to take on other investment driven obligations. The approaching summer semester will be my last in order to fulfill a Bachelor's of Science Degree in Finance. I will need to borrow federally supported aid for this semester. I plan to begin payment on this \$6,500 loan immediately following employment hire. In order to pay this loan off in 2 years at a 6% interest rate I will need to make monthly payments of \$288. It is important for me to pay down this debt as quickly as I can so as to not incur interest expense that could be avoided. This will be my second highest interest rate loan and therefore will be my second priority. After paying off my credit card, I will have room to pay more than the minimum payment. I also feel it is necessary to make the agreed upon payments without delinquency in order to establish good credit for my future borrowing needs.

3. Establish a 401K retirement account with my employer. I currently have a Roth IRA which has been vested for the past 6 years. My former employer matched my payroll deducted contributions. I will roll this over if my new employer permits. If that is not an option I will continue to invest my current accumulations in a tax-deferred no load index fund.

III. Intermediate Goals (1 year, beginning in 2014)

A. Education

1. Begin Master's Degree Program. I am currently exploring 2 options of University offered Master's Degree Program I tentatively plan on beginning courses in the fall of 2014

a) *My First choice is to attend the Joseph M. Katz Graduate School of Business at the University of Pittsburgh. I would enroll part-time to obtain an MBA Degree. The estimated cost of part-time attendance to complete the program is \$58,407.²*

b) *My second choice is to attend Carnegie Mellon University. My area of interest is in the Master of Science in Computational Finance Degree (MSCF). The estimated cost of part-time attendance to complete the program is \$47,924.³*

2. Complete and pass the CFA Level II exam

B. Financial

1. Begin to pay on student loan debt incurred from entering into a Master's degree if not employer sponsored. The purpose of beginning a career before attending graduate school is in hopes that the employer will cover tuition costs. The substantial costs in the \$100,000 range, after interest is applied, would greatly dampen my ability to save or invest if paid from my own pocket.
2. Establish a savings with the goal of ownership in investment vehicles
3. Establish a savings for my wedding
4. Establish a savings for home purchase
5. Establish a savings for further college education expense (if needed)

IV. Long-Term Goals (5 years and beyond, beginning in 2015)

A. Education

1. Complete and pass the CFA Level III Exam

B. Career

1. It is my personal goal in 5 years to have leveraged my current position and through my educational accomplishments receive a promotion. An increased income will allow me to contribute more to my 401K retirement plan and also any investment vehicles in my portfolio.

C. Financial

1. Purchase a home. My goal is to have saved enough in the past 5 years to be able to afford a down payment and closing costs associated with a home purchase. I will also be faced with the decision of an adjustable rate mortgage or a fixed rate mortgage.

2. Purchase new car. By 2018 my currently owned vehicle will be 10 years old. I will likely be in the market to purchase a slightly used vehicle in this year. Considering costs of inflation, the price of a close to new family sedan will most likely have a price tag of \$50,000. I have estimated that my 60 month auto loan on a \$50,000 vehicle at an average loan rate of 5% will be a monthly expenditure of \$944.⁵

V. Financial Risk Protection

A. Insurance

1. In order to protect my income I will need to budget for insurance protections. I plan to purchase a life insurance policy to benefit my family members who may suffer financially in the case of my death. Options I have are Term Life, Whole Life, Universal Life or Variable Life. If not included in my work benefits, I will also need to invest in a personal health insurance plan as well. According to an article on Forbes.com, Obamacare will provide universal healthcare to U.S. citizens with greater comprehensive coverage, but this will force them to pay higher costs for the plans.⁶

2. To protect my assets I will also need to budget for insurance protections such as home owner's insurance and car insurance.

VI. Accumulating Wealth

A. Investments

1. Retirement

a) *I will continue to make annual contributions to my Roth IRA which will allow me to withdraw the funds at age 59 1/2 tax free. I currently have \$20,000 accumulated in my Roth IRA. If I assume that I will fall into the 28% tax bracket, my annual after-tax deposit amount will be \$3,000 with a required return of 6% in 32 years when I am 59 1/2 years old I will have accumulated \$349,244.⁷ I hope to be able to greatly increase the current contribution when I make a higher income so that this amount will be much greater after the consideration of higher contributions and more compounding.*

2. Diversified Portfolio

a) *I plan to set up a portfolio of securities that will accumulate wealth for myself and my family in the present as well as in the future. When I accumulate enough to make such purchases I will seek such investment vehicles as money market securities, growth stocks and fixed-income securities.*

3. Child's College Fund

a) A great new plan to fund my future children's college education can be implemented early so that it can generate a compounded return. The 529 Plan operated by a state or educational institution allows investors to set up specific mutual funds or similar investments. Qualified withdrawals are free of Federal tax. There are also state-tax deductions on qualified contributions as well.⁴

Appendix

Loan Amortization Schedule

Enter values	
Loan amount	\$ 2,300.00
Annual interest rate	22.00 %
Loan period in years	1
Number of payments per year	12
Start date of loan	5/11/2013
Optional extra payments	\$ -

Loan summary	
Scheduled payment	\$ 216.27
Scheduled number of payments	12
Actual number of payments	12
Total early payments	\$ -
Total interest	\$ 283.20

Lender name:

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	6/11/2013	\$ 2,300.00	\$ 215.27	\$ -	\$ 215.27	\$ 173.10	\$ 42.17	\$ 2,126.90	\$ 42.17
2	7/11/2013	2,126.90	215.27	-	215.27	176.27	38.99	1,950.63	81.16
3	8/11/2013	1,950.63	215.27	-	215.27	179.51	35.76	1,771.12	116.92
4	9/11/2013	1,771.12	215.27	-	215.27	182.80	32.47	1,588.32	149.39
5	10/11/2013	1,588.32	215.27	-	215.27	186.15	29.12	1,402.18	178.51
6	11/11/2013	1,402.18	215.27	-	215.27	189.56	25.71	1,212.62	204.22
7	12/11/2013	1,212.62	215.27	-	215.27	193.04	22.23	1,019.58	226.45
8	1/11/2014	1,019.58	215.27	-	215.27	196.57	18.69	823.00	245.14
9	2/11/2014	823.00	215.27	-	215.27	200.18	15.09	622.83	260.23
10	3/11/2014	622.83	215.27	-	215.27	203.85	11.42	418.98	271.65
11	4/11/2014	418.98	215.27	-	215.27	207.59	7.68	211.39	279.33
12	5/11/2014	211.39	215.27	-	211.39	207.52	3.88	0.00	283.20

Personal Budget

	Month	Year
Total expenses	\$1,403	\$16,836
Expenses		
Transportation		
Gas/fuel	\$100	\$1,200
Insurance	\$100	\$1,200
Total	\$200	\$2,400
Health		
Insurance	\$200	\$2,400
Life insurance	\$50	\$600
Total	\$250	\$3,000
Savings	\$200	
Financial obligations		
Retirement (401k, Roth IRA)	\$250	\$3,000
Credit card payments	\$215	\$2,580
Other obligations	\$288	\$3,456
Total	\$753	\$9,036

Projected Monthly/Yearly Expenses for 2013
(not including daily living expense or leisures)

Personal Budget

	Monthly	Yearly
Total expenses	\$5,094	\$61,128
Expenses		
Home		
Mortgage/rent	\$2,600	\$31,200
Homeowners Insurance	\$100	\$1,200
Total	\$2,700	\$32,400
Transportation		
Gas/fuel	\$100	\$1,200
Insurance	\$100	\$1,200
Total	\$200	\$2,400
Health		
Insurance	\$200	\$2,400
Life insurance	\$50	\$600
Total	\$250	\$3,000
Financial obligations		
Long term savings	\$500	\$6,000
Retirement (401k, Roth IRA)	\$500	\$6,000
Credit card payments		\$0
Car Payment	\$944	\$11,328
Total	\$1,944	\$23,328

Projected Monthly/Yearly Expenses for 2015
(not including daily living expense or leisures)
Assumes credit card and student loan debt have been satisfied. Mortgage: \$500,000. 10% down, 30 year at 5.7% fixed rate

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