## What Are My Retirement/Life Goals and What Will They Cost?

List your retirement/life goals. Be as specific as you can. If you have already prepared an action plan in the "Living Your Life" or "Maintaining Your Health" sections, the goals you identified there might be helpful as you list your goals here. Remember, this is just how you would answer the question right now. Your goals might change in the future.

Put down a ballpark figure to get a sense of what it will cost to live the retirement life you imagine. Use a monthly, annual, or one-time amount—whatever will help you get a sense of the overall picture. Don't labor over the costs here. In later chapters we will look more closely at what you can predict for your actual cost and income in retirement.

Retirement/Life Goals	Priority (1 = High; 2 = Med.; 3 = Low)	Estimated Cost
Accomplish		
Travel (number of trips, length, location)		
Doing these things that I love		
Spending time with	· · · · · · · · · · · · · · · · · · ·	



## My Current Income and Expenses

What are your sources of income (look at the past 12 months)? Paycheck stubs, income tax forms, and bank statements are a good source for the numbers. You may find a computer spreadsheet program, such as Microsoft Excel, helpful.

Current Income	Monthly Amount	Annual Amount
Earned Income (gross amount)		
Job 1		
Job 2		
Business		
Other Noninvestment Income		
Social Security		
Pension		
Annuities		
Investments		
Dividends		
Interest		
Capital gains		
Other		
Gifts		
Total Current Income		



### My Current Income and Expenses continued

Now identify how much money you spend in different categories. Your checkbook(s) or credit/debit card statements will contain much of the information you need for your estimates. If you are using a computerized bookkeeping program, you can use those figures.

When you are done, you will have many entries, including most of those listed below. You can break the entries down into a more detailed list. Approximate numbers will work well in this tabulation.

Current Expenses	Monthly Amount	Annual Amount
Essentials		
Food		
Housing		
Utilities		
Taxes		
Clothing		
Transportation		
Insurance		
Maintenance/repairs		
Medical/dental		
Medication		
Other		
Entertainment		
Vacations		
Education		
Gifts		
Charity		
Other		
Total Current Expenses		



## My Current Income and Expenses continued

#### **Net Cash Flow**

The difference between your income and expenses is your net cash flow. Calculate your net cash flow below.

	Total Income	-	Total Expenses	=	Net Cash Flow
				=	
	t cash flow is a positive num rawing money from savings		aving money. If it is neg	ative, you are	e borrowing money
true abo	ou calculate net cash flow, as ut your finances? If not, you s until your cash flow match	ı may have mi	scalculated your income	or expenses	. Go back over the
How am	I doing?	•		••••••	
Am I ma	king and spending money i	n a way that s	upports what I say is imp	oortant?	
	J , J ,	ŕ			
What ch	anges do I want to make?	•••••		• • • • • • • • • • • • • • • • • • • •	

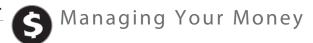


W O R K S H E E T

## My Current Net Worth

Today's Date \_\_\_\_\_

Assets		
Type of Account or Property		Amount
Checking accounts		
Savings accounts		
401(k) plan		
IRAs		
Roth IRAs		
Other investment accounts		
Life insurance (cash value)		
Home (market value)		
Automobile (current value)		
Personal property		
Other		
Total A	ssets	



## My Current Net Worth continued

Liabilities		
Туре	Lender	Amount Owed
Home mortgage		
Second mortgage		
Credit card balances		
Car loans		
Education loans		
Other		
	Total Liabiliti	ies

#### **Net Worth**

Your net worth is the difference between your total assets and your total liabilities. It is a summary of your money resources at a moment in time. Calculate your net worth below.

Total Assets	-	Total Liabilities	=	Net Worth
	_		=	



### $\hbox{$W$ O R K S H E E T}$

# My Future Sources of Income

Туре	Source	Monthly Amount	Annual Amount	When Available?
Social Security				
Pension				
Earned income				
Investment income				
Inheritance				
Other				



### What Nonfinancial Resources Do I Have?

Look at your retirement/life goals. List some of the ways you might be able to use skills, energy, and connections to achieve these goals with less money than you initially thought.

### An Inventory of My Investments

In chapter 12, you listed your assets, including those in investment accounts. Next you want to understand exactly what type of investments you own in each of your accounts. We will help you do that in two steps. First, look at the type of investment (cash, stocks, bonds, other). Then analyze the asset classes of your stock investments and look at the style of the investments.

You can find information about your investments in your monthly account statements or, for mutual funds, in the prospectus. If you have access to a website associated with your account, you will also find the information there. Lipper (www.lipperweb.com), Morningstar (www.morningstar.com), and Value Line (www.valueline.com) provide independent sources of information.

While some investments will be easy to characterize, others will be more challenging. Characterizing mutual funds, for example, can be difficult because many mutual funds contain multiple asset classes. For example, a fund can consist of 10% cash, 70% U.S. large companies, and 20% foreign large companies.

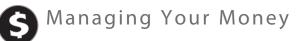
Include savings in bank accounts, CDs, and money market accounts as well as mutual funds and brokerage accounts. But keep in mind that these investments are just one part of your overall financial picture, which may also include Social Security, pensions, and other sources of income.

#### **Step 1 – How Much Do I Have in Each Type of Investment?**

List the investments you have in each of your accounts separately. Here is an example. Start your inventory on page 200.

#### Example:

Type of Investment						
Account Name Ace Securities - Traditional IRA Acc	ount					
Account Number 00023						
Investment	Cash	Stocks	Bonds	Other	Total Amount	Annual Return
Company A - 200 shares		\$24,400			\$24,400	
A-I Mutual Fund		\$6,354	\$1,035		\$7,389	9.3%
AAA Bond Index Fund			\$16,585		\$16,585	5.4%
Cash	\$2,567				\$2,567	3.5%
Total	\$2,567	\$30,754	\$17,620		\$50,941	
Percentage	5%	60%	35%		100%	



## An Inventory of My Investments continued

Date of Inventory	
-------------------	--

Type of Investment						
Account Name						
Account Number						
Investment	Cash	Stocks	Bonds	Other	Total Amount	Annual Return
Total						

Account Name						
Account Number						
Investment	Cash	Stocks	Bonds	Other	Total Amount	Annual Return
Total						



### An Inventory of My Investments continued

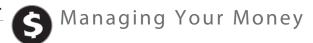
Account Name						
Account Number						
Investment	Cash	Stocks	Bonds	Other	Total Amount	Annual Return
Total						

Add sheets for additional accounts, if needed (available at www.mappingyourretirement.org).

When you have listed all your investments, add the figures in the cash, stocks, bonds, and other columns and record the totals below.

	Cash	Stocks	Bonds	Other	Total Amount	Annual Return
Total						
Percentage of total (Amount divided by total of all investments)						

Next let's look at the diversification within your stock investments.



### An Inventory of My Investments continued

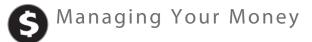
#### Step 2 – How Are Your Stocks Diversified by Asset Class and Style?

In this part of the worksheet, list stock investments only (use the list you created in the preceding section to get started). There are many ways to classify stock investments. This worksheet concentrates on asset class by size and location (U.S. large and small companies and foreign large and small companies) and the style of investment (growth, blend, or value).

Date of Inventory
-------------------

Diversification by Asset Class and Style										
Account Name										
Account Number										
			Asset	Class				Type of Ir	vestment	
Stock Investment	U.S. Large	Foreign Large	U.S. Small	Foreign Small	Other	Total	Growth	Blend	Value	Total
Total										

Account Name										
Account Number										
			Asset	Class				Type of Ir	vestment	
Stock Investment	U.S. Large	Foreign Large	U.S. Small	Foreign Small	Other	Total	Growth	Blend	Value	Total
Total										



### An Inventory of My Investments continued

Account Name										
Account Number										
			Asset	Class				Type of Ir	nvestment	
Stock Investment	U.S. Large	Foreign Large	U.S. Small	Foreign Small	Other	Total	Growth	Blend	Value	Total
Total										

Add sheets for additional investment accounts, if needed (available at www.mappingyourretirement.org). When you have listed all your investments, add up the columns and record them below

	Asset Class						Type of Investment			
	U.S. Large	Foreign Large	U.S. Small	Foreign Small	Other	Total	Growth	Blend	Value	Total
Total										
Percentage of total stocks (total divided by total of all stock investments)										

This inventory shows you how your investments are currently diversified. In the next chapter you will have a chance to consider how you might want to change your diversification plan to better meet your goals.

## My Portfolio Diversification Plan

In chapter 13 you made a list of your investments. Now it's time to decide what you think is the ideal diversification plan for you.

First, consider what you'll need for your day-to-day living:

Cash-on-hand requirements (see page 211)

	Actual	Desired	Difference
Checking/savings			
Emergency funds			

Next, look at your current investment po	ortfolio:
--	-----------

Percentage of stock in current portfolio \_\_\_\_\_ (see page 201)

**Desired type of investment portfolio** (see page 209)

	Very Conservative	Conservative	Balanced Growth	Growth	Aggressive
Stock	Up to 30%	55%	70%	85%	95%
Nonstock investments	At least 70%	45%	30%	15%	5%
U.S. large	90%	65%	54%	42%	36%
Foreign large	3%	14%	21%	26%	28%
U.S. small	7%	19%	21%	27%	30%
Foreign small	0%	2%	4%	5%	6%
Growth	35-50%	35-50%	35-50%	40-55%	40-60%
Value	50-65%	50-65%	50-65%	45-60%	40-60%

### Management approach (see page 213)

	Actual	Desired	Difference
Percentage actively managed			



### My Portfolio Diversification Plan continued

Use your numbers from the worksheet in chapter 13 to make a plan for diversifying your investments to match your diversification plan:

Type of Investment	Current Dollars	Current %	Desired %	% Difference	Dollar Difference
Cash					
Stocks					
Bonds					
Other					
New contribution					
Total		100%			

Stock Asset Class	Current Dollars	Current %	Desired %	% Difference	Dollar Difference
U.S. large					
Foreign large					
U.S. small					
Foreign small					
Other					
New contribution					
Total		100%			

Stock Investment Style	Current Dollars	Current %	Desired %	% Difference	Dollar Difference
Growth					
Blend					
Value					
New contribution					
Total		100%			

Calculate the current percentages by dividing the current money for each asset class by the current money total. You can calculate the money differences by multiplying the percentage difference for each asset class by the current money total. Use the information on pages 218 to 220 to help you make a plan for rebalancing your portfolio.



### W O R K S H E E T

## My Contribution Schedule

Record how much you plan to contribute this year in each of your accounts.



## **Rebalancing My Portfolio**

Use information from the "My Portfolio Diversification Plan" worksheet on page 216 to determine the changes you need to make to diversify your portfolio. Use the worksheet below to make your plan.

Change	Amount		Investment	Date Complete
Example:         Buy         Sell         Transfer	\$24,000	From:	Bank X - Money Market Account AAA Bond Fund	4/30
Buy		From:		
Sell				
Transfer		То:		
Buy Sell Transfer		From:		
Buy		From:		
SellTransfer		То:		
Buy		From:		
Transfer				
Buy		From:		
Transfer		То:		

#### What Financial Advisors Do I Need?

You may have more than one planner or advisor for different aspects of your financial life. For example, you might have an accountant, a financial planner, and an estate-planning attorney. You will want to make sure that you and your advisors are addressing your complete financial picture. This checklist can help you determine whether you're getting what you need—or if your advisors are focusing on the same things, and it is time to eliminate one.

Put an "X" next to each role to indicate who is addressing that aspect of your financial life.

Role		Advisor 1	Advisor 2	Advisor 3
Advisor:	You			
Goals, values				
Help determine				
Help accomplish				
Investment income management				
Review cash flow				
Organize current investments				
Help diversify investments				
Review investments times per year				
Rebalance investments times per year				
Reduce taxes on investment income				
Help identify and manage income risks				
Financial modeling				
Build a financial model				
Project if enough money for lifestyle				
Other				
Identify estate planning issues				
Other				
Other				

What changes do I need to make in my financial advisors?

## My Tax Management Plan

Evaluate how you are managing the tax implications of your investments. List the amount of money you have in each type of account. If you have completed the "An Inventory of My Investments" worksheet on page 200, you may have already calculated many of these numbers.

Tax Approach	Amount
Tax-Advantaged Accounts	
Retirement plans	
Traditional IRAs, Roth IRAs	
Annuities	
Life insurance	
Business/partnership	
Charitable trust	
Investments with Tax Breaks	
Tax-benefited products	
Municipal bonds	
Oil/gas	
Affordable housing	
Individual stocks	
Individual real estate	
Not Sheltered	

What changes do I want to make to better manage my taxes?

## Will I Have Enough? A Fast-Track Way to Get Thinking

If you want to get a quick sense of how much investment savings you will need for a financially secure retirement, this worksheet is for you. If you would rather do a little more work and get a more accurate number right from the start, you might want to skip this worksheet and go right to the one on page 237.

First Rule of Thumb

The sustainable rate of withdrawal from your investments each year is about 4% of the value of your investments (assuming that your return on those investments is at least 8%–10%).

This is the amount you can withdraw and still maintain a pool of money that will produce the future income you will need from the investments.

To maintain your principal with a 4% withdrawal rate, you will need an investment pool at least 25 times as large as the amount you withdraw each year. For example, if you will need \$30,000 per year from your investment income (to supplement your Social Security payments and pension payment, if available), you will need investments worth \$750,000 (the value at the time you want to make the withdrawal, not today).

Annual Dollars I Will Need*	х	25	=	Value of Investments I Will Need
	_ X	25	=	
* Use the amount of expenses you list	ed in the worksh	eet in Chapter 12 a	s a starting point	and adjust as you see fit. Remember, this

<sup>\*</sup> Use the amount of expenses you listed in the worksheet in Chapter 12 as a starting point and adjust as you see fit. Remember, this is just a ballpark estimate.

## Will I Have Enough? A More Precise Calculation

To answer the question "Will I have enough?" more precisely, you need to estimate the return on your actual investments and take into account your expenses, longevity, inflation, and investment uncertainty. Here is a straightforward way to get started. Later in the chapter we will talk about financial models that will help you get an even more precise answer.

Step 1

#### **Return on Investments**

Once you know what investments you have, you can estimate future income from them. The table below shows the approximate historical returns—from the past 75 years—for various types of investments.

You can use the historical figures or your own estimates in your calculations. A pessimistic investor might choose to use an estimate that is a percentage point or two below historical returns, while an optimistic investor might choose to use an estimate that is a percentage point or two above historical returns. Remember, past performance does not guarantee future performance.

If you completed the "My Portfolio Diversification Plan" worksheet on page 216, use the figures to complete the "Value of My Investments" column below.

Asset Class	Historical Annual Returns*	My Estimated Return	Value of My x Investments	Total Annual = Income
Stocks				
U.S. large companies	10%			
Foreign large companies	11%			
U.S. small companies	12%			
Foreign small companies	13%			
Contracts				
Cash	4%			
Bonds	6%			
Other				
Real estate	8%			
Other				
Total Income on Investments				

<sup>\*</sup> Past performance does not predict future performance.



### Will I Have Enough? A More Precise Calculation continued

Remember that if you reallocate assets to include more money in the historically higher-paying asset classes, you might generate more income. But you will also increase your risk—which could result in losses to your portfolio.

This calculation assumes that you do not touch your principal. If you need more income than your portfolio can support and you dip into principal, then you start a downward spiral in your investment values. This is because you have used up some of the principal, yet you may need even more the following year. Your principal could be gone in 15 years or even less. Then there will be no investment income at all.

Just as you do not want to dip into principal, you may not want to use all of your return each year. Instead, you will want to reinvest some of this money to match increases in inflation.

#### Step 2

#### Sustainable Investment Income

In the ballpark estimate in the worksheet on page 235 we suggested a sustainable withdrawal rate of 4% of your investments. Here you can calculate a more accurate estimate that is based on your estimates for return, inflation, and a buffer for investment uncertainty. Remember, your sustainable investment income is the amount of income you can take from your investments without endangering the future potential for income. Calculate your sustainable investment income below.

Total annual income on invest	ments	\$	_	(from page 237)
Total value of investments		\$	_	(from page 237)
Rate of return on total investr	nents		_ %	(Return ÷ value x 100)
Inflation rate Buffer for variable returns	Historical 3–4% 1–2%	Your Estimate%%		
Total adjustment (inflation + k	ouffer)	<del></del>	_ %	
Sustainable investment return (Rate of return – Adjustment)	1		_ %	
Sustainable investment incom (Sustainable return x value of i		\$	-	

Is your sustainable investment income a negative number? If it is, you will not be able to withdraw from investments and still protect your principal. You might need to consider a more aggressive investment strategy to increase your average annual returns (see chapter 14).



### Will I Have Enough? A More Precise Calculation continued

Step 3

#### **Estimate of My Retirement Income and Expenses**

You will have retirement income sources in addition to your investment income. You will also have expenses, and they may be more or less than your current expenses. If you want to calculate income and expenses over the rest of your life, you will want help making the calculations (with an online calculator, for example). But it is relatively easy to estimate your income and expenses for the first year of your retirement (especially if it is close), and that may help you know how well you are doing.

If you have done earlier worksheets, you have collected most of this information already.

Retirement Income	Amount in First Year of Retirement
Sustainable investment income (From above, or use an online calculator to help estimate the value in your first year of retirement.)	
Pension	
Social Security	
Earned income	
Other	
Total Income	

Retirement Expenses	Amount in First Year of Retirement
Current expenses (From exercise in chapter 12, adjusted for inflation, on average 3–4% per year.)	
How much will you be able to reduce your expenses in this period of your life? (Many people estimate 10–30% less.)	
What additional expenses will you have to meet your retirement goals? (This depends on your goals. See the worksheet in chapter 11.)	
Total Expenses	
Difference between Income and Expenses	



Will I Have Enough? A More Precise Calculation continued
ls it enough?
What changes do I have to make so that it will be enough? Save more? Farn more? Spend less?

## My Withdrawal Plan

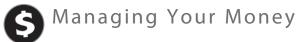
Based on what you have learned, determine how you will withdraw your investments to meet your goals. These numbers may change over time, so you will want to review them annually.

#### Schedule of distributions from investments

\$ Amount to Withdraw per Year	From What Account?
\$	
\$	
\$	
\$	
Total	

What Do I Want to Include in My Estate Plan?
At my death, whom do I want to inherit my assets? Who needs your assets or will appreciate the inheritance? This list can be as long or as short as you wish.
How do I want to allocate what I leave? You may consider allocating by specific assets, specific dollar amounts, specific percentages of your estate, or a combination of the three.
<b>Do I want to put restrictions on anyone's share?</b> For example, perhaps you want your grandchildren to use the money only for college, or you want your second wife to use the money during her lifetime, but you want what's left to go to your children at her death.
Whom do I trust to carry out my wishes?
You may not have all of the answers to these questions before you go to see a lawyer to have your estate plan prepared. Your lawyer can offer suggestions or present alternatives if you are not sure what is best for your situation.

My Financial Plan
Date Reviewed
Retirement/Life Goals (from chapter 11)
My Current Annual Income and Expenses (from chapter 12)
Income
Expenses
Net cash flow
Current Net Worth (from chapter 12)
Assets
Liabilities
Net worth
Cash on Hand (from chapter 14)
Checking/savings
Emergency funds



My Financial Plan continued			
Investments (from chapter 14)			•••••
Current retirement savings			
Retirement savings goal			
Contribution schedule			
What amounts will you contrib	ute this year to what accounts?		
Current Diversification (from o	s not your <i>ideal</i> diversification, use the		
Type of investor (very conservat	tive, conservative, balanced growth, gro	owth, aggressive)	
	Percentage	Amount	
Stocks			
Large U.S.			
Small U.S.			
Large foreign			
Small foreign			
Growth			
Value			
Nonstock investments			
Actively managed			
Passively managed			



My Financial Plan continued				
Tax Management Plan (from chapte	er 15)			
Percentage in tax-advantaged accord	unts			
Percentage in tax-benefited investn	nents			
Percentage not sheltered				
Expected Annual Return on Investi	ments This Year (from chapter 16)			
Withdrawal Schedule (from chapte	r 16) ver the next five years and from what accounts?			
Year 1	from			
Year 2	from			
Year 3	from			
Year 4	from			
Year 5	from			



My Financial Plan continued		
<b>Disability Plan</b> (from chapter 16)		
I have considered long-tern care insurance and have it in place if I need it	□ yes	□ no
Estate Plan (from chapter 17)		
My will is up to date	□ yes	□ no
My living will/advance directive is up to date	$\square$ yes	□ no
I have a power of attorney	□ yes	□ no
Advisors (from chapter 14)		
Who will help me with:		
Planning		
Investment		
Insurance		
Legal		
Tax preparation/management		
How will I hold myself accountable for sticking to	my financia	al plan?
Next review date		

## **Action Plan for Managing Your Money**

Are you moving in the right direction to achieve your goals? To help you think about the changes you might want to make, mark (X) the following on the scale between *No Change Needed* to *Needs Immediate Attention*.

MANAGING YOUR MONEY	No Change Needed	Needs Immediate Attention
Chapter 11 – Knowing How You Want to Live Knowing my life goals	•	
Chapter 12 – Taking Inventory of Your Resources		
Calculating my current income and expenses	•	●
Estimating my future income and expenses	•	•••••
Increasing my savings contributions	•	••••••
Understanding my nonfinancial resources	•	••••••
Chapter 13 – Investing Basics Understanding investment options	•	•
Chapter 14 – Making the Most of Your Investments		
Developing my investment strategy	•	••••••
Rebalancing my investment portfolio	• · · · · · · · · · · · · · · · · · · ·	••••••
Finding a financial planner	•	••••••
Chapter 15 – Managing Tax Obligations		
Developing a tax management strategy	•	•••••
Chapter 16 – Making Your Money Last a Lifetime		
Determining if I will have enough	•	•••••
Chapter 17 – Passing On What You Have		
Creating an estate plan	•	
Preparing a living will/advance directive	•	•
Chapter 18 – Pulling Together Your Financial Plan		
Creating a comprehensive financial plan	•	●



## Action Plan for Managing Your Money continued

What are my retirement goals for managing my money? Write your goals here and on "My Retirement Map" on pages 10 and 11.
What barriers do I need to overcome to achieve my goals?
What am I going to do to achieve my goals? Use the action steps worksheet on the next page to write down the steps and track your progress.



### W O R K S H E E T

# Action Steps Worksheet - Goal #1

Steps I Am Going to Take	Target Completion Date	My Progress	Notes
		started complete!	



### W O R K S H E E T

# Action Steps Worksheet - Goal #2

.....

Steps I Am Going to Take	Target Completion Date	My Progress	Notes
		started complete!	
		started complete!	