



# Financial Check-Up

for

**SAMPLE A**  
**SAMPLE B**

Prepared by  
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**CLEAR VIEW WEALTH ADVISORS, LLC**  
Plan Well. Invest Smart. Live Better.

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## Financial Roadmap Summary

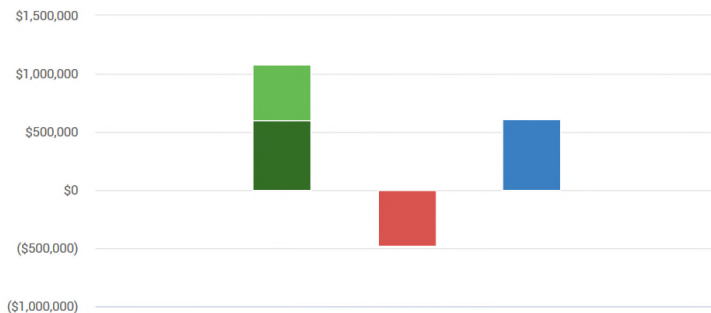
Prepared for: SAMPLE A and SAMPLE B

### Where We Are Now

#### Balance Sheet

This is your Net Worth Statement as of 03/05/2020. Your Net Worth is the difference between what you own (your Assets) and what you owe (your Liabilities). To get an accurate Net Worth statement, make certain all of your Assets and Liabilities are entered.

Summary [Detail](#)



[Hide Category Details](#)

<b>Investment Assets</b>	\$476,741
Employer Retirement Plans	\$165,419
Individual Retirement Accounts	\$283,121
Taxable and/or Tax-Free Accounts	\$28,201
<b>Other Assets</b>	\$605,000
Home and Personal Assets	\$605,000
<b>Total Assets</b>	\$1,081,741
<b>Liabilities</b>	(\$476,151)
Personal Real Estate Loan	\$451,251
Other Personal Debt	\$24,900
<b>Net Worth</b>	\$605,590

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### Risk Capacity Scoring Questions

Capacity Question: Do You Have ...	Yes (1)	No (0)
A Positive Net Worth?	Yes – 1	
Emergency Fund = 4 to 5 months of living expenses?	Yes – 1	
Savings Ratio = 10% of Annual Gross Income		No – 0
Adequate Life Insurance in place and funded?		No – 0
Current Ratio = or > 1.00 and Debt Ratio < 0.39	Yes – 1	
<b>TOTAL SCORE (Total 1 – 5)</b>	3	
Risk-capacity scores are: 1 = LOW; 2 = BELOW AVERAGE; 3 = AVERAGE/MODERATE; 4 = ABOVE AVERAGE/Very Good; 5 = HIGH		0

### Risk Tolerance and Personal Risk Number

	Personal Risk Number	Actual Portfolio Risk Number
Client A	To Be Determined	24 out of 99
Spouse -B	To Be Determined	N/A

### Budget – Annual Lifestyle Expenses

#### First Step Cashflow Summary - Current

Based on Estimated Net Income  
(after Tax): \$118,475/year

\$9,873/mo.

After Tax  
Targets

Needs/Static Expenses (includes tax debt, credit card min pymnts, medical ins & copays, rent, utilities, student loans)	\$6,100/mo.	62%	50%
Discretionary/Control Expenses	\$3,482/mo.	estimated at 35%	30%
Savings/Dynamic Savings (includes SEP IRA contributions)	\$291/mo.	3%	20%

Remaining for Use

\$ TBD

### Income Sources – Projected TY2019

Schedule C Net Income: \$162,209

**Net Income estimated at \$118,475**

### Effective Tax Rate

Federal effective tax rate estimated at 21.75% / State effective tax rate estimated at 5.2%

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## Retirement Success Rate - MoneyGuide

✓ You have a simple question: "Can I fund all my goals without running out of money?"

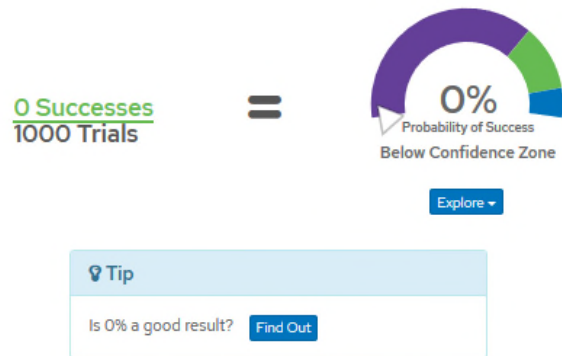
### Current Scenario

Unfortunately, because no one knows what the future returns will be, there's not a simple Yes or No answer.

That's why we run 1000 Trials of your plan using 1000 different return possibilities to calculate the probability your plan will be successful.

#### Current – Option A

- Assumes Current situation



You have adequate time to change your savings and investment plans which will improve the probability of success for your retirement plan.

Risk Management

	Client	Spouse/Partner
Estate Documents Current	No	No
Life Insurance – Need vs Total Benefit	Need (\$2.5M to replace 30 years of income, outstanding loans, and projected education expenses; minimum coverage at \$1.5M to replace 30 years of income)	Need (\$2.5M to replace 30 years of income, outstanding loans, and projected education expenses; minimum coverage at \$1.5M to replace 30 years of income)
Disability Benefit Coverage per month	No – Needed	No – Needed
Social Security Benefit	Estimated at \$38,585/year beginning at age 67 (full retirement age)	Estimated at \$19,292/year beginning at age 67 (full retirement age)
Long-Term Care Daily Benefit	None	None
Umbrella Insurance Coverage	TBD	TBD

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Review Item	Recommendation & Action Required
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- **Tax Liability**

- TY2019 and TY2020 income is projected to be \$162,209 each year
- Federal tax liability is estimated at \$35,258 and state liability is estimated at \$8,435
- Set up an online account for your federal taxes (<https://www.eftps.gov/eftps/>) and target \$1,000 per quarter for estimated taxes
- Set up an online account for MA DOR (<https://www.mass.gov/how-to/create-your-masstaxconnect-individual-account>) and target \$500 per quarter for estimated taxes
- Goal is to set aside 25% of receipts for potential tax liability (less the amounts paid in for estimated taxes) – 20% for federal and 5% for state
- Set aside these funds in a separate bank account to be used to make additional estimated tax payments

- **Investments**

- Reallocate your investments beyond a single stock holding
- See page 9 of 2020 Check-Up Assessment – 2020 WealthCare Tune-Up Report or Investment Options for Savings & IRA Report
- For simplicity of use, I recommend replacing individual stock position with Vanguard Balanced Index Fund (Admiral share class if at least \$10,000 or Investor share class if at least \$3,000)
- Set up automatic monthly investment for your SEP IRA, regular IRA, and additional savings
- Target goal for investments (including savings and prepayment of principal on loans and credit cards) is 20% (after-tax)

- **Education Funding**

- See College Calculator Reports for more details
- Estimates assume 4-year in-state college at cost of \$31,28/year
- Each student is assumed to be responsible for 30% of costs (earnings and loans)
- To adequately fund the projected gap, a 529 Savings Plan (like [www.NYSaves.org](http://www.NYSaves.org) in a target date fund) can be opened with

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estimated contributions of \$525 per month for Child 1 and \$412 per month for Child 2

- If possible, consider having a grandparent sponsor and open the account; assets not held in the name of a parent or student will not be counted as part of the Expected Family Contribution and financial aid formulas

- **Insurance – Life**

- Life: You need term life insurance to replace income and cover capital needs to pay for student loans and future education needs - \$2.5M each for 30-year term insurance; minimum level is \$1.5M each

- **Insurance - Auto**

- Auto: Review coverage with agent to increase policy coverage limits
  - The following limits are recommended for changes to auto coverage to coordinate with typical umbrella policies:
    - Part 3: \$250k/\$500k
    - Part 4: \$200K
    - Part 5: \$250k/\$500k
    - Part 12: \$250k/\$500k

- **Insurance – Umbrella**

- Coordinate with your P&C Insurance Agent to arrange for an umbrella liability insurance policy
- See <https://www.kiplinger.com/tool/insurance/T028-S002-how-much-umbrella-insurance-do-i-need/index.php>

- **Insurance – Disability**

- Because you are both self-employed and do not have an adequate cash reserve, you need to add long-term disability insurance coverage
- There may be options available through your professional memberships or Bar Association

- **Cash Reserves**

- Target cash reserves to cover at least three months of fixed overhead (i.e. mortgage, auto, utilities, healthcare) plus childcare and groceries; this is estimated at \$21,000 but a preferable amount is equal to six-months of overhead or \$42,000
- Reserve funds should be in near-cash type accounts like a money market or ultra-short-term bond fund
- Consider higher yield money market options offered through [www.BankRate.com](http://www.BankRate.com) and link to your preferred local bank

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- **Cash Flow and Liabilities:**

- See First Step Cash Flow Summary above
- Target 20% of net cash flow for savings which includes:
  - Funding emergency reserves
  - Prepayment of loans and credit card debts above the minimum payments
  - Funding SEP, Roth, and Traditional IRAs
- Aggressively prepay credit card balances using a “snowball approach” (see <https://www.creditkarma.com/advice/i/what-is-the-snowball-method/>)

- **Mortgage Finance**

- See page 13 of 2020 WealthCare Tune-Up
- You have indicated that your goal is to purchase your home that you are presently leasing (\$2,500 per month). Assuming that you are able to purchase the property at \$500,000, you will need at least 10% as a down payment (\$50,000) for a conventional loan of \$450,000 with mortgage insurance or \$485,000 with some sort of low-down payment FHA loan option (3%).
- Assuming a FHA or similar option for a mortgage balance of \$485,000 at 4.5% for a 30-year fixed term loan, you can expect the following housing costs:
  - Mortgage P&I @ 4.5% @ \$485,000 = \$2,457/month
  - Taxes @ \$8,000/year = \$667/month
  - Insurance @ \$1,200/year = \$100/month
  - Mortgage Insurance @ 0.85% of loan = \$344/month
  - Total Housing Costs = \$3,568/month
  - Income needed to qualify = 2-year average of Schedule C net profit TY2019 and TY2018 estimated net profit average = \$151,105 or \$12,592/month
  - Housing Debt Ratio (97% LTV) estimated at 28%
  - Total Debt Ratio (97% LTV + student loans) estimated at \$5,800/month divided by \$12,592/month income = 46%
  - NOTE: The maximum total debt-to-income ratio for low-down payment FHA loans is 43%
  - To qualify for a loan, any of the following options should be considered:
    - 1.) Lower purchase price (closer to \$450,000)
    - 2.) Higher down payment (target 10% instead of 5%)
    - 3.) Higher average income (this will depend on TY2019 and 2020 net profit)

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- 4.) Lower debts by aggressively prepaying credit cards or restructuring fixed payments on student loans
  - To review mortgage finance options contact:
- **Estate Plan**
  - Check IRA and 401(k) and life insurance beneficiary listings
  - Update estate plan documents
  - Items Needed
    - Durable Power of Attorney
    - Health Care Proxy
    - Will
    - Revocable Living Trust will help avoid cost and time of probate while also providing added privacy
    - Consider Estate Plan Navigator Joint Trust Package (\$650 + recording fees and advisor implementation)
    - Call 617-398-7494 for more details
- **Retirement**
  - Increase retirement savings contributions for each of you
  - Target \$5,000 for SEP IRA and/or Roth IRA for each of you – total represents 6% of net Schedule C income
  - If not using SEP IRA for Chris, then open and fund spousal Roth IRA in 2020 and 2021 for at least \$5,000 each year
    - [www.Betterment.com](http://www.Betterment.com) or
    - <https://clients.betterment.com/clear-view-wealth-advisors/app/login>