

# **Comprehensive Financial Plan**

for

**Richard and Cheryl Tobasco**

**ExecPlan Equities**

**2016**

## Overview

We at ExecPlan Equities are pleased to participate with you in creating a comprehensive planning solution to meet your personal financial objectives. The reports that follow comprise your Financial Profile as of this date and are based on the information you have provided. These reports include our forecasts of changes in your financial and tax positions through the years ahead. They reflect the impact of implementation of the recommendations we have outlined at the end of this report.

## Objectives

### Lifetime Planning

- Establish and maintain an adequate level of reserves.
- Minimize long-term debt.
- Increase net worth on a systematic basis through a diversified investment program.
- Set forth a plan to ensure financial independence for your retirement.
- Accumulate enough wealth to maintain your life-style in the event of a change in your retirement plans.
- In the event of your long-term disability, structure a plan to provide for your medical and personal needs, while protecting your estate for your heirs.
- Increase asset liquidity to provide more flexibility for future estate planning, or cash needs in the event of an unforeseen expense.
- Minimize taxes to meet capital accumulation goals in the most efficient manner. Reduce income tax burden, if possible, with creative sheltering of discretionary funds.

### Estate Planning

- Ensure there are sufficient assets to meet financial and charitable goals in the event of premature death.
- Avoid unnecessary taxes or expenses on your estate or on your heirs upon distribution.

## Assumption

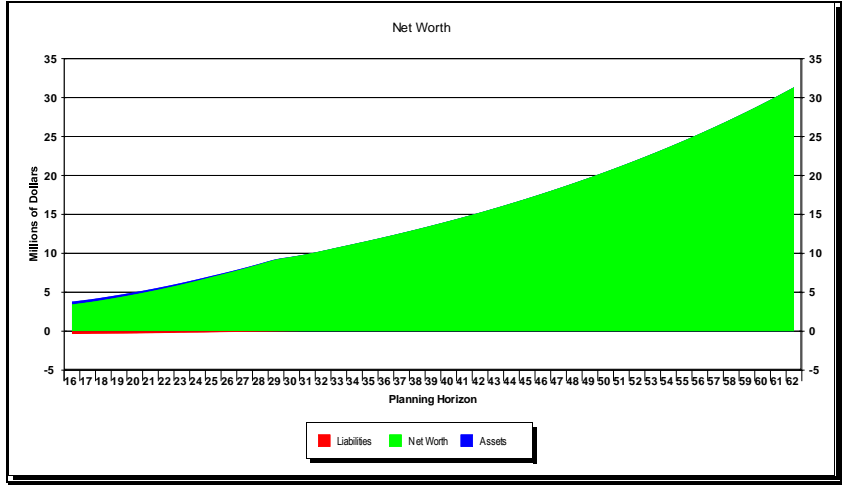
<b>Planning Horizon</b>	forty-seven years
<b>Inflation for Tax Tables and Social Security</b>	three percent
<b>Total Living Expenses this year</b>	\$110,449
<b>Current filing status</b>	Joint
<b>Annual Growth for</b>	
<b>income</b>	
<b>Personal Expenses</b>	
<b>Investments</b>	
<b>Other objectives</b>	

# Your Net Worth

A conservative valuation of your present assets and liabilities reveals that your Net Worth for the end of this year is projected to be \$3,444,865.

Based upon the information you provided and the assumptions we made in projecting your Profile for the next forty-seven years, your Net Worth increases at a rate higher than the anticipated inflation rate.

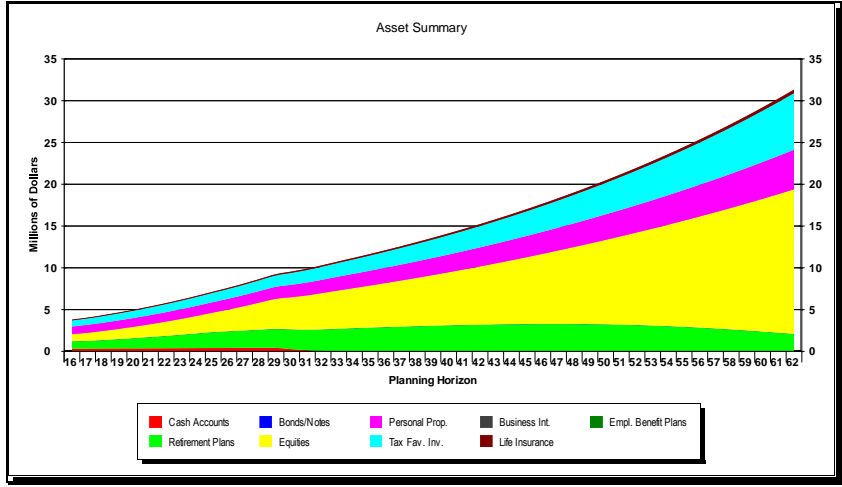
For our discussions in this report, we have classified your Total Assets into two categories according to their potential for producing current or future Cash Flows. These categories are defined as follows:



# Your Assets

## Personal Assets

These assets are normally not allocated for conversion to investment capital for the production of income in the event of premature death or disability. The value of your Personal Assets in 2016 totals \$1,909,516. With the exception of \$4,953 in cash and \$112,889 the cash surrender value of your life insurance policies, all of this amount is generally considered non-liquid. Non-liquid assets are assets that generally are not easy to liquidate (homes, jewelry, business interests), result in additional taxation or investment penalty for premature liquidation (company plans, stock options), or assets that may be restricted in their reallocation into other investment vehicles (annuities, IRAs). These Personal Assets, when netted against your Personal Liabilities of \$242,716, yield a Personal Net Worth of \$1,666,800.

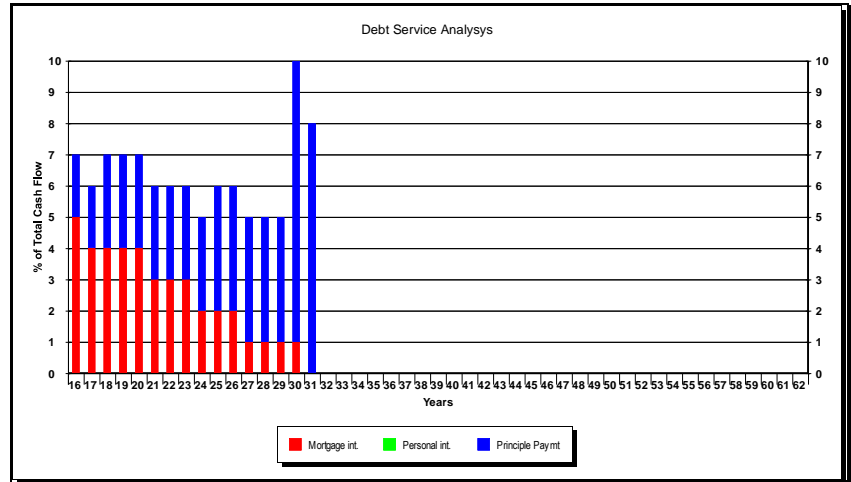


## Investment Assets

These assets are normally acquired to produce income and/or future capital growth; they are available to you in retirement or if you become disabled, and are available to your survivors in the event of your premature death. The value of all your Investment Assets in 2016 is \$1,900,330. Your Investment Liabilities amount to \$122,265. Therefore, your Investment Net Worth is \$1,778,065. We compute your Net Worth at the end of 2016 as \$3,444,865. This consists of \$3,809,846 in assets and \$364,981 in liabilities. Your Total Assets at that time will include \$1,301,458 of Liquid Assets and \$2,508,388 of Nonliquid Assets. At the end of 2062 your Net Worth is projected to be \$31,333,183, consisting of \$31,333,183 in assets. Your Total Assets at that time will include \$17,771,093 of Liquid and \$13,562,090 of Nonliquid Assets.

## Your Liabilities

The total amount of your outstanding debt at the end of 2016 is \$364,981. The amount of \$242,716 is considered personal debt and \$122,265 is considered investment-related liabilities. You have \$242,716 of outstanding mortgage loans on your residence. For these and other personal loans you are making payments in 2016 totaling \$26,346. Of this amount, \$9,011 reduces the outstanding principal balance of your personal debt. The remaining amount of \$17,335 is the interest you pay on this debt. As shown on the Income Statement, the interest paid on home mortgages is deducted in computing your income taxes.



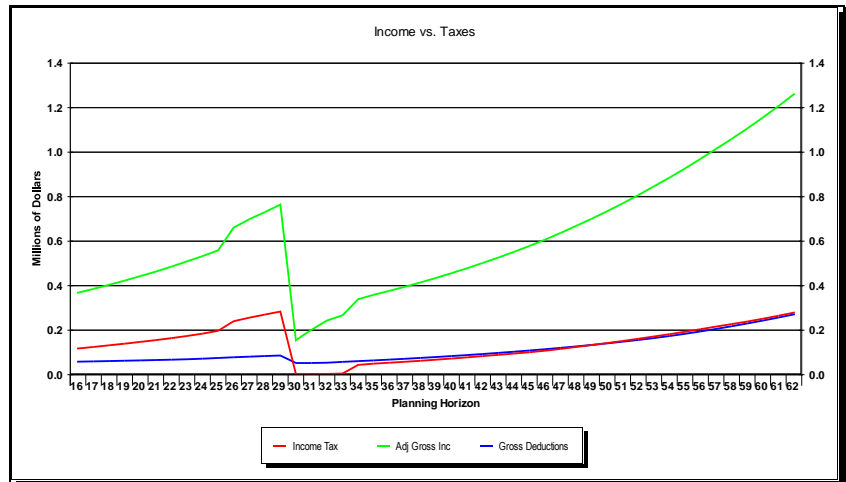
Differences in income, potential future earnings, liquid net worth, type of debt, term of debt, interest rates, returns of personal investment, age, number of dependents, retirement age and marital status are major factors in weighing the appropriate amount of debt. However, an individual with a debt service as a % of cash flow that exceeds 36% may need to consider reviewing what can be done to improve their debt exposure.

## Your Income

You are projected to earn a total of \$360,037 for 2016. In addition, you will earn \$26,030 in interest and dividends. The total of your Cash Inflows for this year is \$379,248 after considering the loss of \$6,819 from your direct participation or other investments and before considering any other adjustments or deductions for tax purposes.

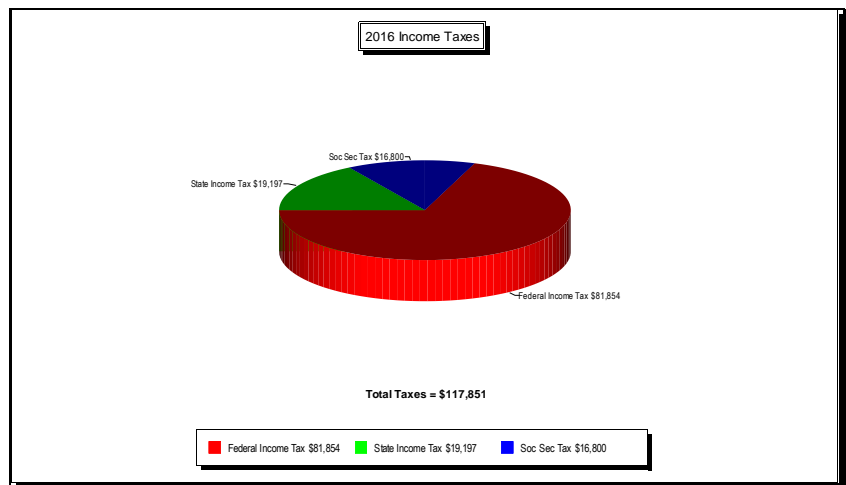
In 2062 you are projected to earn a total of \$276,312 in Personal Service Income. Your interest and dividend earnings are projected to be

\$387,147. The adjusted investment earnings for tax purposes is computed to be \$707,442. ; this computation takes into consideration the gain of \$43,983 from your direct participation in tax-favored investments.



## Your Income Taxes

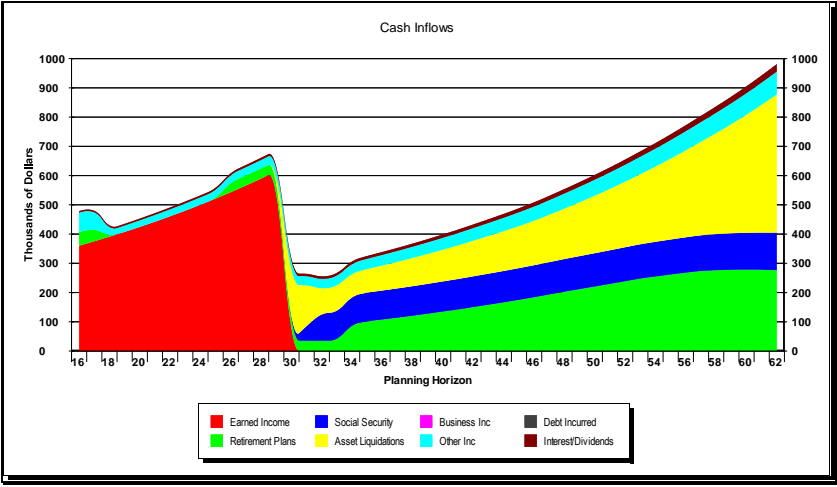
We compute your 2016 Income Tax as \$117,851. This tax consists of \$73,544 in Federal Regular Tax, \$8,310 in Alternative Minimum Tax and \$16,800 in social security tax. In addition, your Total Tax Liability includes \$19,197 in state and local income taxes. The fact that you will be subject to an Alternative Minimum Tax in 2016 requires your immediate and careful attention. A number of legally acceptable tactics are available to adjust your tax profile in order to avoid having to pay this additional tax. The federal income



taxes computed above are based upon your 2016 Joint Status while claiming three Exemptions, including yourself. In addition to the Exemptions, a total of \$58,432 is applied against your Adjusted Gross Income as Itemized Deductions. After adjusting your Itemized Deductions for the current standard deduction, your Taxable Income is \$303,338. Your Marginal Federal Tax Bracket is thirty-three percent in 2016. This tax rate is applied to \$48,977 of your current Taxable Income of \$303,338. An increase of Taxable Income of \$132,923 or more will move you into the thirty-five percent bracket. In such a case, the higher rate is applicable only to the amount of income that falls in the higher bracket. If you decrease your federal Taxable Income by \$48,977 or more you will fall into the twenty-eight percent bracket.

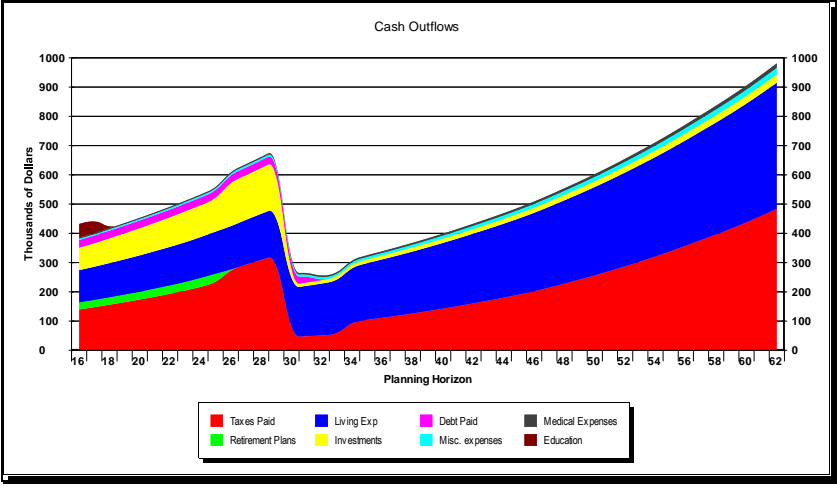
## Your Cash Inflows

Your Cash Inflow of \$432,259 in the first year of your Profile changes to \$508,608 in 2062 (all cash inflows discussed in this section, exclude cash received from the depletion of assets to meet ongoing expenses). During this period of forty-seven years you will receive a total of \$18,925,283 in cash. Your highest annual Cash Inflow amounts to \$687,254 and is received in 2029, whereas your lowest annual Cash Inflow of \$73,856 occurs in 2030. If all the varying amounts of cash you receive over the years are discounted by a factor of five percent, the Net Present Value of this stream is \$7,632,025. In other words, \$7,632,025 today will produce all of the cash you will receive in the next forty-seven years if it yields a net return of five percent.



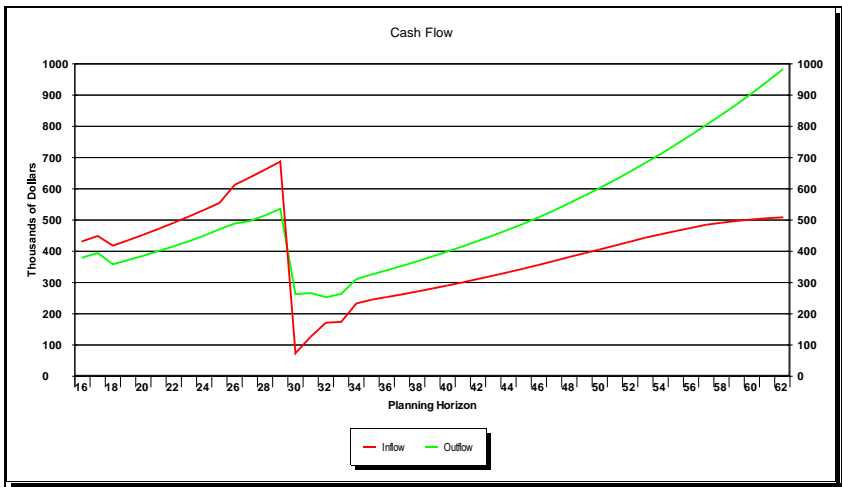
## Your Cash Outflows

Similarly, your annual Cash Outflow of \$380,017 in the first year of your Profile changes to \$981,419 in 2062. The total of all your cash expenditure items in the forty-seven-year period adds up to \$24,189,295. The highest level of your annual spending of \$981,419 occurs in 2062; your smallest annual Cash Outflow amounting to \$252,967 occurs in 2032. Your annual Cash Outflow includes all of your non-investment spending, such as for household expenses, education, cash purchases, donations, payday of debt, and taxes. Discounted by the factor of five percent, the Net Present Value of your total cash expenditures over our planning horizon is \$8,096,963. This means that \$8,096,963 today, yielding five percent, will take care of all your projected noninvestment cash spending for the next forty-seven years.



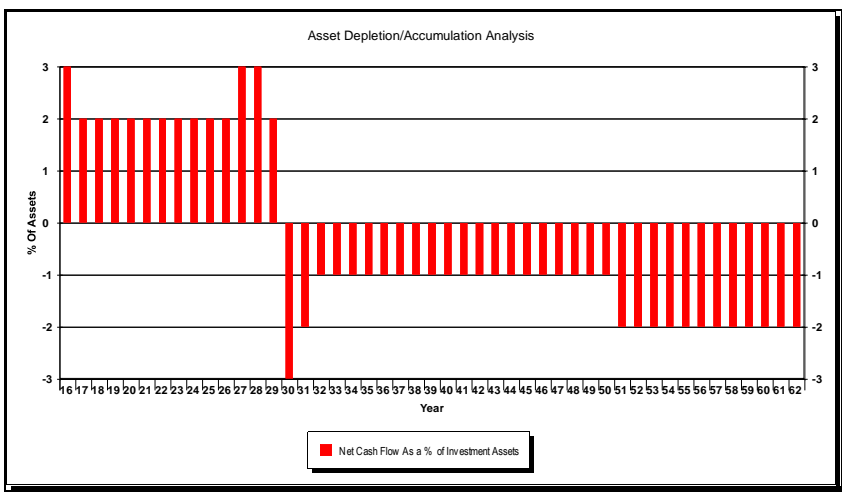
# Net Cash Flow

Net Cash Flow is the difference between Cash Inflows (sources of income) and your Cash Outflows (expenses). The difference between these two will result in either the need to liquidate assets (negative cash flow) or the ability to save assets (positive cash flow). Prior to retirement most individuals have a positive cash flow. This allows for directing resources to build capital savings for retirement, the greater the positive cash flow the better. Once most people enter retirement, their income (pensions, social security, investment interest, etc.) may not be able to meet their retirement needs (personal expenses, taxes, etc.), thus a negative cash flow and a need to liquidate investment principle.



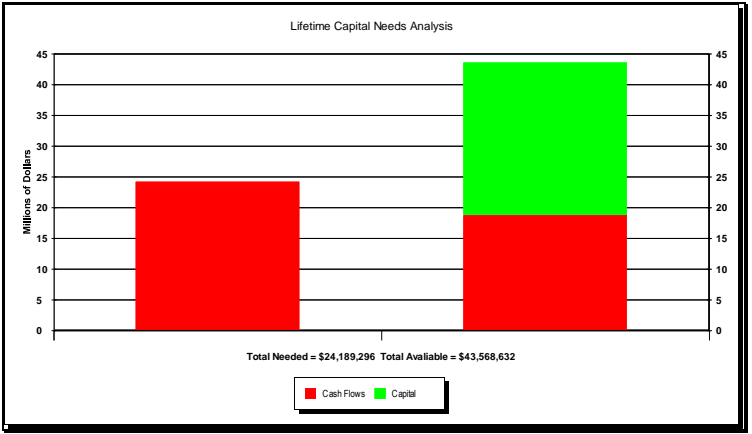
# Asset Depletion

If the annual sale of your retirement assets (liquid investment assets) needed to meet annual cash shortfalls becomes greater than the appreciation of the assets, your liquid investment net worth will begin to decline. Thus the greater the negative cash flow, the greater the impact on you ability to grow your investment network. If the rate of depletion of your liquid assets exceed the rate of return, then the value of your liquid assets will begin to decline. For example, if you sell 7% of the value of your liquid investment assets, while those assets were returning 6% annually, the value of your assets would begin to decline and eventually be totally consumed.



# Your Economic Prospects in Your Retirement

In a lifetime capital analysis, if your total lifetime cash inflows plus your lifetime capital (investments) are greater than your total lifetime cash outflows (expenses), then you will have sufficient resources to meet your needs for the planning horizon. This is a big picture evaluation. This does not reflect if at any point in the planning horizon you may have a negative liquid cash balance. A negative cash balance in any given year would indicate that you do not have enough liquid capital at that point in time to meet your ongoing personal expenses. Thus you would need to borrow money, or would need to liquidate a non investment asset, such as your home.

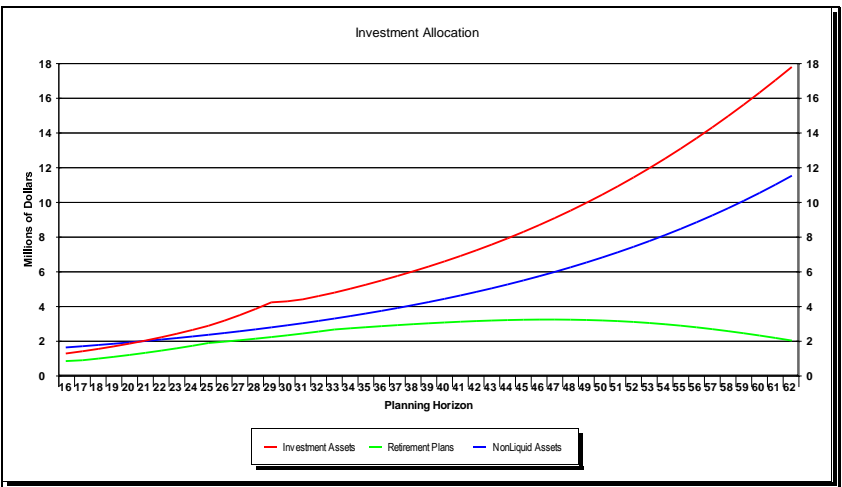


The following Investment Allocation illustration projects your year by year liquid investment balances (the red line), retirement account balances (green line) and your non liquid assets (blue line). Should at any point you have a negative balance for your liquid investment balances (red line), you may face significant personal or financial hardship due to the consequences associated with the need for liquidation of a non liquid asset to meet that given year's cash shortfall.

. {tc "Your Cash Flows"}

At the end of your retirement in 2062 your projected net worth will be \$31,333,183. However this is not an accurate gauge to measure your financial independence at the end of your retirement years. Your net worth includes the value of your home, personal property, business interests, and investment assets (non-liquid assets) that are not available to fund retirement objectives. Since these assets are not used to meet ongoing cash expenditures, to include them in our assessment would distort the evaluation of your financial independence.

A more appropriate manner to determine your financial independence in your retirement is to evaluate whether you have sufficient investment assets and qualified retirement plans to fund your ongoing financial objectives in each year of the planning horizon. You will be financially independent if throughout your retirement years, and at the end of your life in 2062, you are able to maintain a positive balance in these combined sources of capital. We currently project that in 2062 you will have \$17,771,093 in available liquid investment assets and \$2,047,949 in your qualified retirement accounts.



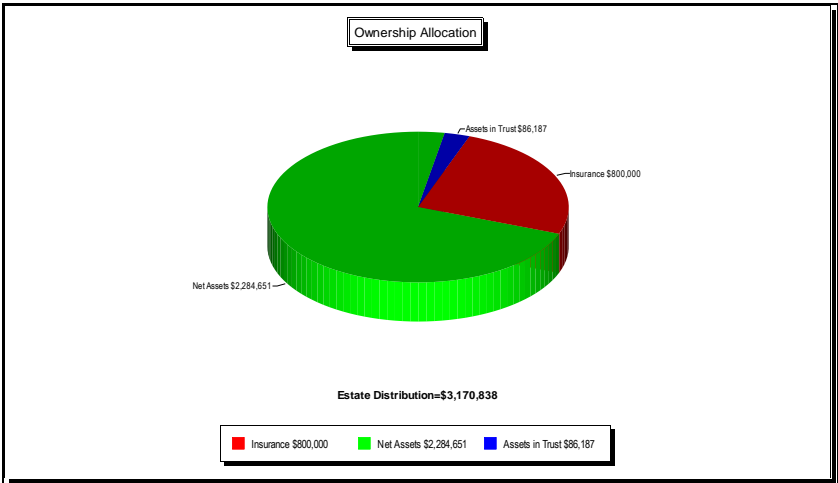


## Estate Overview

The financial and tax consequences of either your and/or Cheryl's untimely death are described in this section of your Financial Profile. The basis of your estate liability begins with your current estate evaluation. This includes an understanding of the ownership of your assets.

Your actual estate liability will depend on the time and order of death for each spouse. In fact, of course, none of us knows when this event will happen. The importance of seeing its consequences, however, is the opportunity it affords to notice the difference between those consequences when they flow from decisions made within a lifetime personal financial management system that anticipates this event and the consequences of the event when

it is not planned for. The differences can be measured in very substantial dollars. They can also be measured in the profound negative emotions and frustrations that survivors and beneficiaries often experience when the decedent makes no intentional, dispositive plans at all.



The shrinkage of your estate values will result primarily from the need to pay any personal debt, administration expenses, and federal, state, and local death and estate taxes. Before death occurs, there are many alternatives for arranging these matters to the greatest advantage of all interested parties, especially your estate tax liabilities (if any).

## Recommendations

In our discussions and in the analyses of your Financial Profile, there are several clearly indicated steps you now need to take to start moving directly toward your overall financial objectives. In your Profile, for the years of the planning timeframe beyond the current year, we have included our specific recommendations in the computations and forecasts to illustrate their consequences on your financial and tax position if you implement them. We have summarized our specific recommendations for conserving and distributing your estate in the Estate Planning section of your Financial Profile.

We summarize below our specific recommendations for your overall financial plan. After this summary, we include an Action Checklist to indicate by priority ranking of the steps you now need to take to fully implement your personal financial management system.

This analysis was based on current tax law and IRA distribution rules. There has been a significant change in the tax laws this year, so it is imperative that we continue to review your financial position on an annual basis.

- 1. Income Tax Management**
- 2. Cash Management**
- 3. Asset & Liability Management**
- 4. Estate Planning**
- 5. Capital Needs Analysis**

In summation, these recommendations strive to integrate several primary financial objectives. First provide financial security for your retirement through a systematic and organized investment planning strategy. Second, minimize your asset's tax liabilities, while managing risk through an appropriate asset allocation. Finally, protect your heirs from unnecessary estate or income taxes, and expenses

## Implementation Schedule

We share with you the responsibility of following through with your decisions and the implementation of our suggestions and recommendations. We will arrange appointments and be present, as needed, to coordinate activities and provide relevant information for other professionals.

In order to implement your decisions you should take the steps indicated in the checklist below. When you have completed steps scheduled for the current year, your Financial Plan will begin.

### ACTION CHECKLIST FOR IMPLEMENTATION

Recom- mendation	Action Required	Time frame	Party Responsible	Date Completed
#1		Immediately	Advisor & Client	
#2		Immediately	Advisor & Client	
#3		Immediately	Advisor & Client	
#4		Immediately	Advisor & Client	
#5		Immediately	Client	
#6		Immediately	Client	
#7		Immediately	Client	
#8		Immediately	Advisor	
#9		Immediately	Advisor	
#10		Immediately	Advisor	