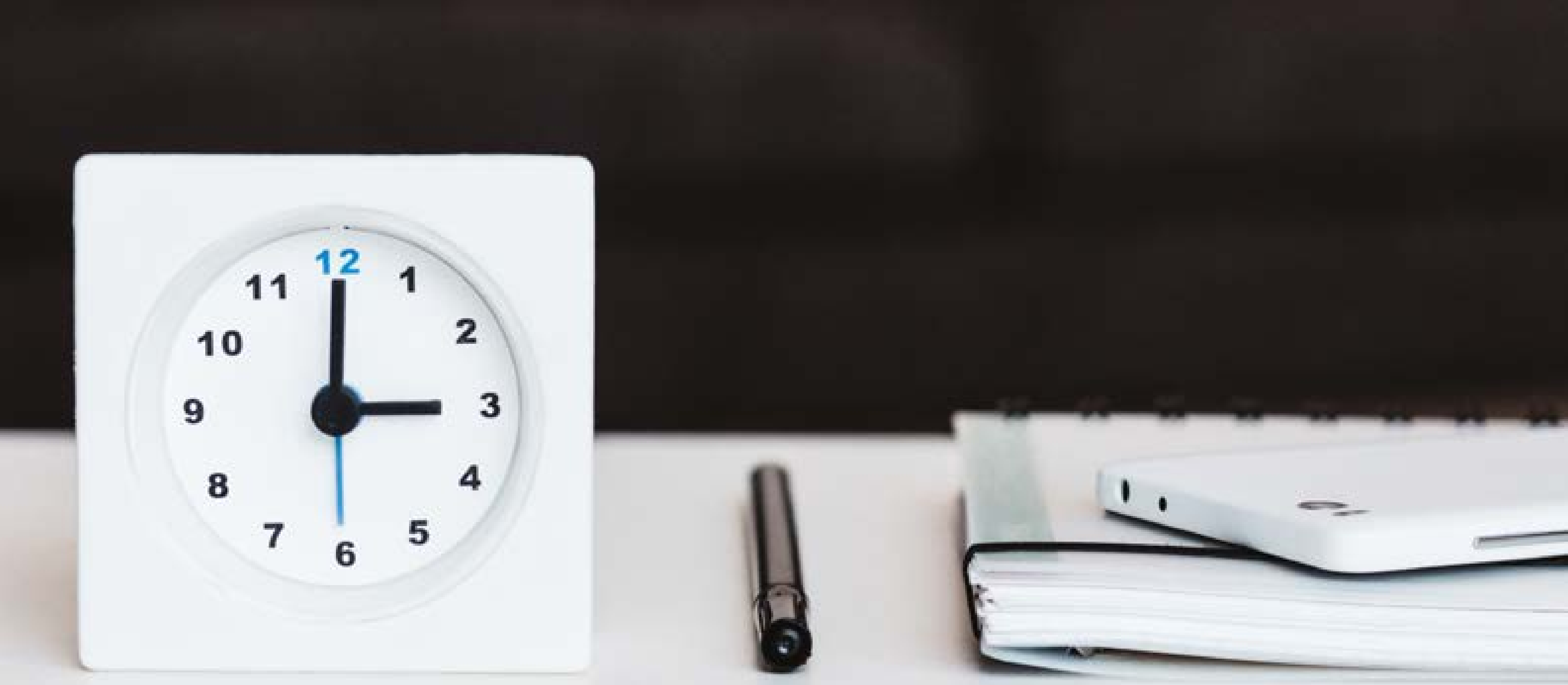

THE MONEYGUY SHOW

THE
30-Minute*(ish)* Financial Plan

By Brian Preston CPA/PFS, CFP®
& Bo Hanson CFA, CFP®

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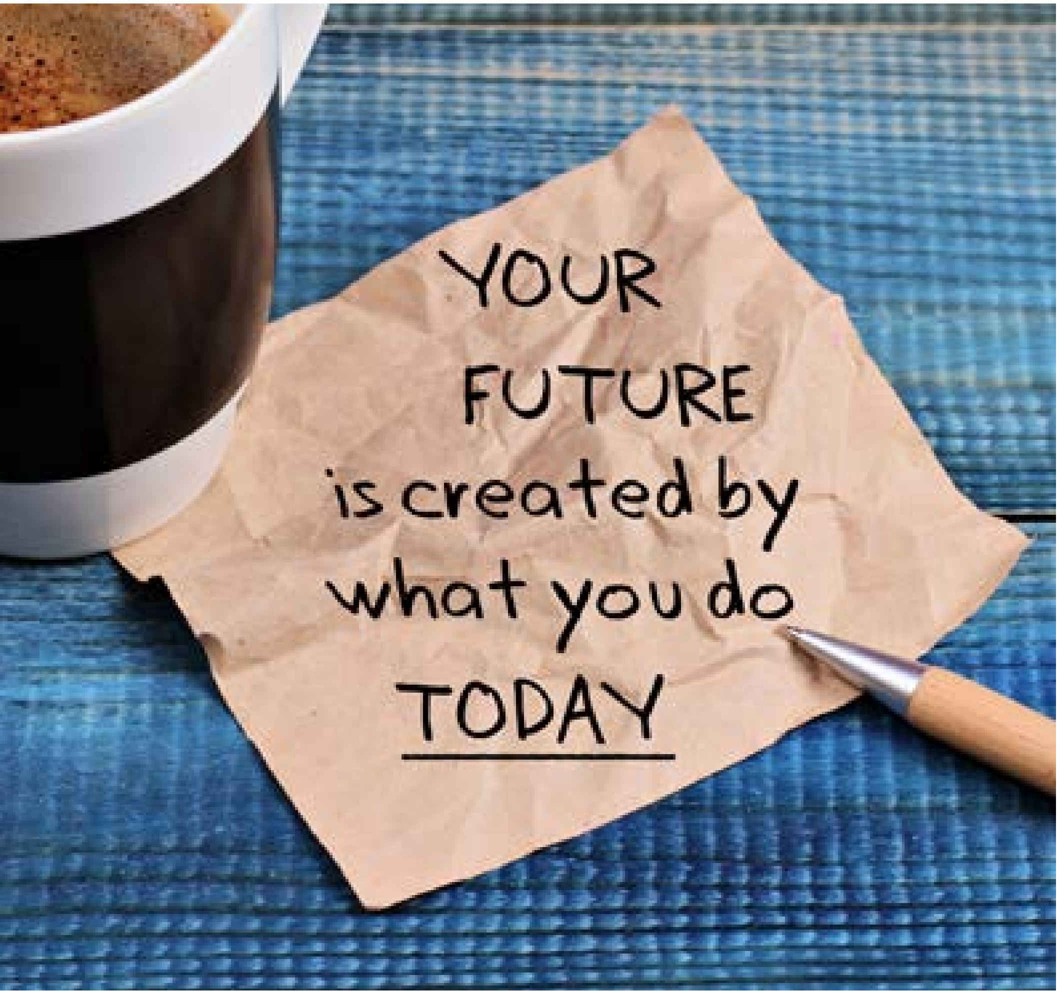


Contents

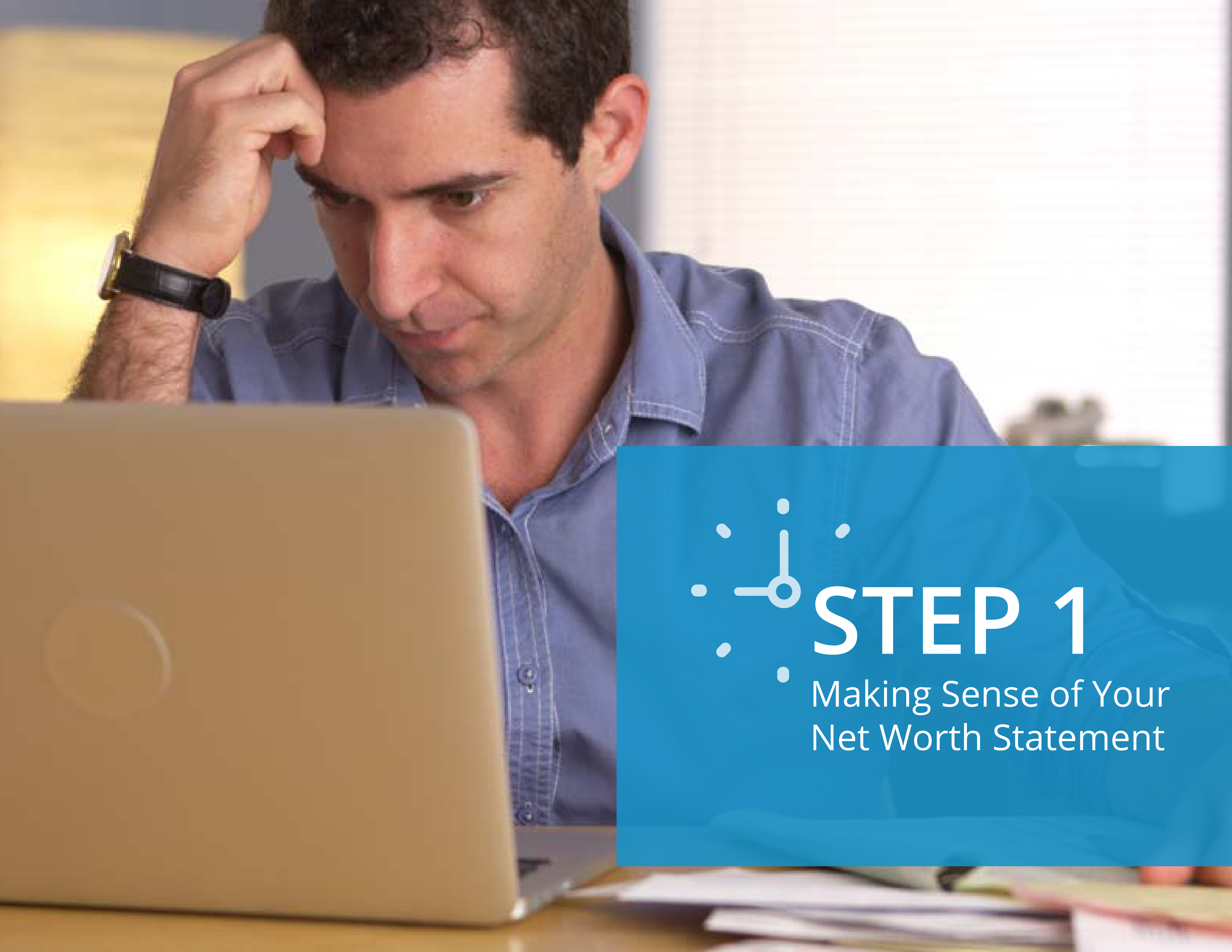
www.moneyguy.com

Introduction to your 30-Minute(ish) Financial Plan

Thank you for downloading the 30-Minute(ish) Financial Plan. This is a guide that provides you with the necessary framework to start making simple and smart decisions when it comes to your personal finances.

Within this guide, you will know how to approach and organize your money in a way that can set you up for long-term financial independence. We walk you through the important steps anyone can take to make the kind of financial choices that lead to peace of mind, success, and financial independence.

Let's begin your road to financial independence. Your 30-Minute(ish) Financial Plan starts right now!



STEP 1
Making Sense of Your Net Worth Statement

STEP 1

Making Sense of Your Net Worth Statement

Understanding your net worth statement is having a clear picture of where you stand financially at this very moment in your life. It is the first step of your financial plan, because it organizes your financial life into a clean and tidy list. It is the snapshot of your financial health.

In order to arrive at your net worth, you simply add up all of your assets and subtract all of your liabilities. Your assets will include everything from cash, stocks, retirement accounts, and the estimated value of other personal items. Your liabilities will include things like your mortgage, credit card debt, loans, and any other debts you may have.

The net total from subtracting all of your liabilities from all of your assets returns your net worth.

MONEYGUY PRO TIP #1

If you really want to be a "mental financial mutant," make some assumptions and include "deferred taxes" as a liability so you know what you really have to work with when it comes time for financial independence.

MONEYGUY PRO TIP #2

As you advance in life and your assets grow, a fun game to play is to see if you can build wealth to the point that your annual net worth increases more than your annual income.

So, What Does it Mean?

Once you go through this exercise and know what you "own" versus what you "owe," this is where you stand financially. Your goal is to increase your net worth over time. Knowing your net worth will inform important money decisions that will help you hold yourself accountable when it comes to building financial independence.

For instance, you can grow your net worth by creating a monthly savings plan and trying to pay down your liabilities as quickly as possible or by not accumulating more debt.

CLICK HERE
to download our free our Net Worth Template

MONEYGUY PRO TIP #3

Once you get into the habit of tracking your net worth, you can use the data to compare the changes in your net worth components year-over-year. It can especially be fun and helpful to review changes in your liquid/investment assets (this will provide the financial feedback that will encourage you to stay the course and even increase how much you allocate to saving/investing for the future). The other key data point to review is how fast debt is being repaid. The three ways to strengthen net worth are through savings, growth, and debt repayment. This is one spreadsheet you will look forward to completing each year.

STEP 2

Emergency Reserves & Cash Flow Management

Emergency Reserves

Do you have cash set aside and accessible in the event of an emergency? The general rule of thumb is that you should have three to six months of your expenses reserved so that if you were to lose your job, you could continue to pay for what you need while you secure other employment. Whether you have three months or six months depends on how long you believe it would take to secure employment. This is based on your industry, age, location, and the economy.

If you don't have any cash saved at all, start working towards $1,000 as quickly as you can. Rainy days aren't a maybe, they are inevitable. Your car can have an unexpected mechanical error, your hot water heater can stop working, or your pet can break her leg and need surgery.

The point is that any number of unplanned events can occur and having emergency reserves on hand will make these emergencies that much easier to handle. Having the means to pay for unexpected expenses without risking high-interest debt if you were to use your credit card and not be able to pay off the balance is integral to a successful financial plan.

MONEYGUY PRO TIP #4

Emergency cash doesn't have to sit under the mattress. Consider a high-yield savings account rather than letting your cash sit idle in a checking account.

MONEYGUY PRO TIP #5

The guidance provided above was for working households. If you are in retirement your cash management/emergency reserves plan will be different and could expand to 12-36 months of liquidity depending upon your age, goals, and how risk averse you are. Since this is such a big decision it may make sense to have a professional review.

Cash Flow Management

Your financial plan should account for cash flow management that prioritizes your money toward your needs and goals. A cash flow management worksheet may look very similar to a budget spreadsheet, but with a slightly different purpose.

Budgeting often has you looking in the rearview mirror of what you spent your money on. A cash flow management system allows you to look forward on how you will spend your money.

Having good cash flow management means that you proactively determine what your income will go towards. Things like your retirement savings, education, debt, fixed expenses like utilities, travel, entertainment, and even discretionary spending all go on your cash flow statement. What's the trick to success? Don't spend more than your income.

MONEYGUY PRO TIP #6

Forced scarcity is your friend! A good way to create success in your cash flow management is by creating an environment of scarcity. It's hard to overspend when your goals are funded automatically.

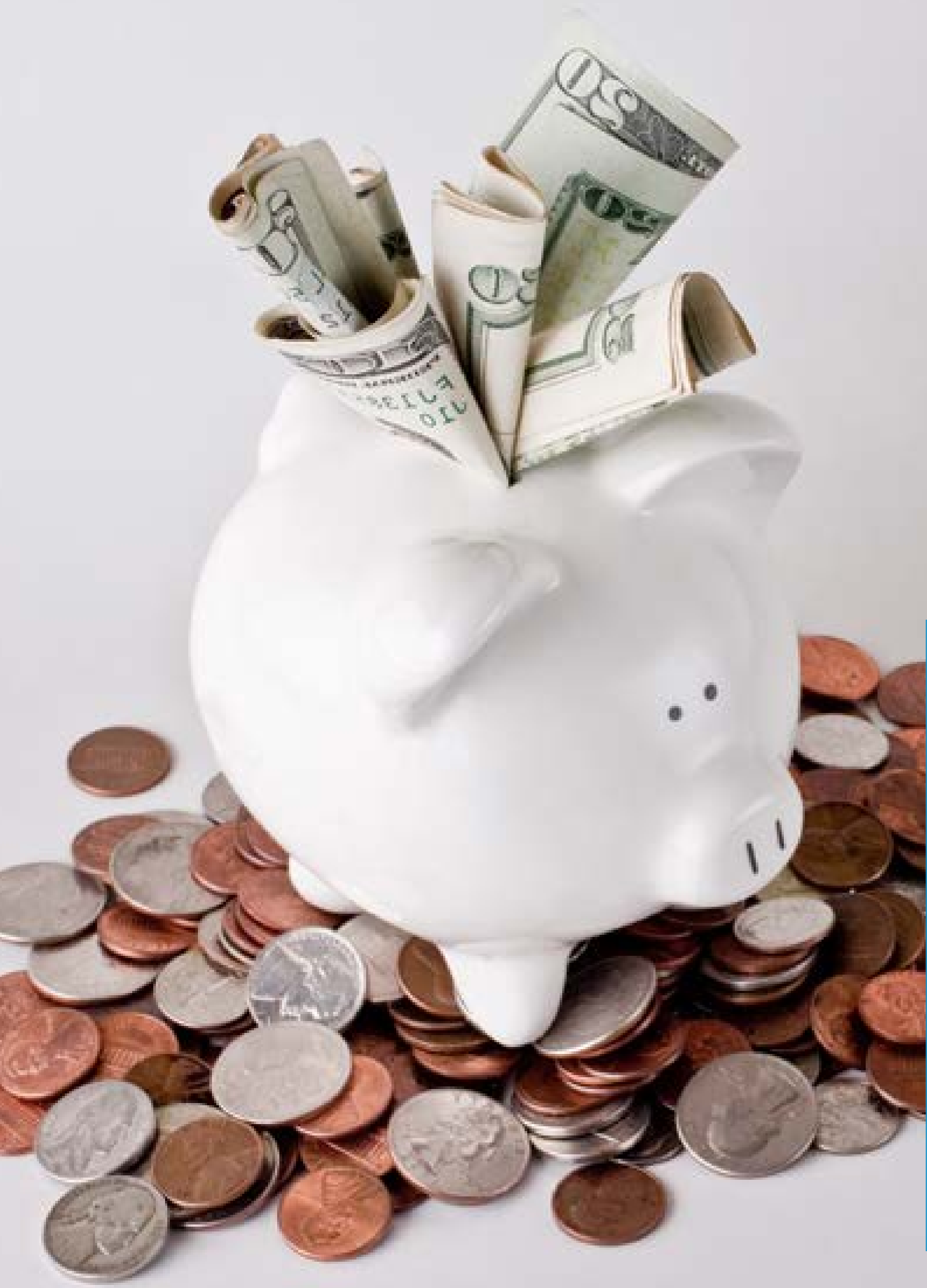
LEARN MORE

The 1 Thing You Need to Do to Build Financial Independence

Automating your cash flow is a way you can help ensure your cash goes where you want. Automation will take the guesswork out of prioritizing your financial goals by automatically saving into your retirement and savings accounts, paying down outstanding debt, and funding important goals like traveling with the family. A well thought out cash flow management system helps you stay on track and control those urges to overspend. Money that is left over can go towards secondary goals or a fun cash allowance for the people in your household to spend however they want without guilt.

MONEYGUY PRO TIP #7

Are you a charitably minded person that prioritizes tithing and supporting your favorite organizations/causes? Consider contacting us for a discussion on specialized giving opportunities especially if you have large taxable investments or appreciated holdings.



STEP 3

Debt Management

Managing your debt is critical to your financial success. Whether you have debt to pay off or you proactively avoid taking on debt, having a strategy in place is a necessary component of your financial plan.

When You Have Debt

When you have outstanding debt that needs to be paid, prioritize your highest interest debt first. Pay off those high interest credit cards and then move on to your other forms of debt like car and student loans. Becoming financially independent means you are free from creditors; you don't owe anyone any anything! How great would that feel?!?

As part of your cash flow management in the previous step, make a plan for how much cash you can direct to pay down your debt and calculate how long it will take you to do so. Knowing how and when you will relieve yourself from debt can be a powerful and motivating force in your financial life. As you work to pay off the debt you owe, it's critical that you avoid assuming more debt in the process. Again, this is why your cash flow management system will aid you so well to maintain spending within your means.

MONEYGUY PRO TIP #8

Compounding interest can work against you if the interest charged is increasing your outstanding debt. Get control and pay-off those credit cards!

MONEYGUY PRO TIP #9

Pay off your auto loans within 3 years / 36 months. Don't fall into the trap of financing your vehicles for 6 and 7 years. Automobiles depreciate rapidly, so paying them down quickly is a priority.

To Stay Out of Debt

Most of us will work hard to become debt free except for a mortgage. Because homes are likely to be the largest purchase you make, it can take the full term of your loan to pay it off completely. If you are able to make additional principal payments, you can shave years and interest off your loan, so be mindful of that when you find yourself in a position of excess cash.

Otherwise, protect yourself against falling into debt by:

- Maintaining control over your spending
- Having your emergency reserves funded for the unexpected
- Delaying purchases until you are able to pay for them (don't fake success by borrowing against your future!)
- And if you want to take on a large project, like a home renovation, for instance, prepare your finances ahead of time to be able to make those loan payments and pay it off as quickly as possible.

The truth is, it doesn't take much to throw your financial life off-kilter, so being prepared is the best way you can avoid going into debt in the future.

MONEYGUY PRO TIP #10

Pay off your mortgage BEFORE retirement. Hard to call yourself financially independent if you still have outstanding "obligations"!

LEARN MORE

The Zombie Effect: How to Escape The Walking Debt

STEP 4

Estate & Risk Planning

Estate & Risk Planning

Estate and risk planning is absolutely one of those components everyone's financial plan needs to include. Just like you have emergency reserves for unexpected expenses, your estate and risk plan accounts for your finances and your family if the unthinkable occurs.

Most people don't plan to die. But the fact remains that most of us don't know the exact date and time our time on this earth will come to an end. Moreover, most of us can't predict an accident that could render you unable to make important decisions, work or generate income either.

So, as a way to further secure your finances for the unexpected, there are four primary items you should have as part of your estate and risk plan:

1. Living will / Healthcare Directives

a written statement that takes effect while you are living detailing your desires regarding your medical treatment in circumstances in which you are no longer able to express informed consent, especially an advance directive. This single document can be invaluable in taking stress off your loved ones should they have to make difficult decisions on your behalf.

2. Will (aka last will and testament)

a document that takes effect when you die describing what you want to happen to your assets when you pass. In a will, you name your heirs, a guardian for your minor children and also an executor for your will -- the person to collect and distribute your assets.

3. Life insurance

insurance that pays out a sum of money to your beneficiaries either upon your death or after a set period. We like that Term Life Insurance has lower annual premiums. Term insurance is especially effective for funding goals that will go away or be fully funded with other assets in the future.

MONEYGUY PRO TIP #11

A good baseline is to have 10 times your annual income in coverage. And don't forget about spouses that stay home. Even though there may not be income generation, their role is still incredibly valuable and likely creates an insurable interest.

MONEYGUY PRO TIP #12

If you pay the disability premium with pre-tax dollars, the benefit will be taxable. If you pay with after-tax dollars, it will be tax-free. Make sure you structure your disability premium payments to take this into consideration.

4. Disability insurance

insurance that offers income protection if you become disabled for a long period of time, and as a result can no longer work during that time period.

A financial plan that doesn't account for the ultimate disruptions to your life is incomplete. This is why it is so important that your financial plan includes these estate and risk planning components to protect your loved ones if something were to ever happen to you.

LEARN MORE

6 Types of Insurance That Can Keep You Out of Trouble

STEP 5

Building Financial Independence

Every step we take in the financial planning process is geared toward helping you achieve one primary goal: financial independence. The concepts that help you reach this level of financial success are simple enough to understand and follow: spend less than you earn, save as much as you can, and invest as soon as possible. The magic of compound interest is truly spectacular!

Consider this... if your goal is to become a millionaire by the time you are 65 (assuming a hypothetical 10% annual return) a 20-year-old only needs to save $95 month. If you do the math on that scenario you quickly realize that the investor only contributes $51,300 ($95 times 540 months) of the $1,000,000. Where does the other $948,700 come from? Growth of the assets through **compounding interest!**

Don't worry if you are already past 20 there is still a tremendous opportunity. A 30, 40, and 50-year-old can still have 88.9%, 77.4%, and 56.6% of their portfolio value come from portfolio growth and compounding interest, respectively.

There are three primary ways you can save and invest as much as you can on your road to financial independence.

1. Take full advantage of retirement plans

Take advantage if your employer offers you a 401(k) plan with a company match. That's free money. Government worker? You likely have access to a 403(b) or TSP. Self-employed? Open a Simple IRA, SEP IRA, or Solo 401(k). Regardless of what type of retirement account you have, work toward putting away at least 15% to 20% of your gross, before-tax income. Then, make a plan to increase your contributions by 1% every 6 months or every year. Ideally, you should work towards maxing out your retirement account each year.

2. Balance your invested accounts / Tax Diversification

The second step to financial independence is to balance your tax-advantaged retirement accounts and utilize both types.

MONEYGUY PRO TIP #13

Contact us if you happen to have access to both a 457 and a 401(k) or 403(b). There is an awesome planning opportunity available to you.

Roth IRAs are extremely beneficial in saving for retirement, because all of the earnings in your account accumulate completely tax free. This means you won't pay any taxes on this money when you eventually pull it out to use in retirement. Also aim to max out this retirement account as well, which is $6,000 a year if you are under the age of 50. Having both tax-deferred and after-tax accounts helps you balance your retirement savings and tax exposure.

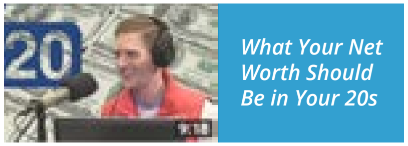
MONEYGUY PRO TIP #14

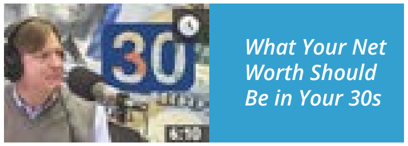
Contact us if you think you make too much money to contribute to a ROTH IRA, especially if you have access to a good employer retirement plan.

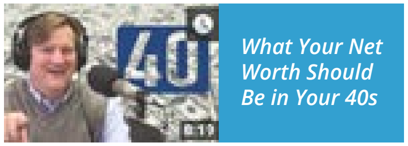
3. Save, save, save

The final step toward financial independence is to save as much as possible. Aim to be a "hyper saver," or someone who saves greater than 20 percent of their gross income. Don't forget to refer to your cash flow management system and prioritize your saving and spending according to your goals and values. It will keep you on the road towards financial independence, and perhaps a more fulfilling life as well.

Are you on track?! Check out our videos to see how you are doing!







Financial Planning Checklist

Now that you know the steps you need to take to create your financial plan in 30-minutes(ish), here is a quick checklist to help you as you work through your finances:

- ☐ Create your net worth statement so you can calculate your net worth
- ☐ Start an emergency fund if you haven't already
- ☐ Build your cash flow management system and spend according to your goals and values
- ☐ Create a plan to pay down your debt as quickly as possible
- ☐ Automate your cash flow towards the items you can and practice forced scarcity
- ☐ Get your estate planning items in order
- ☐ Get life insurance
- ☐ Get disability insurance
- ☐ Create a will
- ☐ Create a living will / healthcare directives
- ☐ Participate in employer-sponsored retirement plans
- ☐ Contribute enough into your employer-sponsored retirement plan so that you get the company match
- ☐ Open a Roth IRA
- ☐ Max out your retirement accounts if you can
- ☐ Continue to save, save, save

LEARN MORE

Vision Planning: How To Set (and Keep) Financial Goals

Additional Resources & Next Steps

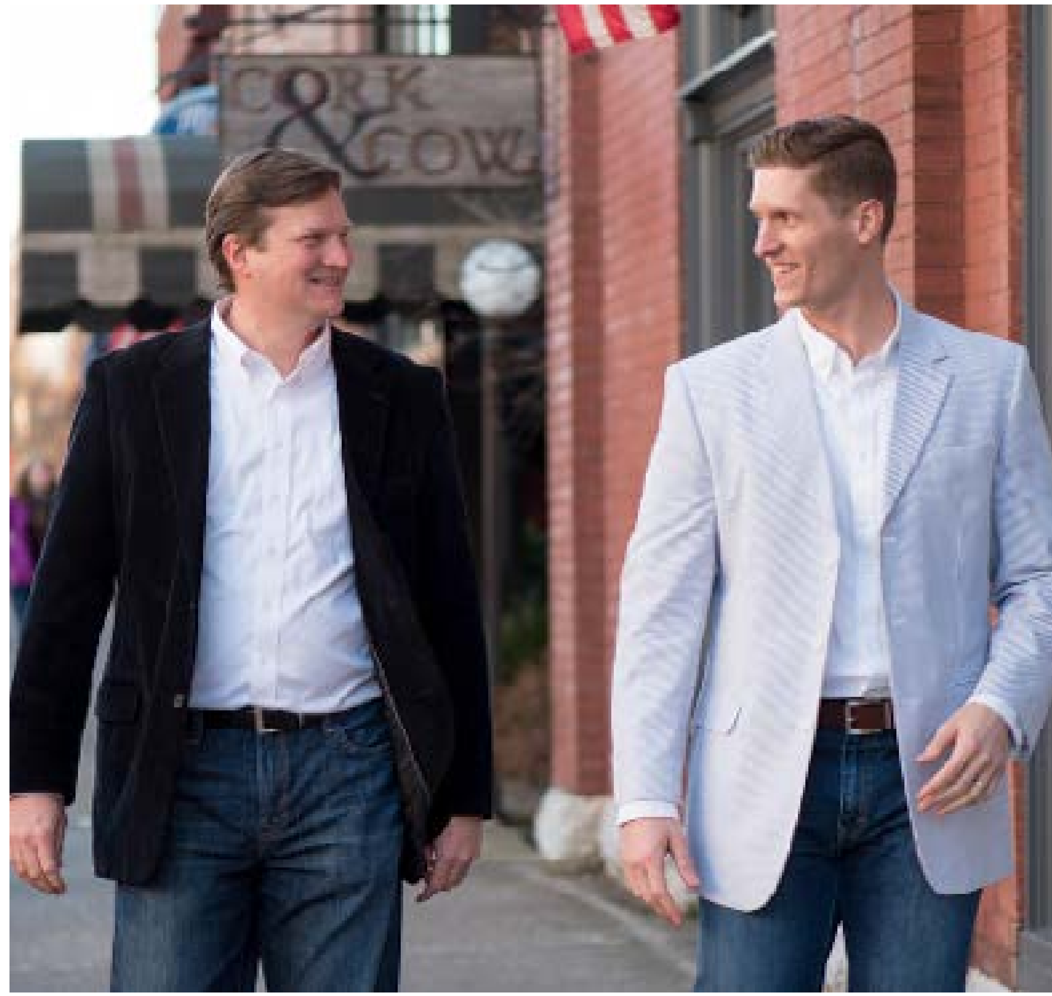
What's your next right step?

As you work to build your financial plan toward financial independence, we invite you to take advantage of the ongoing resources we offer.

Please be sure to visit us and subscribe at **moneyguy.com** to hear our latest show episodes and read our newest blog posts. **The Money Guy Show** is where we share tons of actionable financial information that is timely and relevant.

You can also reach us directly anytime with questions, comments, or to explore working together. Email us at **Brian@moneyguy.com** and **Bo@moneyguy.com**.

CLICK HERE
to schedule a time to speak with us



About The Money Guy Show

Why does the Money Guy Show exist?

This all started in 2006 as a passion project to help people make good financial decisions by going beyond common sense. Brian comes from three generations of educators, and one of the most fulfilling experiences is to watch someone grasp a new concept.

Through Brian's heart of an educator, the show took on a life of its own, and, over 10 years later, we're still helping our listeners restore order to their financial chaos. It allows us to share our passion for sound financial management. We love that our clients and podcast listeners are successful, high achievers. They come to us because they are serious about being efficient with their resources and maximizing their opportunity to build and maintain financial independence.

The Money Guy Show continues to be powered by the support and positive feedback of our listening family. However, the show has also turned into a great way for us to meet and connect with listeners who want to take their relationship to the next level.

Success can lead to the point that your assets are large enough that there is a peace of mind knowing that you have covered all contingencies. If you are looking for a partner to maximize your financial potential, we are here for that graduation moment.

If you made it through this 30-minute financial plan, checked the boxes, but know there is more that needs to be done, let's take your finances to the next level.

Schedule time with us today