

Tom & Jennifer Investor

Money Management Plan Part I: Investment Goal Analysis

Investment Planning

January 1

2010

Investor's current and projected Budget (Income – Expenses = Savings), Assets, Liabilities, Personal Cash Flows, Balance Sheets, and Net Worth Investment Goal Analyses over selected analysis periods using the investor's actual and projected sources and uses of funds and the advisor's actual and projected capital growth rates, interest rates, and inflation rates to define, modify, and manage the investing task at hand; *a walk in the park, a bump in the road, or climb Mt. Everest.*

Investor's CalcStation

The Past Is Not a Plan For the Future

Replace pie chart, graph, data dump, and default infested investment plans that suggest — contrary to fact and law — that past performance is, in fact, an indicator of future investing results, in the mistaken belief that investing hindsight is investing insight and investing foresight.

Cash Flows & Projections

The better the input, the better the projection, the better the decisions, and the better the chances are of achieving and investing objective.

It is essential for investment advisors and individual investors to be able to track a budget and blocks of capital and their specific and unique income and capital growth components over an analysis period to arrive at responsible income/capital accumulation projections.

For example, and to the extreme to make the point, start with \$100,000 cash @ money market @ 2%, use cash @ money market to buy ABC mutual fund **which** is projected to grow @ 7%, **which** has actual growth 5%. Sell a portion of the mutual fund and, with proceeds from the sale of land, buy rental property for \$450,000, **which** is projected to appreciate @ 5%, **which** is projected to generate \$45,000 annual income, **which** is projected to grow @ a rate of 7%, **which** projected income and value will have to be reconciled to actual income and value @ various times during the analysis period, **which** is projected to be sold for \$500,000 in year 10, **which** is actually sold for \$600,000 in year ten, **which** the proceeds are used to buy municipal bonds in year ten, **which** are projected to be held for 15 years, and **which** are projected to yield @ a tax-free rate of 3%, which actually yield @ a tax-free rate 4% and which actually are held for 12 years.



Budget - Income

Description	Amount	Start	End	Infl %
Business Income	18,000	5	20	10.00
Income - Bob	165,000	1	20	3.00
Income, Part Time - Sandy	45,000	1	20	4.00
Income - Beach House	36,480	1	20	5.00
Income- Investment Portfolio	40,410	1	20	3.00
Distr- IRA - Sandy	4,000	11	20	0.00
Distr- IRA - Bob	4,000	11	20	0.00
Sale - Municipal Bonds	560,000	9	9	0.00
Income- Municipal Bonds	11,000	1	9	0.00
Income - Corporate Bonds	42,000	9	0	0.00



Budget - Expenses

Description	Amount	Start	End	Infl %
College - Judy	35,000	5	9	5.00
Taxes - Property	16,300	1	20	4.00
Charitable Contributions	28,888	1	20	4.00
Auto Operating & Maintenance	9,600	1	20	3.00
Taxes - Bob	37,500	1	20	3.00
Taxes - Sandy	8,000	1	20	4.00
Golf - Bob & Sandy	24,000	1	20	0.00
Clothing - Personal	15,000	1	20	5.00
Property Improvements & Upkeep	8,000	1	20	6.00
Entertainment & Vacations	28,000	1	20	2.00
Insurance - Medical	3,600	1	20	8.00
Insurance, Life - Bob	5,220	1	20	0.00
Insurance, Life - Sandy	4,272	1	20	0.00
Insurance - Auto	4,140	1	20	3.00
Insurance - Home	3,600	1	20	0.00
Taxes - Property	8,300	1	20	3.00
Food - Household	24,000	1	20	5.00
Utilities & Telephone	10,200	1	0	5.00
Allowance - Judy	5,200	1	10	0.00
Pmts for Liability - Home	30,000	1	15	0.00
Pmts for Liability - Business	40,000	5	9	0.00
Pmts for Liability - Beach	43,200	5	5	0.00
Contr- IRA - Sandy	2,000	1	10	0.00
Contr- 401K - Bob	10,000	1	10	5.00
Capital - Business	50,000	5	8	0.00
Improvements - Home	10,000	12	20	0.00
Contr- IRA - Bob	2,000	1	10	0.00
Purchase - Corporate Bonds	600,000	9	9	0.00
Pmts for Master Card	18,000	1	20	0.00
Pmts for American Express	1,000	1	20	0.00
Gift Stanford	325,000	10	10	0.00



Assets

Description	Value	Start	End	Growth %
Home	875,000	1	0	2.00
Business	340,000	5	0	10.00
Beach House	456,000	1	0	7.00
Investment Portfolio	1,347,000	1	0	4.00
IRA - Bob	287,000	1	0	4.00
IRA - Sandy	138,000	1	0	4.00
Contr- IRA - Sandy	2,000	1	0	4.00
Contr- IRA - Sandy	2,000	2	0	4.00
Contr- IRA - Sandy	2,000	3	0	4.00
Contr- IRA - Sandy	2,000	4	0	4.00
Contr- IRA - Sandy	2,000	5	0	4.00
Contr- IRA - Sandy	2,000	6	0	4.00
Contr- IRA - Sandy	2,000	7	0	4.00
Contr- IRA - Sandy	2,000	8	0	4.00
Contr- IRA - Sandy	2,000	9	0	4.00
Contr- IRA - Sandy	2,000	10	0	4.00
Distr- IRA - Sandy	(4,000)	11	0	0.00
Distr- IRA - Sandy	(4,000)	12	0	0.00
Distr- IRA - Sandy	(4,000)	13	0	0.00
Distr- IRA - Sandy	(4,000)	14	0	0.00
Distr- IRA - Sandy	(4,000)	15	0	0.00
Distr- IRA - Sandy	(4,000)	16	0	0.00
Distr- IRA - Sandy	(4,000)	17	0	0.00
Distr- IRA - Sandy	(4,000)	18	0	0.00
Distr- IRA - Sandy	(4,000)	19	0	0.00
Distr- IRA - Sandy	(4,000)	20	0	0.00
Contr- IRA - Bob	2,000	1	10	4.00
Contr- IRA - Bob	2,000	2	10	4.00
Contr- IRA - Bob	2,000	3	10	4.00
Contr- IRA - Bob	2,000	4	10	4.00
Contr- IRA - Bob	2,000	5	10	4.00
Contr- IRA - Bob	2,000	6	10	4.00
Contr- IRA - Bob	2,000	7	10	4.00
Contr- IRA - Bob	2,000	8	10	4.00
Contr- IRA - Bob	2,000	9	10	4.00
Contr- IRA - Bob	2,000	10	10	4.00
Distr- IRA - Bob	(4,000)	11	20	0.00
Distr- IRA - Bob	(4,000)	12	20	0.00
Distr- IRA - Bob	(4,000)	13	20	0.00
Distr- IRA - Bob	(4,000)	14	20	0.00
Distr- IRA - Bob	(4,000)	15	20	0.00
Distr- IRA - Bob	(4,000)	16	20	0.00
Distr- IRA - Bob	(4,000)	17	20	0.00
Distr- IRA - Bob	(4,000)	18	20	0.00



Assets

Description	Value	Start	End	Growth %
Distr- IRA - Bob	(4,000)	19	20	0.00
Distr- IRA - Bob	(4,000)	20	20	0.00
401K - Bob	459,000	1	0	3.00
Capital - Business	50,000	5	20	10.00
Capital - Business	50,000	6	20	10.00
Capital - Business	50,000	7	20	10.00
Capital - Business	50,000	8	20	10.00
Improvements - Home	10,000	12	20	2.00
Improvements - Home	10,000	13	20	2.00
Improvements - Home	10,000	14	20	2.00
Improvements - Home	10,000	15	20	2.00
Improvements - Home	10,000	16	20	2.00
Improvements - Home	10,000	17	20	2.00
Improvements - Home	10,000	18	20	2.00
Improvements - Home	10,000	19	20	2.00
Improvements - Home	10,000	20	20	2.00
Contr- IRA - Bob	2,000	1	0	4.00
Contr- IRA - Bob	2,000	2	0	4.00
Contr- IRA - Bob	2,000	3	0	4.00
Contr- IRA - Bob	2,000	4	0	4.00
Contr- IRA - Bob	2,000	5	0	4.00
Contr- IRA - Bob	2,000	6	0	4.00
Contr- IRA - Bob	2,000	7	0	4.00
Contr- IRA - Bob	2,000	8	0	4.00
Contr- IRA - Bob	2,000	9	0	4.00
Contr- IRA - Bob	2,000	10	0	4.00
Municipal Bonds	560,000	1	9	0.00
Corporate Bonds	600,000	9	0	0.00



Liabilities

Description	Owed	Start	End	Infl %
Liability - Home	30,000	1	15	0
Liability - Business	40,000	5	9	0
Liability- Rental - Beach	43,200	5	0	0
Master Card	18,000	1	20	0
American Express	1,000	1	20	0

Analysis 1, 2, & 3 Reports

The three Analysis Windows - 1, 2, & 3 - and their associated reports show different cash flow projections based on twelve enterable and modifiable analysis points of interest that will affect analyses projections:

Savings from gross or net entries @ Budget; Income and Expenses; examples (1) income entered as net after taxes or list gross income @ Income and list taxes @ expenses or (2) list a single item as income @ Income and then, rather than itemizing expenses, enter 'Household Expenses' as a total.

Budget Income and Expense entries are not required.

Assets only may be entered for analysis.

When an asset has a user selected income, the income goes to Budget as Savings.

When an asset is purchased or sold, there is a mouse-click option to have the buy come from Savings and the Sell to go to Savings.

Default Savings Rate is applied to Savings; Yearly Budget Income minus Budget Expenses.

Asset Growth Rates and associated **Income**, if any.

Income and Expenses' Inflation Rates; *my Social Security has an inflation adjustment of x% and my telephone bill goes up about Y% per year.*

Income Inflation Rates at Analysis 1, 2, & 3 Windows; future purchasing power of current income.

Total Assets less Liabilities shows Assets minus Asset linked Liabilities and other Liabilities entered @ the Liabilities tab and Savings that are generated @ the Budget tab; Income - Expenses = Savings.

Available Income from Assets shows the total of actual income earned in a year from Total Assets, including Savings assuming the Default Earnings Rate for Savings is entered @ System Setup.

Inflation Adjusted Income @ is the actual value of future income due to inflation.

Income Shortfall represents the current year's Income deficit @ Budget; $\text{Income-Expenses-Prior Savings} = \text{Shortfall}$.

Inflation Adjusted Income Shortfall represents the Inflation adjusted capital liquidation required to balance current Budget in each year unless same or prior years' income can be increased to balance Budget.

Total Assets Less Inflation Adjusted Income Shortfall shows the balance of Assets after inflation adjusted Shortfall has been deducted.

Inflation Adjusted Assets shows the year's purchasing power of the balance of Savings and Assets due to Inflation.

Exclusions are user selected entries that have been checked to be excluded from selected Analysis Windows to view impact on a cash flow and capital accumulation projection; *if I don't buy the car*.

'What if' scenarios may be created in one of two ways: by modifying the initial analysis entries and assumptions or by duplicating the entire account with a single keystroke at the Main Window and then by modifying the duplicate to compare analyses; duplicate illustrating 'what if' all investment assets had an 8% growth rate.

Using illustrations of different investment portfolios (doable in seconds in Investor's WorkStation), let the investor choose investment risk based on seeing different types of investment plans and underlying investment portfolios accompanied with an explanation of the structure, quality, and behavior of the underlying investments in each investment portfolio and possible/probable ranges of investment performance outcomes of each investment portfolio.

To the extent that an analysis and the investments required are not consistent with the risk profile of the investor, the investor must make a choice:

- Accept current and proposed investor capital contributions and accept investments with greater investment risk with the hope of achieving the original capital accumulation and income objectives within the investment time horizon.
- Increase the investor's current and proposed capital contributions and use investments that match the investor's original risk tolerances profile to maintain the original capital accumulation and income objectives within the investment time horizon.

- Lower the original capital accumulation and income stream objectives and use lower risk investments that match the investor's original risk tolerances profile to achieve lower capital accumulation and income stream objectives.
- Increase the investing time horizon and use investments that match the investor's original risk tolerances profile.
- Exclude entries.

By going through this exercise bad investment planning choices that almost always lead to disappointment are eliminated; investments that will not/cannot achieve the investment objective or investments that may or may not achieve the investment objective but are not consistent with the investor's investing comfort zone.



Analysis 2		Available	Infl. Adj.	Income	Infl. Adj. Inc.	Total Assets	Inflation
Total Assets less Liabilities		Income from Assets	Income @	Shortfall	Shortfall	less Infl. Adj. Inc. Shortfall	Adjusted Assets
			4.00 %				
1	3,347,000	0	0	45,340	47,154	3,299,846	3,167,852
2	3,536,310	0	0	44,518	48,151	3,488,159	3,214,687
3	3,731,701	0	0	43,722	49,181	3,682,520	3,258,058
4	3,933,476	0	0	42,953	50,249	3,883,227	3,298,205
5	4,371,947	0	0	210,415	256,002	4,115,945	3,356,029
6	4,716,451	0	0	168,266	212,910	4,503,541	3,525,182
7	5,077,233	0	0	169,446	222,979	4,854,254	3,647,717
8	5,455,558	0	0	170,764	233,702	5,221,856	3,766,993
9	5,842,794	0	0	722,235	1,027,966	4,814,828	3,334,432
10	6,141,419	0	0	364,194	539,096	5,602,323	3,724,607
11	6,465,624	0	0	13,274	20,435	6,445,189	4,113,573
12	6,817,289	0	0	22,106	35,392	6,781,897	4,155,334
13	7,187,921	0	0	20,976	34,927	7,152,994	4,207,401
14	7,578,937	0	0	19,891	34,445	7,544,492	4,260,173
15	7,991,875	0	0	18,860	33,966	7,957,909	4,313,874
16	8,410,516	0	0	0	0	8,410,516	4,376,857
17	8,855,465	0	0	0	0	8,855,465	4,424,073
18	9,328,616	0	0	0	0	9,328,616	4,474,035
19	9,832,020	0	0	0	0	9,832,020	4,526,851
20	9,582,082	0	0	0	0	9,582,082	4,235,304
21	10,014,297	0	0	0	0	10,014,297	4,249,290
22	10,474,764	0	0	0	0	10,474,764	4,266,889
23	10,982,274	0	0	16,599	40,912	10,941,362	4,278,679
24	11,537,343	0	0	31,330	80,308	11,457,035	4,301,123
25	12,129,394	0	0	32,897	87,698	12,041,696	4,339,788
26	12,761,322	0	0	34,542	95,767	12,665,555	4,382,039
27	13,436,264	0	0	36,269	104,577	13,331,687	4,428,008
28	14,157,635	0	0	38,082	114,197	14,043,438	4,477,834
29	14,929,146	0	0	39,986	124,702	14,804,444	4,531,666
30	15,754,832	0	0	41,985	136,174	15,618,658	4,589,662
	15,754,832			Last Year Total (No Exclusions)		15,618,658	4,589,662
	0			Difference		0	0



Analysis 3		Available	Infl. Adj.	Income	Infl. Adj. Inc.	Total Assets	Inflation
Total Assets less Liabilities		Income from Assets	Income @	Shortfall	Shortfall	less Infl. Adj. Inc. Shortfall	Adjusted Assets
			4.00 %				
1	3,347,000	0	0	45,340	47,154	3,299,846	3,167,852
2	3,536,310	0	0	44,518	48,151	3,488,159	3,214,687
3	3,731,701	0	0	43,722	49,181	3,682,520	3,258,058
4	3,933,476	0	0	42,953	50,249	3,883,227	3,298,205
5	4,371,947	0	0	210,415	256,002	4,115,945	3,356,029
6	4,716,451	0	0	168,266	212,910	4,503,541	3,525,182
7	5,077,233	0	0	169,446	222,979	4,854,254	3,647,717
8	5,455,558	0	0	170,764	233,702	5,221,856	3,766,993
9	5,842,794	0	0	722,235	1,027,966	4,814,828	3,334,432
10	6,141,419	0	0	364,194	539,096	5,602,323	3,724,607
11	6,465,624	0	0	13,274	20,435	6,445,189	4,113,573
12	6,817,289	0	0	22,106	35,392	6,781,897	4,155,334
13	7,187,921	0	0	20,976	34,927	7,152,994	4,207,401
14	7,578,937	0	0	19,891	34,445	7,544,492	4,260,173
15	7,991,875	0	0	18,860	33,966	7,957,909	4,313,874
16	8,410,516	0	0	0	0	8,410,516	4,376,857
17	8,855,465	0	0	0	0	8,855,465	4,424,073
18	9,328,616	0	0	0	0	9,328,616	4,474,035
19	9,832,020	0	0	0	0	9,832,020	4,526,851
20	9,582,082	0	0	0	0	9,582,082	4,235,304
21	10,014,297	0	0	0	0	10,014,297	4,249,290
22	10,474,764	0	0	0	0	10,474,764	4,266,889
23	10,982,274	0	0	16,599	40,912	10,941,362	4,278,679
24	11,537,343	0	0	31,330	80,308	11,457,035	4,301,123
25	12,129,394	0	0	32,897	87,698	12,041,696	4,339,788
26	12,761,322	0	0	34,542	95,767	12,665,555	4,382,039
27	13,436,264	0	0	36,269	104,577	13,331,687	4,428,008
28	14,157,635	0	0	38,082	114,197	14,043,438	4,477,834
29	14,929,146	0	0	39,986	124,702	14,804,444	4,531,666
30	15,754,832	0	0	41,985	136,174	15,618,658	4,589,662
	15,754,832			Last Year Total (No Exclusions)		15,618,658	4,589,662
	0			Difference		0	0

Forensic Budget, Cash Flow, and Balance Sheet Report

Assets, Liabilities, and Net Worth/Cash Flow/Balance Sheet Period Analysis reports intentionally have a 'forensic' look to them in that the detail of cash flows and the basis for change in asset and liability compositions are transparent and easily detected from one user selected analysis period to the next user selected analysis period.

Rather than seeing just the total change in the valuation of an asset or liability from one user selected period to another, Home and Home - Improvements, Business and Capital - Business, and IRA and IRA contributions/Distributions, for example in the illustrations above, are broken out and listed as they are made to facilitate cash flow analyses. Contribution increases the Asset value and is shown as a Budget Expense and a Distribution reduces the Asset value and is shown as Budget Income in the periods taken.

Details of Shortfalls may be analyzed by first printing selected period Balance Sheet/Net Worth/Cash Flow Period Analysis reports and, if more detail is required, print the Income, Expenses, Assets, and Liabilities reports.

Net Budget is added to/deducted from Prior Savings & Income.

Prior Savings & Income is a clearing account asset to which and from which all cash flows are applied. The account has an optional user entered interest rate. When Net Budget has a shortfall or when a new asset is acquired, the net is deducted from Prior Savings & Income. When Net Budget has a profit or when a new asset is sold, the net is added to Prior Period Savings & Income.

Exclusions are entries checked to be excluded from an analysis to see impact on cash flows and capital accumulation.



Funds - Period 3

Budget

Income

Income - Bob	\$190,962
Income, Part Time - Sandy	\$48,672
Income - Beach House	\$40,219

Total Income	----- \$279,853
--------------	--------------------

Expenses

Taxes - Property	\$17,630
Charitable Contributions	\$31,245
Auto Operating & Maintenance	\$10,185
Taxes - Sandy	\$8,653
Golf - Bob & Sandy	\$24,000
Clothing - Personal	\$16,538
Property Improvements & Upkeep	\$8,989
Entertainment & Vacations	\$29,131
Insurance - Medical	\$4,199
Insurance, Life - Bob	\$5,220
Insurance, Life - Sandy	\$4,272
Insurance - Auto	\$4,392
Insurance - Home	\$3,600
Taxes - Property	\$8,805
Food - Household	\$26,460
Utilities & Telephone	\$11,246
Allowance - Judy	\$5,200
Pmts for Liability - Home	\$30,000
Contr- IRA - Sandy	\$2,000
Contr- 401K - Bob	\$11,025
Contr- IRA - Bob	\$2,000
Pmts for Master Card	\$18,000
Pmts for American Express	\$1,000

Total Expenses	----- \$283,790
----------------	--------------------

Net Budget	===== (\$3,937)
------------	--------------------

Assets

Home	\$910,350
Beach House	\$522,074
Investment Portfolio	\$1,456,915
IRA - Bob	\$310,419
IRA - Sandy	\$149,261
Contr- IRA - Sandy	\$2,163
Contr- IRA - Sandy	\$2,080
Contr- IRA - Sandy	\$2,000
Contr- IRA - Bob	\$2,163
Contr- IRA - Bob	\$2,080
Contr- IRA - Bob	\$2,000
401K - Bob	\$486,953
Contr- IRA - Bob	\$2,163
Contr- IRA - Bob	\$2,080
Contr- IRA - Bob	\$2,000



Funds - Period 3

Municipal Bonds	\$560,000
Total Assets	----- \$4,414,701
Liabilities	
Liability - Home	\$360,000
Master Card	\$306,000
American Express	\$17,000
Total Liabilities	----- \$683,000
Rounding	(\$1)
Period Net Worth	\$3,727,763 =====
Exclusions	
Income	\$0
Expenses	\$39,784
Assets	\$0
Liabilities	\$0
Net Exclusions	----- (\$39,784)



Funds - Period 15

Budget

Income

Income - Bob	\$272,266
Income, Part Time - Sandy	\$77,925
Income - Beach House	\$72,228

Total Income	\$422,419
--------------	-----------

Expenses

Taxes - Property	\$28,226
Charitable Contributions	\$50,025
Auto Operating & Maintenance	\$14,521
Taxes - Sandy	\$13,853
Golf - Bob & Sandy	\$24,000
Clothing - Personal	\$29,699
Property Improvements & Upkeep	\$18,087
Entertainment & Vacations	\$36,945
Insurance - Medical	\$10,574
Insurance, Life - Bob	\$5,220
Insurance, Life - Sandy	\$4,272
Insurance - Auto	\$6,262
Insurance - Home	\$3,600
Taxes - Property	\$12,554
Food - Household	\$47,518
Utilities & Telephone	\$20,195
Pmts for Liability - Home	\$30,000
Improvements - Home	\$10,000
Pmts for Master Card	\$18,000
Pmts for American Express	\$1,000

Total Expenses	\$384,551
----------------	-----------

Net Budget	\$37,868
------------	----------

Assets

Home	\$1,154,544
Business	\$881,872
Beach House	\$1,175,812
Investment Portfolio	\$2,332,568
IRA - Bob	\$496,991
IRA - Sandy	\$238,971
Contr- IRA - Sandy	\$3,463
Contr- IRA - Sandy	\$3,330
Contr- IRA - Sandy	\$3,202
Contr- IRA - Sandy	\$3,079
Contr- IRA - Sandy	\$2,960
Contr- IRA - Sandy	\$2,847
Contr- IRA - Sandy	\$2,737
Contr- IRA - Sandy	\$2,632
Contr- IRA - Sandy	\$2,531
Contr- IRA - Sandy	\$2,433
Distr- IRA - Sandy	(\$4,000)
Distr- IRA - Sandy	(\$4,000)



Funds - Period 15

Distr- IRA - Sandy	(\$4,000)
Distr- IRA - Sandy	(\$4,000)
Distr- IRA - Sandy	(\$4,000)
Distr- IRA - Bob	(\$4,000)
Distr- IRA - Bob	(\$4,000)
Distr- IRA - Bob	(\$4,000)
Distr- IRA - Bob	(\$4,000)
Distr- IRA - Bob	(\$4,000)
401K - Bob	\$694,279
Capital - Business	\$129,687
Capital - Business	\$117,897
Capital - Business	\$107,179
Capital - Business	\$97,436
Improvements - Home	\$10,612
Improvements - Home	\$10,404
Improvements - Home	\$10,200
Improvements - Home	\$10,000
Contr- IRA - Bob	\$3,463
Contr- IRA - Bob	\$3,330
Contr- IRA - Bob	\$3,202
Contr- IRA - Bob	\$3,079
Contr- IRA - Bob	\$2,960
Contr- IRA - Bob	\$2,847
Contr- IRA - Bob	\$2,737
Contr- IRA - Bob	\$2,632
Contr- IRA - Bob	\$2,531
Contr- IRA - Bob	\$2,433
Corporate Bonds	\$600,000

Total Assets	\$8,086,880
Liabilities	
Liability - Home	\$0
Master Card	\$90,000
American Express	\$5,000

Total Liabilities	\$95,000
Prior Savings & Income	\$144,319
Period Net Worth	\$8,174,067
	=====
Exclusions	
Income	\$0
Expenses	\$56,722
Assets	\$0
Liabilities	\$0

Net Exclusions	(\$56,722)