Carrolyn and Daniel Sands

Personal Financial Plan
I. Introduction
Carrolyn Sands
Personal Financial Plan
MBA 620 Fall 2016

This financial plan was prepared by myself, Carrolyn Sands, in the 2016 fall semester. I prepared this financial plan with the help of my husband, Daniel Sands. My husband and I are excited to have this plan put together to help us make wise financial decisions in the future as we survive medical school, start a family, and experience all of the challenges and opportunities that our lives will bring. We intend to refer to this plan often and to update sections as our financial and personal lives change. We are grateful to have learned principles that will help us to adjust to different situations in life and stay consistent with our goals.
II. Goals
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Introduction

I have to admit, writing down my life goals has been a challenging process for me. I grew up in a home that was always unstable; on a day-to-day basis, I questioned what was going to happen to my siblings and me because of the state of my parent’s marriage. Threats of divorce were constantly thrown around until my father finally went through with it. Because of this, thinking of long-term goals is hard for me. It is hard for me to believe that someone can plan farther ahead than the next couple of months or year. Life changes so quickly, and so much of it is out of our control.

However, I have seen many examples of the powerful nature of goals. I have also grown up hearing Elder Ballard talk about the importance of setting goals, writing them down, and having the self-discipline to master those goals. One of his quotes has always stood out to me:

I am so thoroughly convinced that if we don’t set goals in our life and learn how to master the technique of living to reach our goals, we can reach a ripe old age and look back on our life only to see that we reached but a small part of our full potential. When one learns to master the principle of setting a goal, he will then be able to make a great difference in the results he attains in this life.

In my reflections and studying for this assignment, I came across another great quote from Elder Ballard; this new quote helped to address my concerns about the success of goal-setting. Elder Ballard said:

Some of you might cop out by saying, “Well, Brother Ballard, you just don’t understand my environment. You just don’t understand my circumstances. You just don’t understand what kind of a father I have, or what kind of a mother I have, or what kind of a this or that.” “No,” I would say to you, “put all of that in the back of your minds and bring forward to the front of your mind the worthy goals that you want to obtain. Then discipline yourself to the practice of personal self-discipline.”

This guidance comforted me, because it reminded me to focus on the things that I have power to change—my behaviors. While I cannot always change the circumstances around me, having goals can help me know how to respond and act in the situations I will encounter in life. So, even though setting a 10- or 20-year goal can seem daunting, I can have faith and hope and work towards those goals.
Goals

As I pondered on this counsel, I also felt drawn to a specific scripture. In Philippians 4:13, Paul states that “I can do all things through Christ which strengtheneth me.” This reminded me that as long as I stay close to the Savior in both setting and working towards my goals, everything will ultimately turn out okay. It might not be what I expected or wanted at the time. But, “all things work together for good to them that love God, to them who are called according to his purpose” (Romans 8:28).

It is with this hopeful attitude that I compiled this section of my personal financial plan, and I intend to refer to it often to remind myself of what Heavenly Father and I want to accomplish with this life of mine.

What Heavenly Father Wants Me to Become

As a youth, I always felt the Spirit when I read this quote from President Benson about the potential of young women:

Give me a young woman who loves home and family, who reads and ponders the scriptures daily, who has a burning testimony of the Book of Mormon. Give me a young woman who faithfully attends her church meetings, who is a seminary graduate, who has earned her Young Womanhood Recognition Award and wears it with pride! Give me a young woman who is virtuous and who has maintained her personal purity, who will not settle for less than a temple marriage, and I will give you a young woman who will perform miracles for the Lord now and throughout eternity.

This quote helped me to see myself as something much different from just a lanky, uncoordinated, and awkward teenager. I saw myself as someone of worth who had the potential to join Heavenly Father’s team and assist in His work. I saw myself as someone who could make a difference in the world if I would learn to rely on Heavenly Father’s guidance.

I also felt that my purpose in life was to make covenants with Heavenly Father in the temple. I always loved the last part of the Young Women’s theme when we would stand and say “We believe as we come to accept and act upon these values, we will be prepared to strengthen home and family, make and keep sacred covenants, receive the ordinances of the temple, and enjoy the blessings of exaltation.” I wanted to be prepared for all of those things.

Today, I still feel driven to be on Heavenly Father’s team. However, for this assignment, I have spent more time pondering the specific role that I am supposed to play on this team. What talents do I have to give, whom should I focus on serving, and what am I here on this earth to accomplish? How do I keep my covenants and really consecrate my life to Heavenly Father? Below, I outline some of the answers I have received to these questions.
Developer of Talents – Empathy and Compassion

In many school blessings over the years, I have been told that my greatest gifts are my ability to feel empathy and compassion for others. When I was trying to figure out what kind of graduate work to apply to, I was also reminded to find a field that would allow me to use those gifts. This became a difficult endeavor for me because I had already learned that Heavenly Father did not want me to pursue a career in marriage and family therapy. I had tried that road and it did not work out, even though that is what I previously thought I was supposed to do. My vision was a little narrow and I could not envision another field that would better use my skills.

I remember thinking about an MBA program and talking with a good friend about my possible intentions to apply. That night, I had a very strong impression to apply for the BYU MBA program. It was one of the holiest experiences of my life, and I have no doubt that I am supposed to be in this program at this time. I moved forward and acted on that impression, but I still did not quite understand how it fulfilled the earlier counsel I received to develop my talents.

During the first semester, I caught a glimpse into why an MBA program was where Heavenly Father wanted me to be. Our class was discussing Clayton Christensen’s points in *How Will You Measure Your Life?*, and I was struck by this quote:

> I used to think that if you cared for other people, you need to study sociology or something like it. But...I [have] concluded, if you want to help other people, be a manager. If done well, management is among the most noble of professions. You are in a position where you have eight or ten hours every day from every person who works for you. You have the opportunity to frame each person’s work so that, at the end of every day, your employees will go home feeling like Diana felt on her good day: living a life filled with motivators.

That quote helped me to broaden my vision of what it means to use compassion and empathy. Now, I feel like Heavenly Father wants me to find less obvious ways of using my gifts. For example, I need to take notice of potential in others and give it a chance to shine. I need to be empathetic and help others to be understanding when co-workers or classmates are going through a hard time. I need to bring an atmosphere of kindness with me into whatever work environment I am in, making it safer and more uplifting for people to come to work every day.

I also believe that through my job, God will put me into the path of people who need uplifting words, a listening ear, or other emotional support. I enjoy giving that kind of help to other people, and I need to watch for such opportunities. My hope is that through my actions, people will be able to feel the Savior’s love for them, even when I am not explicitly sharing the gospel. If I can help people feel loved and cared for, then I can be doing missionary work and helping Heavenly Father to care for His children.
A faithful, loving, and supportive wife

My mother used to have a beautiful cross-stitch that hung on the wall in our living room. It contained the famous words “The greatest work you will ever do will be within the walls of your own home.” I believed that then, and I believe that this still applies to me today.

As a wife, I feel like I have the responsibility to help support and care for my husband. Growing up, I always thought I would marry someone a few years older than me and that he would work and I would stay home and raise children. In actuality, I ended up marrying someone younger than me, and he is also applying to medical schools right now. As a result, he will not be a breadwinner for the family for several years— I will have to take on that role until he is a full-time doctor.

With this new paradigm, I have come to better appreciate certain lines from The Family: A Proclamation to the World:

By divine design, fathers are to preside over their families in love and righteousness and are responsible to provide the necessities of life and protection for their families. Mothers are primarily responsible for the nurture of their children. In these sacred responsibilities, fathers and mothers are obligated to help one another as equal partners. Disability, death, or other circumstances may necessitate individual adaptation.

For at least the first decade of our marriage, my husband and I are not going to have the traditional home that I expected. Instead, we are going to have to work together to coordinate where he goes to school, where I go to work, how we manage our resources, and how we will coordinate raising our kids when we have them.

In contemplating this reality, I also sense that supporting my husband through medical school is going to be a challenging time. Therefore, I feel that it is important in these next few months for my husband and I to make sure our habits are solid around prayer, scripture study, family home evening, and temple attendance. I want to help ensure that these things are happening now to protect us and help us through the challenges and opportunities that lie ahead. I truly believe that couples that seek God together are able to love each other and weather the storms of life together.

Additionally, I feel like I need to prioritize time with my husband. We have to make sure that our marriage is our first priority, even when school and kids and jobs are demanding. Nothing is more important than our marriage, and nothing should be allowed to come before our marriage. Specifically, we have to make time for date nights and occasional trips that will allow us to make memories and strengthen our love and commitment for one another. I love what Elder Clayton said in a recent General Conference, and I want to follow this advice:
Goals

I have observed that in the happiest marriages both the husband and wife consider their relationship to be a pearl beyond price, a treasure of infinite worth. They both leave their fathers and mothers and set out together to build a marriage that will prosper for eternity. They understand that they walk a divinely ordained path. They know that no other relationship of any kind can bring as much joy, generate as much good, or produce as much personal refinement. Watch and learn: the best marriage partners regard their marriages as priceless.

I want to follow Elder Clayton’s advice to build a marriage on faith, be respectful and loyal, be fully transparent in all matters, and to rely on repentance and humility. I believe that as my husband and I both follow those principles, we will have a happy marriage and we will be able to walk hand-in-hand through all of life’s challenges.

*A Homemaker Who Centers Her Home on Christ*

Related to the topic above, I also feel that my husband and I need to focus on making our home a Christ-centered home. As Elder Richard G. Scott said:

As you center your home on the Savior, it will naturally become a refuge not only to your own family but also to friends who live in more difficult circumstances. They will be drawn to the serenity they feel there. Welcome such friends into your home. They will blossom in that Christ-centered environment. Become friends with your children’s friends. Be a worthy example to them.

One of the greatest blessings we can offer to the world is the power of a Christ-centered home where the gospel is taught, covenants are kept, and love abounds.

This quote really speaks to me because it reminds me that the blessings of a Christ-centered home extend to others beyond an immediate family. Wherever we go, I want my husband and I to be able to welcome people into our home and help our guests to feel the peace of the Spirit. I know that I have been blessed throughout my life to be invited into other’s homes where I felt the Spirit. I feel that I need to provide that same kind of safety and help to other people I will encounter throughout my life.

To help me do this, I feel like I need to be better at managing my home. While I constantly am tidying up, I feel like I need to be better about preventing messes from occurring in the first place. It is hard to feel the Spirit when your living room has books and papers everywhere. It is also hard to focus if the dishes are not done.

I also feel like I need to actively try to invite the Spirit into my home through music and artwork. I want to make sure that the atmosphere in my home is as pleasant and uplifting as I can make it. Media and other source of entertainment allowed in our home also need to be aligned with the gospel standards I learned from the Strength of Youth pamphlet.
Finally, as mentioned in the section above, my husband and I need to be diligent in our
gospel habits so that the Spirit is truly invited into our home every day. We need to keep
that goal at the forefront of our decisions in order to truly create a Christ-centered home.
Elder Scott promises that:

Be certain that every decision you make, whether temporal or spiritual, is
conditioned on what the Savior would have you do. When He is the center of
your home, there is peace and serenity. There is a spirit of assurance that
pervades the home, and it is felt by all who dwell there.

A Mother

Wanting to become a mother someday has been part of my vision for my life since I was
a young girl. I think that is true for a lot of women, especially women who grew up in an
LDS or other religious home. From a young age, I have been taught that the most
important job I will ever have in this life is the job of a mother.

There have been several times throughout my life when this goal has impacted my
behavior. As a youth, I spent a lot of time babysitting so I could learn how to watch and
take care of kids. As a young adult, I broke up with men I was dating whom I felt would
not support me in being a mother. At other times, I chose to avoid harmful substances or
health habits that would have harmed my body, and by consequence, my future children.

I do not know when I will have kids, or even if I will be able to give birth to my children.
The doctors have told me that I may have a difficult time getting pregnant someday. Yet,
regardless of how children come to me—through my body or through adoption, I intend
to become a mother someday. I also intend to become a foster mother when my children
are out of the house.

Since I do not have any children right now, I feel like I have the opportunity to use this
time to prepare to become a mother. Some of this preparation includes taking better care
of my health, learning how to teach the gospel, practicing patience, offering service, and
developing a relationship with the Lord. I know that I will not be able to raise children on
my own. I will need my husband’s help, and both of us will need to rely on the Lord’s
help. I want to prepare and live my life in such a way that I can call on the Lord’s help for
my children at all times, as Sister Dalton taught:

[President Hinckly] said, “Always live in such a way that when you need the
Lord’s blessings, you can call upon Him and receive them because you are
worthy.” He said: “There will come times in your life when you will need
immediate blessings. You will need to live in such a way that they will be
granted—not out of mercy but because you are worthy.”

Ultimately, I want to be a mother who can provide my children with a Christ-centered
home, a love for service, a love for education and hard work, and a love for adventure. I
also want my husband and I to live in such a way that our children will experience peace
at home; I want my kids to know that their parents love each other, the Lord, and them. From experience, I have learned that you can do nothing better for your children than to give them the example of a loving marriage.

An Educated and Self-Reliant Woman

In my patriarchal blessing, one of the first things that it mentions is getting an education. I am told that I will have the opportunity to get an education so that I can be “independent and self-reliant as I go forth in life.”

Because of this promise/counsel, I have always tried to take the full advantage of my educational opportunities. In my undergraduate, I kept a high GPA and I graduated as the valedictorian for my department. I always knew I was preparing for graduate level work, and I wanted to make sure I could be competitive. President Hinckley’s counsel to value education was also a driving force for me.

You must get all of the education that you possibly can... You will be expected to put forth great effort and to use your best talents to make your way to the most wonderful future of which you are capable... sacrifice anything that is needed to be sacrificed to qualify yourselves to do the work of the world.

Because of this counsel, I feel like I need to be diligent in my studies for my MBA. I also feel like I need to think ahead and plan for a possible Ph.D. someday. My husband and I have already discussed this, and we agreed that if I put him through medical school, he will put me through a Ph.D. someday if I choose to go back to school.

In addition to formal schooling, I feel like I need to expand my skills in other areas of my life. Right now, that means I am trying to learn how to cook a wider variety of meals so that my husband and I do not have to go out to buy them. I am trying to learn how to make my own decorations at home so I can beautify my home for less. I am also trying to learn how to take better care of my body so that I can be healthy.

A Servant of the Lord

Another line from my patriarchal blessing tells me that I will be a servant to Heavenly Father, and that I will serve people in His church and outside His church. Since coming to BYU, I have seen that statement realized as I have had the privilege to serve in a wide variety of callings. Each calling has blessed me to meet, get to know, and love people I would not have otherwise known.

As a youth, I always loved Elder Hales’ story about being an elder’s quorum president while getting his MBA at Harvard. When he was questioning what to do, his wife said “I’d rather have an active priesthood holder than a man who holds a master’s degree from Harvard. We’ll do them both.” That story has always stuck with me, and I have always wanted to follow Elder and Sister Hales’ examples. They put the Lord first, and sought His help to do the rest.
Right now, I have the fun and wonderful opportunity to serve in the young women’s organization in my ward. At times, it has been a hard decision to choose to do my calling instead of doing homework. Yet, I never regret my decision to go to mutual or visit with the young women. It is an amazing how the Lord can make up for my weaknesses every time I let Him.

Moving forward, I know that I need to be better at magnifying my callings. I feel like I need to pray more sincerely and consistently for the young women I work with. I feel like I need to be more proactive in reaching out to the girls who come less frequently. In future callings, I also need to remember to pray for the people I serve and for guidance on how to best meet their needs.

Additionally, I feel like I need to become more like President Monson. I admire how he always listens when the Lord speaks to him. He tells us “Never to postpone a prompting.” He also reminds us that “The opportunity to be a blessing in the life of another often comes unexpectedly.” I need to be better at seeking the inspiration of the Spirit, recognizing it when it comes, and then acting on it right away.

I know that the ability to recognize the Spirit is something I will never “master.” It will be a pursuit that I will continue throughout the rest of my life. Yet, I hope that each year I will be able to look back and see that I am making progress. By the time I die, I hope that I can also be like President Monson and say:

The sweetest experience I know in life is to feel a prompting and act upon it and later find out that it was the fulfillment of someone’s prayer or someone’s need. And I always want the Lord to know that if He needs an errand run, Tom Monson will run that errand for Him.

I want Heavenly Father to know that Carolyn Sands will also run errands for Him.

**Top 3 Goals**

*Goal #1. Build a strong foundation on Christ through daily family and personal scripture study, prayer, family home evening, and regular church and temple attendance.*

During one particularly stressful time of my life, I was counseled in a blessing to “use the principles of the gospel to help me navigate through this difficult time.” That counsel helped to open my eyes to the many ways that the principles of the gospel can bless my life. It also reflected counsel that Elder Scott gave in his talk titled *Four Tools*:

Our Father in Heaven has given us tools to help us come unto Christ and exercise faith in His Atonement. When these tools become fundamental habits, they provide the easiest way to find peace in the challenges of mortality.
Goals

One of those tools was daily scripture study. I love how daily scripture study invites the Spirit into my life. When I feel the Spirit, I am more patient, kind, and calm. This helps me to be a better wife, a more diligent and less anxious student, and a more observant friend. The scriptures also help me to feel close to the Lord and they give me practice in feeling and recognizing the Spirit. Additionally, the scriptures help me to learn principles and truths, increasing my spiritual knowledge and learning.

Another tool is prayer. When my husband and I pray together, I feel the Spirit come into our home. Praying for each other helps to strengthen our love for each other, and it helps us to remember the eternal nature of our marriage. Another blessing of prayer is that it allows me to seek God’s help in all areas of my life. I pray for help with school. I pray for help with my calling, and I pray for people by name. I pray for guidance in knowing how to help others.

Weekly church attendance and monthly temple attendance also help me to remember my covenants, keep an eternal perspective, and evaluate how I am living my life. I like spending time with Heavenly Father by visiting Him in the temple. It helps me to feel close to Him and to know that He is there.

Other gospel principles—such as taking care of our bodies, getting enough sleep, going to bed early and getting up early, fasting, and being good stewards with our time—also help me to make it through crazy times in my life. By trying to live those standards, I feel better physically, am able to accomplish more when I am working, and I am able to have a good attitude throughout the process.

Thus, I want to make sure that the gospel is always at the forefront of my mind. I want to tackle all of life’s challenges and opportunities using the gospel to guide and help me. Therefore, I have a goal to read my scriptures every day, to read my scriptures with my husband every day, to pray both together and individually morning and night, and to attend always church and hold family home evening. I also have a goal to attend the temple at least once a month.

Finally, as part of my goal to build a Christ-centered home, I plan to regularly review and live by the standards in the For Strength of Youth pamphlet. My patriarchal blessing tells me to always remember the counsel given to the youth, so I feel that it is important for me to apply those standards in my life, no matter how old I am. As I live them, I know that I will be blessed, and that those standards will provide protection and guidance to help me become who I need to be.

Goal #2: Learn how to be a good steward of all of the blessings that Heavenly Father has given to me.

As I mentioned above, my patriarchal blessing mentions being independent and self-reliant. This makes me think of the principle of being a steward, and how we are all stewards over many different things, including our time, talents, finances, health, spiritual lives, and our families. As such, I want to learn to be a wise steward in all of these areas.
As I learn more true principles, develop greater self-mastery, and pray for guidance, I will be able to make better decisions in all aspects of my life, including my roles as a wife, mother, church member, employee, and friend.

Elder Hales once said:

As we live providently and increase our gifts and talents, we become more self-reliant. Self-reliance is taking responsibility for our own spiritual and temporal welfare and for those whom Heavenly Father has entrusted to our care. Only when we are self-reliant can we truly emulate the Savior in serving and blessing others.

It is important to understand that self-reliance is a means to an end. Our ultimate goal is to become like the Savior, and that goal is enhanced by our unselfish service to others. Our ability to serve is increased or diminished by the level of our self-reliance.

I truly believe that the Lord can help me to learn how to be a better steward. I also believe that as I strive to do so, He will be able to give me more opportunities to serve. As I am a better steward, I also believe that I will have the Spirit in my life to guide and direct me. Thus, while having self-discipline can be hard at times, I ultimately see it as a freeing thing that will open up more opportunities in the future.

Goal #3. Establish a habit of seeking for and responding to opportunities to love, serve, and support others.

I have always loved the analogy that President Faust gave about learning to recognize the Spirit. He spoke of the static on an old radio, and how he had to tune the radio to be able to hear the messages or sounds coming across. He then said:

We need to learn how to ponder the things of the Spirit and to respond to its promptings—to filter out the static generated by Satan. As we become attuned to the Spirit, we “shall hear a word behind [us], saying, This is the way, walk ye in it.” Harkening to the “voice of the living God” will give us “peace in this world, and eternal life in the world to come.” These are the greatest of all the gifts of God.

In order to become whom I need to become—a good wife, a good mother, a servant to Heavenly Father—I need to be able to hear the promptings of the Spirit. I cannot do this unless I learn how to “filter out the static” that might keep me from being in a place where I can feel the Holy Ghost. As Elder Bednar has counseled, I need to pray for help in learning how to recognize the Spirit, and I need to write down impressions. As President Monson taught, I also need to act on promptings right away, even if I do not always understand them in the moment. As Sister Julie B. Beck said:
The ability to qualify for, receive, and act on personal revelation is the single most important skill that can be acquired in this life...

A good woman knows that she does not have enough time, energy, or opportunity to take care of all of the people or do all of the worthy things her heart yearns to do. Life is not calm for most women, and each day seems to require the accomplishment of a million things, most of which are important...But with personal revelation, she can prioritize correctly and navigate this life confidently (emphasis added).

It requires a conscious effort to diminish distractions, but having the Spirit of revelation makes it possible to prevail over opposition and persist in faith through difficult days and essential routine tasks. Personal revelation gives us the understanding of what to do every day to increase faith and personal righteousness, strengthen families and homes, and seek those who need our help.

I feel like I need to have the Spirit in my life daily if I am to succeed in becoming the person that Heavenly Father wants me to be. As such, I need to dedicate time every day to spiritual things that will invite revelation and help me learn to recognize my Heavenly Father’s voice.

Epitaph

When I die, I hope that the people I met in this life will be certain of these things: that I loved them, that I loved the Lord, and that the Lord loved them. If I can accomplish those three things, I will feel like my life had a positive impact in this world.

A loving wife and mother who always saw the best in others, took every opportunity to serve, and brought light and hope to those who needed it most

Action Plan

Short-Term Goals (< 1 Year)

Strengthen family spiritual habits. Before my husband and I graduate, I want to make sure that we are committed to gospel practices that will help us to find peace and hope during the difficult years ahead. Specifically, my husband and I are trying to read our scriptures every night a 9:00 p.m., pray together in the morning and in the evening, plan our FHE topics on Sundays, and hold FHE at 7:00 p.m. every Monday. We are also trying to get to sacrament meeting 10 minutes early every week, as our stake president has counseled us. We try to avoid doing homework or other activities on the Sabbath. We want to continue to work on these goals and be more diligent in keeping them every day.

Strengthen personal spiritual habits. I have been trying this semester to be more diligent in my personal scripture study. I get up about 20 minutes earlier than I used to and I read my scriptures in the morning. To help me get more out of my scripture study, and to help
me better recognize and receive revelation, I want to start writing down my thoughts in a scripture journal. I also want to be more diligent in kneeling when I say my personal prayers, and be sitting on a couch or lying down in bed.

Finish school with a good GPA. During my last semester, I am signed up for several really difficult classes (or at least they will be difficult for me). In all of them, I want to make sure that I give my best efforts, and that I ask for the Lord’s help in learning all that I need to know. I want to make sure that when I graduate, I feel like I got everything out of the MBA program that Heavenly Father wants me to; I want to feel prepared for future opportunities ahead.

Find a job. If my husband gets into a school not located by a GE Oil and Gas location, I will need to look for a new job. I want to make sure that I find a job that will allow me to continue developing my talents and stretching me intellectually. Over the winter break, I will be working on my resume, STAR stories, cover letters, and other application materials so that I am prepared to recruit if I end up needing to next year.

Start a family. My husband and I want to start a family, and we feel like we will be able to do that once we know where we will be living next year and things are more settled in terms of employment, location, and schooling.

Begin savings for retirement. When I start a full-time job, my husband and I will contribute to the company 401k plan so that we get the full matching contribution. We want to start saving in a Roth IRA, according to our retirement plan.

Live within a budget. My husband and I are getting better at budgeting, and we want to continue to develop this skill. When my husband is in medical school, we will have a budget designed around keeping our fixed costs low so that we can pay off his student loans as quickly as possible. We want to start off on the right foot by planning to use 20% of our income for savings and paying off his loans.

Self-Reliance. I plan to increase my self-reliance in the following areas:

- **Financial** - Be diligent in my personal finance class, applying what I learn to my family; be faithful in having weekly planning meetings where Daniel and I discuss our finances, our budget, our goals, and what we need to be doing
- **Financial** - Seek out the help of qualified, trusted professionals to advise me on matters I do not understand as well so that I can make wise decisions
- **Educational** – Finish my MBA degree, and take the hardest classes that I can during my last semester; work hard to get the best grades that I can; look for opportunities to do things that will prepare me for a Ph.D., such as research
- **Time Management** - Spend time every Sunday planning out my week, what assignments are due, and when I will work with them; plan in 30 minutes of time to study my scriptures, and do so every morning before school; make plans for books and topics to read over Christmas break so that I do not waste my time for three weeks doing nothing productive
• **Health** – Schedule three days of exercise a week, and do 45 minutes each time. Seek out healthy recipes and options so that I can prepare healthy and good tasting meals for my family.

**Medium Term Goals (2 to 10 Years)**

*Pay off student loan debt.* Since I will be working while my husband is in school, we want to start paying off his debt immediately, and we hope to have it all paid off in ten years. We plan to accomplish this by living on a budget and keeping our expenses as low as possible.

*Retirement savings.* With the company 401k match and contributing to a Roth IRA every year for the next ten years, my husband and I hope to have around $200,000 saved for retirement.

*Mission and Education Savings.* My husband and I plan to help our children with their education and missions, and as such we intend to begin early to save. We plan to save about 1-1.5% of our income annually during this time to contribute to our children’s education and mission funds.

*Purchase our first home.* My husband and I plan to purchase our first home when he is done with residency. We plan to pick a place where we will stay for a longer period of time (6-8 years). We plan to save up for this down payment so that we do not have to pay for PMI. We also intend to buy a modest home that will not make us “house rich and cash poor.” Finally, we intend to seek loans from different lenders so we can negotiate for the best effective interest rate.

*Establish a trust.* During our lesson on trusts, the attorney mentioned that trusts are helpful for people in professions that often get sued. Since my husband will be going into the medical profession, I want to establish a trust as soon as we purchase our first home. As long as no lawsuits happen in the first two years, the trust will become untouchable in future lawsuits, if they happen.

*Baptism for our first child.* While this is hard to actually predict, we hope that in ten years, our first child will be around eight years old. This goal really implies that we intend to be faithful parents who will be raising children in the gospel, preparing them to make their own covenants.

*Switch jobs.* I do not intend to stay in the same job for ten years. I intend to continue learning, and for me, that requires that that I be put into new situations that will stretch me. If I stay within the same company, I still want to have at least three different roles in the next ten years.

*Take vacations with my husband.* If I want to have a good marriage, I believe it will take a lot of time and effort. I learned from my parents that it is harmful to focus only on a job and kids. Couples have to take time for each other and their relationship. As such, I
intend to go on a vacation with my husband every year, even if it is just a few nights at a not-so-distant hotel some years. Building memories for our marriage is important, and I hope that we will get to travel internationally at least once during the next ten years.

*Continue to live within a budget, and increase the size of our fast offerings.* As our income grows, I want to make sure that our fast offerings also grow with it. While we may not be able to give as much while Daniel is in school, I still want to set the precedent for increasing our fast offerings when our income rises. I think giving back helps us to keep an eternal perspective, helps us care for others, and it helps us to focus on the things that really matter.

*Faithfully serve in church callings.* I do not know what I will be called to do, but I intend to be faithful in whatever callings I have during this time.

*Continue family and personal spiritual habits.* I want to continue the habits mentioned in my short-term goals related to this area. These are goals that will apply no matter what stage I am at in my life.

*Live near a temple.* When my husband and I pick his location for residency and full-time employment, we want to ensure that we live within a 2 hour drive of the temple so that we can attend the temple every month together.

**Long-Term Goals**

*Continue personal and family spiritual habits.* These will always be a priority, no matter how old or how busy we get.

*Help our kids with missions, college, and weddings.* When our kids are older, Daniel and I want to be able to help them be successful in both their temporal and spiritual lives. As such, we expect that we will continue to put away money to help our kids with these expenses until they turn 18. We will then help them as much as we are able to with these important life events.

*Pay off our home.* Once we buy a home, Daniel and I want to pay it off within 15 years. We do not want to take the full 30 years to pay off our home, as a mortgage is a big drain on a couple’s ability to save for retirement and other needs.

*Keep saving for retirement, and retire how we want to.* My husband and I want to continue investing in and reviewing our investment portfolio every year, re-balancing as necessary. By the time we retire at age 67, we want to have enough saved up to replace around 75-80% of our income. We want to have enough to live comfortably on until we pass away.

*Continue serving in the church and go on a mission.* My husband and I would love to go on a senior couple’s mission at least once. While we are gone, we would like to rent out our home to a family member or close friend, and we intend to have no debt.
Go on a big 20th anniversary trip. As I mentioned above, spending time with Daniel is really important to me. When we hit our 20th anniversary, I want to go on a fun trip to either Hawaii or Europe. I also want to go on other big trips when we hit our 40th and 50th wedding anniversaries.

Provide scholarships for students. I really want to be able to support at least one scholarship for BYU students. Most of my education was funded by generous donors, and I want to give back when we have the chance. I would love to start a scholarship fund especially for single mothers, in honor of my mom.

Cautions – Things that could derail my goals

Disability or illness. If Daniel, any of our children, or I have a serious medical problem, this could cause significant financial, emotional, and spiritual strain on our family. To help with the financial aspect, Daniel and I need to always ensure we have good health and disability insurance. To help with the emotional and spiritual part, we need to be committed to our gospel habits and stay close to the Lord. We also need to make sure that our relationship with each other is well protected, so that we are prepared to face difficulties together. Finally, we need to make sure that we take good care of ourselves, doing as much as we can to prevent health issues from occurring by taking care of our bodies.

Death. If one of us dies, that would be unbelievably hard and tragic. In addition to the emotional loss, there would be the financial strain of losing an income earner. Daniel and I intend to purchase life insurance as soon as we have kids so that we can ensure the surviving spouse and/or kids would be taken care of in the event that one or both of us passes away. We intend to have named guardians for our kids, named managers for our trust, and wills written by attorneys so that our wishes would be clear if we passed away.

Divorce. Divorce would be the most tragic thing that could happen to our family. To prevent this from occurring, we intend to go on dates every week, and we have date money in our budget. We intend to pray and read our scriptures together every day. We intend to go to the temple together once a month. Finally, we plan to take trips with each other every year and to build memories together. We want to continue to grow together as we encounter new stages in life. We have also agreed that we will go to family therapy if we ever need it; we will not be too proud to go if we need the help.

Lawsuits. It is possible that Daniel will be wrongly sued in a malpractice suit. If the courts rule in the claimant’s favor, it could bring financial ruin. As such, we intend to protect as much of our assets as possible by having a trust set up that is not touchable in lawsuits. Daniel will also be honest in all of his dealings, and he will retain a good lawyer when he starts practicing medicine.

Environmental factors. If our retirement comes right as another “Great Depression” or “Great Recession” happens, it could affect our standard of living in retirement and/or our
men of truth and soberness, for they had been taught to keep the commandments of God and to walk uprightly before him.” – Alma 53:20-21

“Be still, and know that I am God” – Psalms 46:10

“Never let a problem to be solved become more important than a person to be loved.”
– President Monson

“When you are in the service of your fellow beings, ye are only in the service of your God”
– Mosiah 2:17

"And of some have compassion, making a difference."
–Jude 1:22

"Inasmuch as ye have done it unto one of the least of these my brethren, ye have done it unto me."
– Matthew 25:40

“For of him unto whom much is given, much is required” – D&C 82:10

“If you cannot afford to give when you have little, you will not be able to give when you have much” – Jon Huntsman, Senior

“You must get all of the education that you possibly can...You will be expected to put forth great effort and to use your best talents to make your way to the most wonderful future of which you are capable...sacrifice anything that is needed to be sacrificed to qualify yourselves to do the work of the world.” – President Hinckley
III. Financial Statements  
Carolyn Sands  
Personal Financial Plan  
MBA 620 Fall 2016

Current Situation: Balance Sheet  
Because my husband and I are both in school right now, our balance sheet should be shrinking. We are working part-time jobs, but the income we make every month is not sufficient to pay for our expenses.

However, our accounts have shown some growth between September and October because of financial gifts from Daniel’s mother and grandmother. However, in November, we are finally reflecting what pattern we would expect—a decline from the previous month. We expect that pattern to continue until graduation.

One positive thing about our balance sheet is that we have minimal debt, which actually was paid off in November. We are convenience credit card users, so we always pay them off before the due date.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking - WF</td>
<td>$2,270</td>
<td>$2,150</td>
<td>$1,378</td>
</tr>
<tr>
<td>Way2Save Savings - Wells Fargo</td>
<td>$22,497</td>
<td>$21,997</td>
<td>$21,957</td>
</tr>
<tr>
<td>EveryDay Checking - Navy Federal</td>
<td>$2,161</td>
<td>$1,959</td>
<td>$1,490</td>
</tr>
<tr>
<td>Share Savings - Navy Federal</td>
<td>$12,570</td>
<td>$16,246</td>
<td>$15,669</td>
</tr>
<tr>
<td><strong>Total Bank Accounts</strong></td>
<td>$39,498</td>
<td>$42,352</td>
<td>$40,493</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Car</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hyundai Elantra 2008</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td><strong>Car Total</strong></td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Miscellaneous Personal Property</th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Euphonium</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>Electronics and laptops</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Total Miscellaneous</strong></td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Credit Cards</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum Card - WF</td>
<td>$(300.00)</td>
<td>$(324.00)</td>
<td>$(         )</td>
</tr>
<tr>
<td>Costco CitiBank Visa</td>
<td>$(         )</td>
<td>$(22.00)</td>
<td>$(49.38)</td>
</tr>
<tr>
<td>Navy Federal CashRewards Visa</td>
<td>$(939.00)</td>
<td>$(369.00)</td>
<td>$(99.10)</td>
</tr>
<tr>
<td>Signature Card - WF</td>
<td>$(         )</td>
<td>$(         )</td>
<td>$(         )</td>
</tr>
<tr>
<td><strong>Total Credit Cards</strong></td>
<td>$(1,239.00)</td>
<td>$(715.00)</td>
<td>$(148.48)</td>
</tr>
</tbody>
</table>
Action Plan: Balance Sheet

Next month (December), our balance sheet will shrink a considerable amount when Carrolyn has to pay for her tuition. This will greatly weaken our financial health.

During winter semester, my husband will only be taking 12 credits. As such, he will have more time available to work, and he intends to get more hours. This will help us to “stop the bleeding” a little bit on a monthly basis. We also expect to have fewer medical school interviews next year, so we will have fewer large cash outflows. This will also help us.

Once we graduate, I will begin working full time, and my husband will work a summer job before he starts medical school. During this time, we will try to save as much as we can so that we have more cash reserves.

While my husband is in medical school, our liabilities will greatly increase because of loans for his tuition. We intend to pay those off as quickly as possible by living cheaply and keeping our fixed costs low. Over time, we will see our balance sheet grow as we pay off that debt and we save 20% every month.
Current Situation: Income Statement

Our income statement, like our balance sheet, reflects the two larger cash donations we received from Daniel’s mother and grandmother. Thus, it looks like our net income was improving in September and October. However, as mentioned above, our net income is declining in November because we are mainly living off savings.

We do expect that our net income will be negative in winter semester, but that the decline will slow as medical school application/interview costs decline. However, we expect one big drop in net income in December when Carrolyn pays for her tuition for her last semester of the MBA.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net wages - Carrolyn</td>
<td>$909.40</td>
<td>$702.62</td>
<td>$268.08</td>
</tr>
<tr>
<td>Net wages - Daniel</td>
<td>$363.68</td>
<td>$580.16</td>
<td>$370.24</td>
</tr>
<tr>
<td>Savings Account Dividends and Interest</td>
<td>$4,200.00</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Pell Grant</td>
<td>$1,597.14</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Other Income</td>
<td>$1,648.00</td>
<td>$4,910.30</td>
<td>$ -</td>
</tr>
<tr>
<td>Total Income</td>
<td>$8,720.59</td>
<td>$6,196.49</td>
<td>$638.32</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Insurance</td>
<td>$69.00</td>
<td>$63.00</td>
<td>$69.00</td>
</tr>
<tr>
<td>Auto Payment</td>
<td>$121.00</td>
<td>$121.00</td>
<td>$121.00</td>
</tr>
<tr>
<td>Auto Maintenance &amp; Registration</td>
<td>$ -</td>
<td>$202.00</td>
<td>$ -</td>
</tr>
<tr>
<td>Clothes</td>
<td>$37.00</td>
<td>$43.00</td>
<td>$40.00</td>
</tr>
<tr>
<td>Date Nights</td>
<td>$ -</td>
<td>$23.00</td>
<td>$55.00</td>
</tr>
<tr>
<td>Education</td>
<td>$205.00</td>
<td>$10.00</td>
<td>$5.00</td>
</tr>
<tr>
<td>Gasoline</td>
<td>$29.00</td>
<td>$29.00</td>
<td>$61.00</td>
</tr>
<tr>
<td>Groceries</td>
<td>$362.00</td>
<td>$364.00</td>
<td>$261.00</td>
</tr>
<tr>
<td>Health and Personal Care</td>
<td>$292.00</td>
<td>$146.00</td>
<td>$128.00</td>
</tr>
<tr>
<td>Med School Expenses</td>
<td>$773.00</td>
<td>$1,086.00</td>
<td>$43.00</td>
</tr>
<tr>
<td>Misc</td>
<td>$99.00</td>
<td>$28.00</td>
<td>$148.00</td>
</tr>
<tr>
<td>Phone Bill</td>
<td>$63.00</td>
<td>$63.00</td>
<td>$63.00</td>
</tr>
<tr>
<td>Rent and Utilities</td>
<td>$710.00</td>
<td>$710.00</td>
<td>$719.00</td>
</tr>
<tr>
<td>Restaurants</td>
<td>$40.00</td>
<td>$49.00</td>
<td>$40.00</td>
</tr>
<tr>
<td>Tithing and Donations</td>
<td>$132.00</td>
<td>$131.00</td>
<td>$177.00</td>
</tr>
<tr>
<td>Travel</td>
<td>$923.00</td>
<td>$38.00</td>
<td>$110.00</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$3,855.00</td>
<td>$3,106.00</td>
<td>$2,040.00</td>
</tr>
<tr>
<td>Net Income</td>
<td>$4,865.59</td>
<td>$3,090.49</td>
<td>$(1,401.68)</td>
</tr>
</tbody>
</table>
Action Plan: Income Statement
My husband and I are planning to work extra hours in winter 2017 to help us “stop the bleeding” we are experiencing by living off of savings. We also have finished paying off our car, so we will start saving that extra money per month. We also expect his medical school expenses to stop, so we will not have the extra 1,000 a month going towards that in our budget.

Once I start working full time, we will look for cheap housing and we will try to keep our fixed expenses low so that we can pay off medical school debts as quickly as possible and have an aggressive debt elimination plan. We also intend to use my signing bonus to purchase a new car so that we do not take on a new car loan, which would increase our expenses.
**Current Situation: Financial Ratios**

Our liquidity ratios have been good, as we are living off of cash reserves we built up over the summer. Our debt ratios are also steady, and by December, we will have no long term debt. Our savings ratios, however, are not good. We are living off of our savings, and our expenses have been high due to my husband’s travels. However, as the amount of his travels have declined, the amount we are making relative to the amount we are spending has decreased (-205% to -71%).

<table>
<thead>
<tr>
<th>Liquidity Ratios</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>31.88</td>
<td>59.23</td>
<td>272.72</td>
<td>&gt;2</td>
</tr>
<tr>
<td>Month’s Living Expenses Covered Ratio</td>
<td>10.25</td>
<td>13.64</td>
<td>19.85</td>
<td>3-6 months</td>
</tr>
<tr>
<td><em>This includes variable living expenses due to medical school visits and travel costs; thus, our budget has changed month to month</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Month’s Living Expenses Covered Ratio</td>
<td>19.7</td>
<td>21.2</td>
<td>20.2</td>
<td>3-6 months</td>
</tr>
<tr>
<td><em>This includes our average monthly living expenses without medical school costs</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debt Ratios</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Ratio</td>
<td>3.4%</td>
<td>1.9%</td>
<td>0.6%</td>
<td>Ideally 0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Savings Ratios</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Savings Ratio (using wages only, not other income)</td>
<td>-205%</td>
<td>-143%</td>
<td>-71%</td>
<td>20%</td>
</tr>
<tr>
<td><em>Given our current situation as students, we are not able to save any of our wages</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Savings Ratio (using wages only, not other income)</td>
<td>-200%</td>
<td>-141%</td>
<td>-70%</td>
<td>&gt;10%</td>
</tr>
<tr>
<td><em>We were given money by Daniel’s parents and Grandma in two of the months, inflating what we saved relative to what we made through our jobs</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Net Savings Ratio (using other income)    | 55%       | 50%     | -71%     | 20%         |

**Action Plan**

Liquidity Ratios – We plan to keep working while in school so that we have some income coming in and we are not totally living on savings. We also intend to lower our monthly expenses by having Daniel fly to fewer interviews, if any.

When I start working full-time, we will first focus on rebuilding our cash reserve so we make sure we have 3-6 months of living expenses covered in the place we are living.

Debt Ratios – We are happy that our debt ratio is low, and we want to minimize the amount of debt we have to take on. For us, this means finding a medical school that either charges less for tuition, offers better financial aid,
or a combination of the two. We will be careful in examining the cost of the program and finding a program that minimizes the debt we have to incur, relative to the payoff.

Additionally, we do not intend to go into debt again for a car. We hope to be able to use my signing bonus to purchase a new car so that we simply pay cash for it, and we avoid taking on monthly car payments. We will take good care of our vehicles and drive safely so we can make them last for a long time.

We also do not intend to purchase a house for a long time so that we can keep our debt obligations lower and so we can pay off Daniel’s loans faster.

Savings Ratios – We feel like these are going to be poor for several months, until Carrolyn starts working full time. At that point, we will save for her 401k to get the matching, and we will try to save some money in a Roth IRA every month. Additionally, we will use some of the money we would use for savings to pay off Daniel’s student loans so that we can get out of debt as soon as possible.
IV. Budget
Carrolyn Sands
Personal Financial Plan
MBA 620 Fall 2016

Current Situation
For the month of September, my husband and I had a few fixed expenses that stayed the same, including my car payment, car insurance, health insurance, rent, and our phone bill. The only one that was a little more than expected was the phone bill, and it just went over by $3.

With regards to our variable expenses, my husband and I tried this month to split up our groceries into actual groceries and restaurants/eating out expenses. Previously, we were spending about $425-435 a month on those areas combined. We wanted to see if we could reduce them to be $400 total per month. Overall, we spent $402 on groceries, which was really close to our goal. We were excited to see that when we monitored our spending, we were able to cut back on expenses and meet this goal.

One area where we significantly deviated from our expected expenses was in funds for medical school. We anticipated that we would spend about $500 in the month of September on a flight, food, hotel, etc. for one interview. However, my husband got two interview invitations, so we booked those flights and travel arrangements. We looked for the cheapest possible options for each of those trips. From this, we learned that we probably should budget around $750 a month for October, November, and December. After that, we do not anticipate he would have any additional interviews.

We also had unexpected expenses for school and medical care. I ended up needing to go to the dentist and have some sealants put in where old ones had popped out. I also had to visit the doctor during the month for some knee problems. So, going forward, we decided that we will budget a monthly amount for health expenses and set aside unused money as a “medical fund” to use when these kinds of expenses come up during the month.

Finally, I also noticed that we forgot to pay our tithing on time right after getting our last paychecks for the month. (I also paid our fast offerings for September in August). So, our tithes and offering account for the month is showing up lower than it should be, and I reconciled that this morning. Going forward, I want to make sure I pay for that as soon as money comes in so I keep it in the correct month for my budget. Also, I think it is nice to just pay the Lord right away.
Action Plan

This was the first month that my husband and I have used Mint.com to monitor our expenses. In the past, I have always exported all of our accounts, put it into an Excel spreadsheet, and utilized pivot tables to track trends in spending compared to our budget, and compared to month-over-month trends. However, we decided to start using Mint.com so we could be more on top of our expenses throughout the month and more easily monitor our budget. I definitely want to keep using this program, because we found it helpful to be able to quickly log in and check how our spending was going.

In addition to using Mint.com, I want to implement the following changes going forward:

1. Include a health and dental budget for the month, and set aside money every month for those expenses. When I graduate, I plan to get a health savings account that I can use to pay for medical expenses. But, for now, I should get in the habit of saving every month for health care expenses so that I already have budgeted for those expenses when they happen.

2. Adjust our budget for medical school expenses, now that we have a better idea of how much it costs for one interview, the amount of notice we get beforehand, and the number of days he needs to be traveling for each interview. This helps us to more accurately predict what the cost of flights, hotels, etc. will be for his interviews.

3. Continue to monitor spending throughout the month on variable expenses. I liked how we waited to purchase groceries until October 1st, even though we wanted to go one or two days earlier, because we wanted to hit our goal for our budget. We made it work using the remaining food we had on hand. I want to continue this practice moving forward.

4. I want to be more mindful of other recurring, annual expenses that come up. For example, we forgot that our Amazon Prime account was expiring and was going to be renewed in September. As a result, we had an unexpected $99 charge on our account. I would like to avoid surprises like that in the future.

5. In general, be better at anticipating all expenses that might come up during the month. My husband and I discussed setting aside a small amount every month for hard-to-anticipate expenses. By doing a little every month, we can draw from this fund during the months when we actually have a legitimate need. (For example, in the first week of October, my husband and I gave some money to a friend who recently lost her brother. We were contributing to a group gift to help pay for her flight to the funeral. So, I want to have some money budgeted for situations such as this.)

Attachments

See attachment with budget information.
### September 2016

#### Income
- **Paycheck**: $1,274 of $1,300
- **Other Income**
  - Interest Income: $0
  - Money from Vickey: $5,848
  - Other Income: $1,597

#### Spending
- **Auto & Transport**
  - Auto Insurance: $69 of $69
  - Auto Payment: $121 of $130
  - Gas & Fuel: $29 of $45
  - Service & Parts: $17 of $16
- **Bills & Utilities**
  - Mobile Phone: $63 of $60
  - Utilities: $0 of $10
- **Food & Dining**
  - Groceries: $362 of $350
  - Restaurants: $40 of $50
- **Gifts & Donations**
  - Charity: $51 of $130
- **Health & Fitness**
  - Health Insurance: $102 of $110
- **Home**
  - Mortgage & Rent: $710 of $710
- **Misc Expenses**: $773 of $500
- **Shopping**
  - Clothing: $37 of $40
- **Everything Else**
  - Books & Supplies: $75
  - Clubs for School: $130
  - Dentist: $143

#### Budget Summary
- Income: $1,274
- Spending: $2,368
- Left over: -$1,094

You've budgeted:
- Income: $1,274
- Spending: -$2,368
- Left over: -$1,094

https://mint.intuit.com/planning.event
IV. Budget
Carrolyn Sands
Personal Financial Plan
MBA 620 Fall 2016

Current Situation
For the month of October, I forgot to list on Mint.com that my husband and I had to renew our car registration and pay for a safety and emissions test. I also forgot to list on Mint.com my passport registration. So, the large amounts where it appears that we went over budget were actually planned expenses – I just forgot to put it on Mint.

Per the regular categories, we went over on Charity by $1, Clothing by $3, Misc. Expenses/Med School Application Expenses by $5, and Books and Supplies by $10. The books and supplies were late fees my husband paid for his tests because of his traveling for med school interviews. So, in all, we only went $19 over what we expected for our budget for those categories. Since we were under budget for Gas and Fuel by $16, Groceries by $3, and Restaurants by $1, those actually net out the amount that we went over for the other categories. That is pretty exciting!

Action Plan
One thing I learned from this month was that I need to be more careful about putting planned expenses in my tracking tool. I forgot to put in my passport and the car registration expenses. It is important to have everything listed accurately in my budget so that I remember things and so that I stay on track.

The second thing that I learned from this month is that simply having a goal can change behavior. My husband and I knew he would likely get more interviews, so we set a $1000 budget for his med school application travel expenses (including flights, places to stay, Uber, food, etc.). He ended up getting three interviews, so we had to buy three flights and pay for the travel costs for two of those events (the other one is in the beginning of November). This helped us to be more careful when picking flights, purchasing food and packing it beforehand, etc. to try to save some costs. We ended up only going $5 over budget for this category. For what we were buying, we feel like this was pretty close and that we did a good job of being careful with our finances!
Attachments
Staple to the back of this sheet your spreadsheet or Quicken/Money printouts.
October 2016

Income: $1,406 of $1,300
- Paycheck
- Other Income $5,180

Spending: $2,769 spent of $2,752
- Auto & Transport: Auto Insurance $63 of $69
- Auto & Transport: Auto Payment $121 of $122
- Auto & Transport: Gas & Fuel $29 of $45
- Auto & Transport: Service & Parts $78 of $16
- Bills & Utilities: Mobile Phone $63 of $65
- Bills & Utilities: Utilities $0 of $10
- Education: Books & Supplies $10 of $0
- Entertainment: Date Night $23 of $35
- Food & Dining: Groceries $347 of $350
- Food & Dining: Restaurants $49 of $50
- Gifts & Donations: Charity $131 of $130
- Health & Fitness: Health Insurance $102 of $110
- Home: Mortgage & Rent $710 of $710
- Misc Expenses $1,005 of $1,000
- Shopping: Clothing $43 of $40
- Everything Else $237

You've budgeted...
- Income: $1,405
- Spending: $2,769
- Left over: -$1,363
IV. Budget - November
Carrolyn Sands
Personal Financial Plan
MBA 620 Fall 2016

Current Situation
For the month of November, Daniel and I did a pretty good job of staying within our budget. However, we had a few areas where we went over. One was tithing. I discovered before going to tithing settlement that my husband and I accidentally paid $80.30 to fast offerings that was supposed to go to tithing. So, our tithing budget was unexpectedly high for the month. We also went over with regards to gasoline. Because of Thanksgiving, we traveled more and so our normal gasoline amount was not sufficient. We should have anticipated that better.

We also added a budget item this month for gifts. We are trying to make sure that the gifts we get for the family gift exchange stay within the budget we have determined, as well as the birthday gifts we had to purchase for November and December birthdays.

As a note, Daniel will be receiving $250 from his other employment, but they will not process the payment until he submits his timecard on the last day of the month. So, we will have hit our goal to earn $1000 in the month of November. That is just not showing up, yet. My health insurance payment is also not showing up yet, as my credit card payment has not yet processed. I have paid that fee, so the category should show as $102 out of $110.

Action Plan
The more we do this, the more I realize that good budgeting requires you to really anticipate ALL of the possible expenses that you will incur during the month. I find this hard to do, as I do not always know to expect that I will get a $10 parking ticket. (I thought I was in a G-lot spot...turns out I was one row away from the G-lot.) Such unexpected expenses are difficult for me to balance.

One thing I am learning, however, is that I can start tracking these expenses year over year. As I do this, I will become better at anticipating when certain expenses will happen, including car repairs/maintenance, birthday or gift expenses, travel expenses, routine medical care, and such. The more I track, the better I will become at understanding and then managing my expenses. I also think it would be helpful to add a small budget for unexpected expenses, just so I plan ahead even though I may not know what the exact expenses may be. Then, if I do not pay for any unexpected expenses, I’ll have another chance to save money at the end of the money.

Another thing I have learned this month is that it helps to talk to your spouse frequently about your budget. Daniel and I have been better this month at
reviewing the budget together, and not just separately. This has helped us to stay on track with our budget in areas like gifts, groceries, date nights, etc. I like how it feels to work together on a team. It is easier to stick to a budget when you have the support of your spouse.

**Attachments**

See attached budget spreadsheet from Mint.com
November 2016

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<th>Income</th>
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<table>
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You've budgeted...

Income: $1,000
Spending: -$1,856
Goals: $0
Left over: -$856
Goals

You have -$856 left over in your budget. Adjust your spending to save money for your goals.
## Twelve Month Spending Plan

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<td>Total Expenses</td>
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<td>1,798</td>
<td>1,703</td>
<td>1,743</td>
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<td>19,311</td>
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<td>4,421</td>
<td>4,401</td>
<td>4,411</td>
<td>4,666</td>
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<tr>
<td>Net Income (Loss)</td>
<td>(683)</td>
<td>2,952</td>
<td>47</td>
<td>(748)</td>
<td>(1,211)</td>
<td>659</td>
<td>679</td>
<td>699</td>
<td>434</td>
<td>629</td>
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</table>
V. Tax Planning
Carrolyn Sands
Personal Financial Plan
MBA 620 Fall 2016

Current Situation

In 2015, I filed my federal taxes using the TurboTax Software. Based on my inputs, the software determined that the best form for me to use was **1040A**. In addition to 1040A, my taxes included the following supplemental forms:

- **Form 8863** – This form allowed me to apply for the American Opportunity Credits for my husband. He received his last (fourth) year of the credit.
- **Form 8917** – This form, for Tuition and Fees Deduction, allowed me to deduct 4,000 from my AGI because of the tuition that I paid during the year.
- **Form 8962** – This form is for Premium Tax Credits used to help pay for health insurance through the Marketplace. I filed this form to reconcile the amount I had used in tax credits against the total tax credits I was awarded for my income level. In conjunction with Form 8962, I had to file a form 1095-A that outlined that I had qualified health insurance throughout the year.
- **1098-T** – This is a Tuition Statement that documents tuition and relevant school expenses that applied for my husband and I in qualifying for deductions and credits mentioned above.

For my state taxes, I used Utah’s online taxpayer system to file my taxes. I used the **TC-40 Form** to file my taxes with the state. My husband and I did not work in any other state, so there were no other state forms for us to complete.

**Tax Rate Calculations**

- Marginal Tax Rate – 10%
- Average Tax Rate – 0% (Paid no taxes due to credits)
- Effective Marginal Tax Rate – 0% (Paid no taxes due to credits)

**Action Plan**

I feel like I did an okay job last year with my taxes. I looked into education credits that my husband and I qualified for, and I made sure to keep good records of our school expenses so that I could deduct everything that was legal and relevant. In terms of itemized deductions, I found that the standard deduction was higher for me last year than my tithing, fast offerings, school donations, and Deseret Industry donations. Thus, I went with the itemized deduction for that year.
In the future, I would like to take the following steps to help to ensure that I pay as much as I owe in taxes, but not anything more:

1. I want to keep better records of items that can be deducted. I was not aware that I could itemize mileage for church service, moving expenses, and non-reimbursed work expenses. Moving forward, I am going to keep track of those expenses so that I get used to tracking them and keeping good records. Even if they do not help me right now, they may add up in a couple of years, and I will be grateful that I developed the habit of monitoring my deductible expenses.

2. I will hold onto investments for longer periods of time to ensure I qualify for lower tax rates and smaller fees. Currently, my husband and I do not have any investments. We intend to start investing once I have a full time job. When that happens, I will avoid the pitfall of paying extra fees by buying and selling stocks within the same year. I want to hold onto them for longer than a year to lower my taxes owed.

3. When my husband and I have investments, I will start paying for tithing in stock or other appreciable assets. I think it is genius to pay for tithing using an appreciated asset, allowing you to avoid the tax on capital gains and getting to deduct the donation to charity.

4. I want to work with tax professionals every 2-3 years, depending on the complexity of my taxes. Once I am no longer a student, and my taxes become more complicated, I want advice on how to best file taxes and take advantage of credits and deductions. I do not want to miss out on savings because I do not know about them.

5. I read that you need to keep tax receipts for up to seven years in case you are audited by the IRS. Previously, I thought the rule was three years. Now that I know the rule is seven, I am going to keep my records for longer so that I am prepared in case anything happens.

6. I want to try to invest in municipal bonds that are free from federal taxes. If I can invest in municipal bonds in my state, that would be even better because it would be state and federal tax free.

7. Once I start working, I want to contribute as much as I can to a 401k plan and to a flexible spending account in order to reduce my overall AGI, helping to lower my tax burden.
VI. Cash Management Planning
Carrolyn Sands
Personal Financial Plan
MBA 620 Fall 2016

Current Situation

Wells Fargo Checking – This account requires that I either keep $500 in my checking account as a daily balance OR I have a qualifying direct deposit of $25 every month. I have always been able to meet those requirements, so I have never needed to pay that fee. There is no interest rate associated with my checking account. This is also my main account that I use to pay for all of my expenses.

Wells Fargo Savings – Annual Percentage Yield is .01% for my savings account, so it is a negligible interest rate. I would have a monthly fee of $5 for my savings account if I did not keep at least $300 in the account at all times. This is the account where I currently keep all of my savings.

Navy Federal Credit Union Checking – This is my husband’s checking account, and it does not require a minimum deposit or have fees for keeping the account open. My husband earns .05% Annual Percentage Yield on his checking account, and this is compounded monthly. He usually keeps around $800 in this account at any give time. He does not use this account as often as he uses the Wells Fargo account to pay for expenses.

Navy Federal Credit Union Savings – This account is my husband’s savings account, and it requires a deposit/balance of $5 to be kept in the account to avoid fees. The APY for this account is .25%, and it is compounded monthly. He currently has about $10,000 in savings in this account.

Utah Community Credit Union Savings – This is an account I have set up in order to get my auto loan from UCCU. I only have the required amount in the account ($15) to have an account open. I do not have anything in my checking account. Instead, I pay off my auto loan on this account monthly using my Wells Fargo checking account. However, to help me make more informed decisions, I looked into the interest rates for savings accounts at UCCU. They yield .10% for a savings account. This is significantly larger (10x) than my Wells Fargo Savings Account.

Action Plan

Steps for the next 1 to 2 years
- Put our money into accounts that have the highest Annual Percentage Yield. Until this exercise, I did not realize that my husband’s savings account through NFCU was 25x better than my savings account through Wells Fargo. While we will still only make .25% interest on our savings
held in this account, it is money we are missing out on if I continue to
leave my savings in my Wells Fargo account with a .01% yield.

- Purchase a Certificate of Deposit from Navy Federal Credit Union with a
term limit of 3 months. Deposit $6,000 into that account, and hold it until
the beginning of January. With a .45% APY, this means that we would
earn $2.25 on the Certificate of Deposit. While this is a really small
amount, I want to learn how to go through the process so that I can do this
in the future when I have more savings.

- Since my husband will likely be in school for the next six years, I plan to
purchase US Series I bonds in 2017 once I start my full-time job. I want to
hold onto these bonds and use the interest to help pay for my husband’s
medical school expenses.

Steps for years 3 to 5

- My husband is hoping to get into and start medical school in the next year.
If that happens, we will have a significant amount of debt we will go into
in order to go to medical school. When he starts, we will have little
savings and will need to re-build a 3-6 months savings buffer. Once we
have 6 months of savings, I want to consider putting half of that savings (3
months worth) into a CD with a 12-month term that has a much higher
APY than a savings account (1.05% vs .25%).

- I want to open a money market savings account at NFCU when we have
constant income that we can use to contribute to and maintain the $2,500
minimum required for the account. This savings account earns .65% APY,
compared to the .25% in a regular savings account.

- I also want to purchase municipal bonds that will allow me to accrue
interest federal tax-free. If my husband and I move to Texas, (which is the
hoped for plan right now), we will not have to pay state income taxes. So,
municipal bonds would help us to avoid federal taxes, as well.

Steps for 6 or more years

- When we both have regular incomes, I want to invest in more long-term
securities that will have higher interest rates. This would mean MMMFs
and other bonds where there is a 60-month term commitment. I want to
increase my proportion of cash in such long-term accounts/funds.

- I want to continue building on the habits I form in years 1-6 to spend time
each month monitoring my cash management and how I can best use my
cash to protect mine and my husband’s financial interests and goals.
VII. Credit Use: Cards, Reports and Scores

Carrolyn Sands
Personal Financial Plan
MBA 620 Fall 2016

Credit Cards

Current Situation
Wells Fargo Credit Card

<table>
<thead>
<tr>
<th>Annual Percentage Rate for Purchases (fixed or variable)</th>
<th>21.40%</th>
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<tbody>
<tr>
<td>Cash Advance APR (fixed or variable)</td>
<td>24.24%</td>
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<tr>
<td>Balance Transfer APR (fixed or variable)</td>
<td>25.24%</td>
</tr>
<tr>
<td>Overdraft Advance APR (fixed or variable)</td>
<td>26.24%</td>
</tr>
<tr>
<td>Variable Rate Information (Index is US Prime Rate)</td>
<td></td>
</tr>
<tr>
<td>Purchase And Balance Transfer APR (Index + ___. %)</td>
<td>21.74%</td>
</tr>
<tr>
<td>Cash Advance APR (Index + ___. %)</td>
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<td>Transaction Fee for Cash Advances</td>
<td>5% of amount</td>
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<td>Late Payment Fee</td>
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CitiBank Credit Card (Costco)

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<td>Cash Advance APR (fixed or variable)</td>
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<tr>
<td>Balance Transfer APR (fixed or variable)</td>
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<td>Overdraft Advance APR (fixed or variable)</td>
<td>26.24%</td>
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<tr>
<td>Variable Rate Information (Index is US Prime Rate)</td>
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<tr>
<td>Purchase And Balance Transfer APR (Index + ___. %)</td>
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<td>Cash Advance APR (Index + ___. %)</td>
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<tr>
<td>Default APR (Index + ___. %)</td>
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**Grace Period (in days)**
None

**Method of Computing Balance for Purchase**
Daily balance method

**Annual Fee**
- $0
- Minimum Finance Charge: $1
- Transaction Fee for Balance Transfers: 3% or $5
- Transaction Fee for Cash Advances: 5% of $10
- Late Payment Fee: $37
- Over-the-Credit-Limit Fee: $37
- International Fee: 3%

**Credit Limit**
$9,000

Date Opened (if available)
04-2015 for Costco Card

PayPal Mastercard

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<td>Cash Advance APR (fixed or variable)</td>
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<td>20.74%</td>
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<tr>
<td>Default APR (Index + ___. %)</td>
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</table>

**Grace Period (in days)**
None

**Method of Computing Balance for Purchase**
Daily balance method

**Annual Fee**
- $0
- Minimum Finance Charge: $1.50
- Transaction Fee for Balance Transfers: 3% or $5
- Transaction Fee for Cash Advances: 5% of $10
- Late Payment Fee: $35
Credit Cards

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<th>Amount</th>
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<td>International Fee</td>
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UCCU Credit Card

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<td>Variable Rate Information (Index is US Prime Rate)</td>
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</tr>
<tr>
<td>Purchase And Balance Transfer APR (Index + ___ . %)</td>
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<tr>
<td>Cash Advance APR (Index + ___ . %)</td>
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<tr>
<td>Default APR (Index + ___ . %)</td>
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</tr>
<tr>
<td><strong>Method of Computing Balance for Purchase</strong></td>
<td>Daily balance method</td>
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<tr>
<td><strong>Annual Fee</strong></td>
<td>$0</td>
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<td>Minimum Finance Charge</td>
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<tr>
<td>Transaction Fee for Balance Transfers</td>
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<td>Transaction Fee for Cash Advances</td>
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<tr>
<td>Late Payment Fee</td>
<td>$25 or 5%</td>
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<tr>
<td>Over-the-Credit-Limit Fee</td>
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<tr>
<td>International Fee</td>
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</tr>
<tr>
<td><strong>Credit Limit</strong></td>
<td>$5,000</td>
</tr>
<tr>
<td>Date Opened (if available)</td>
<td>09-2013</td>
</tr>
</tbody>
</table>

**Action Plan**

By doing this exercise, I realized that I had incorrect address information on my Mastercard, and so they had not sent me an updated card for the one that expired this month. I also realized that I never use this card. I opened it a long time ago to start building credit, but I never use it. Going forward, I am going to be more diligent in monitoring all of my cards, not just the ones that I use regularly. I will check the accounts every month to make sure I do not have weird charges. I will also check my account information every six months to make sure that everything is still accurate.

I also realized that I have not updated my income on any of my cards since opening them. I need to do this on all of my cards so that I do not continue to have cards with $400 or $1500 limits after holding the cards for four or five years. Since I only use credit for convenience, this was never a problem for me, so I thought. But, after being in class, I have learned that this impacts my credit score.
So, I want to make sure that my credit limits are higher in order to improve my credit score.

Finally, I have no credit card debt, and I have always been a convenience user of credit cards. I want it to stay that way. I will not spend money on cards that I cannot pay off by the end of the month.

Credit Report

Current Situation
I got my report from Experian, and I noticed only a mistake with the spelling of my name. I tried to submit a dispute online, but the dispute did not work. I have to mail in a dispute letting them know that my name has always been spelled Carrolyn, not Carolyn. Otherwise, the report looked good and I noticed no inaccuracies in the report. I always pay my cards off in full before the end of the pay period, and my report reflected that.

Action Plan
I want to review my credit report three times a year. I think I will pull one report every four months from the three main providers. In this way, I will monitor it closely and should hopefully have fewer surprises if anything should happen or false information appear. I want to catch things early before they become a bigger problem.

Credit Score

Current Situation
I got a FICO score, provided by Citibank on my online account. My FICO score is 770. This places me in the top 40% of U.S. consumers, according to the report.

Action Plan
Overall, my score is pretty good, and I want to keep it above the 750 level. I plan to improve the limits on my credit cards, as my Wells Fargo card is really low, especially for the number of years I have had it open. I will see if I can get the limits on my other cards to also get bumped up.

I will continue to be a convenience user of credit cards, and not use them unless I intend to pay them off in full every month with money that I have budgeted.

I have a fairly good mix—bank card, credit union, store card, and Paypal card—so I will ensure that I do not open any more cards. I think four is enough.
I also need to check my credit report from Equifax, because my FICO score report is saying that my loan amount due is high proportional to the original loan amount. This is not true, as the only loan I have ever taken out is my car loan, and that is going to be paid off next month. So, something may be wrong with one of my credit reports, even though Experian did not pick it up. I tried to request my Equifax or TransUnion reports, and they will not allow me to pull them online. I have to send in the paperwork for them to send me my credit report. I will do so this week.
VIII. Student and Consumer Loans and Debt Reduction
Carrolyn Sands
Personal Financial Plan
MB 620 Fall 2016

Current Situation
My husband and I currently have very little debt. My car loan will be paid off in the next two months, and the remaining balance of this loan is $242. Because this debt will expire soon, I do not have any plans to accelerate paying off the loan before November 2016. Instead, I plan to continue my monthly payments ($120) in October and November to finish paying off my car. We have no other loans or debt.

The interest rate for my auto loan was 2.69%. I was able to get this rate from a local credit union when I purchased my car. Because the interest rate was so low, and the loan was relatively small when I bought the car, I have paid less than $200 in interest over the past three years. So, I do not need to accelerate payments to avoid large interest payments.

Action Plan
As mentioned above, I will pay off my only outstanding debts in November by making my regular monthly payments. I do not have any other debts outstanding, and I do not intend to take on any other debts for the next year.

When my husband starts medical school, however, we will have to take out loans to pay for his education. When that happens, we plan to pay off our student loans as quickly as possible. Specifically, we will use a debt elimination schedule to plan how long it will take to pay off the loan, what our payments would need to be each month, and what is the fastest way we can pay off the loan. I intend to plan my budget around the quickest elimination of that school debt, meaning that I will live on less until that debt is paid off. However, since he is still in the application stage, I cannot currently predict what the loans will be and how to pay them off.
IX. Insurance
Carrolyn Sands
Personal Financial Plan
MBA 620 Fall 2016

A. Life Insurance

Current Situation
My husband and I currently do not have life insurance for either of us. We have no dependents, we are both in school, and neither of us is the true breadwinner at this point in time. Truthfully, I do not think that either of us needs it for the next few months. If one of us were to die, the other person would be able to finish school in April and still be okay.

Action Plan
I do think we will need to consider life insurance in the near future, though. If my husband does end up in medical school, and we have kids while he is in medical school, and I work the whole time, I will want to have a life insurance policy. I will want coverage that will help pay for my husband’s living expenses and schooling until he can graduate from med school. I will also want to include provisions for my children’s childcare, living expenses, and education expenses up through college. Finally, I will want to have money that can pay off any house we may be living in so that my husband does not have to worry about a mortgage. I will want to be insured first because I will be the breadwinner for the family for the next six to eight years.

Using the needs approach, I have estimated that I will want to get a life insurance policy of 2,137,060. I will want to get term coverage with the option of converting it.

Per my husband, I will want him to have life insurance that will cover the debt for his education expenses, a house payment, and help to provide for our children’s living, educational, and college expenses. I would also want to include some money for family expenses so that I can choose to work part-time if I need to spend more time with my kids. I would also take out a policy for him of around 2,137,060.

B. Health Insurance

Current Situation
My husband and I both definitely need insurance. My husband is under 26, so he is still covered by his parent’s plan. Because his father works for the government, he has great coverage. So, I do not have to worry about my husband.
For me, I currently have a plan with SelectHealth. I pay $101.91 per month after my premium tax credit for health insurance. The coverage would cost an additional $148 per month without the tax credit. My plan is an HMO plan with a $0 deductible, $1000 out of pocket maximum for the year, and my primary care visits only cost $10. So, I am pretty happy with this insurance. It will cost more next year as the rates will go up about 33%.

**Action Plan**

I will not have to worry about my husband for another year and a half. By then, I will have a full time job with good health benefits, so we will be fine. For the next year, I plan to renew my health insurance coverage, even though the prices will go up. I want to have a plan that is good in case I get pregnant, and my current plan is like that.

**C. Disability Insurance**

**Current Situation**

My husband and I do not have any disability insurance. I know that disability is more likely than death, so I think that it would be wise for us to purchase disability insurance. I want disability insurance that will be non-cancelable and long term. I want my emergency fund to cover me in the short term so that I do not have to pay for expensive short term disability insurance.

**Action Plan**

I would like to get disability insurance once I start working. GE offers short term disability that pays 60% of your salary for 6 months. The long-term disability with GE will allow me to pick how much coverage I want (50%, 60%, or 70%). I will choose 70%, because I am risk averse and prefer to have more coverage.

I will also want to look into a non-cancellable, long-term coverage policy for my husband. I will want to get one for him once he graduates from grad school and starts working.

**D. Auto Insurance**

**Current Situation**

I currently have insurance through GEICO. My existing coverage was 50/100/50. When I looked that up, I was shocked. I thought I had more coverage than that. I actually just changed my policy to 100/300/50, and it only cost me an extra $18 every six months. I am so glad I looked that up! I also have comprehensive and collision insurance, with a $500 deductible.
Action Plan
As of November 1st, I now have 100/300/50 coverage for car insurance for both myself and my husband. I am going to keep this amount of coverage!

E. Homeowners/Renters Insurance

Current Situation
My husband and I had renter’s insurance over the summer because our apartment in Houston required it. I canceled it when we got back to Provo because I did not think we really needed it. However, after listening to Dr. Sudweek’s lectures, I think it would be a good idea to get renter’s insurance again. I do not need to have personal liability coverage—that is covered by my landlord. However, I want to have about $15,000 in personal property coverage.

Action Plan
I have looked up the cost of renter’s insurance from my auto insurance company, and it would cost about $19 per month for $15,000 in personal property and $50,000 in personal liability. I think my husband and I will purchase this plan. We should get about a $5 discount on our car insurance because of this, which can help to offset the cost of the new coverage.

F. Clue Report

I have no claims on my policies, so I do not have a CLUE report.
INDIVIDUAL MEMBER PAYMENT SUMMARY (MPS)

This is a Silver plan as defined by the Affordable Care Act

### DEDUCTIBLE AND OUT-OF-POCKET MAXIMUM

<table>
<thead>
<tr>
<th>Component</th>
<th>Individual/Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar Year Deductible and Out-of-Pocket Maximum</td>
<td>$0/$0</td>
</tr>
<tr>
<td>Medical Deductible</td>
<td>$0</td>
</tr>
<tr>
<td>Out-of-Pocket Maximum</td>
<td>$1,000/$2,000</td>
</tr>
</tbody>
</table>

*This amount is your deductible + your coinsurance and copay (medical and Rx)*

### INPATIENT SERVICES

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Participating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical, Surgical, Hospice, Emergency Admissions</td>
<td></td>
</tr>
<tr>
<td><em>Up to 5 day copay maximum</em></td>
<td>$150 per Day after deductible</td>
</tr>
<tr>
<td>Skilled Nursing Facility</td>
<td>$150 per Day after deductible</td>
</tr>
<tr>
<td><em>Up to 60 days/calendar year; Up to a 5 day copay maximum</em></td>
<td>$150 per Day after deductible</td>
</tr>
<tr>
<td>Rehab Therapy: Physical, Speech, Occupational</td>
<td>$150 per Day after deductible</td>
</tr>
<tr>
<td><em>Up to 40 days/calendar year for all therapy types combined; Up to a 5 day copay maximum</em></td>
<td>$150 per Day after deductible</td>
</tr>
</tbody>
</table>

### PROFESSIONAL SERVICES

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Participating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Visits and Office Surgeries</td>
<td>$10</td>
</tr>
<tr>
<td>Primary Care Provider (PCP)</td>
<td>$15</td>
</tr>
<tr>
<td>Secondary Care Provider (SCP)</td>
<td></td>
</tr>
<tr>
<td>Allergy Tests</td>
<td>See office visits</td>
</tr>
<tr>
<td>Allergy Treatment and Serum</td>
<td>5%</td>
</tr>
<tr>
<td>Physician's Fees - Medical, Surgical, Anesthesia</td>
<td>5% after deductible</td>
</tr>
</tbody>
</table>

### PREVENTIVE SERVICES AS OUTLINED BY THE ACA

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Participating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Visits (PCP/SCP)</td>
<td>Covered 100%</td>
</tr>
<tr>
<td>Adult and Pediatric Immunizations</td>
<td>Covered 100%</td>
</tr>
<tr>
<td>Diagnostic Tests: Minor</td>
<td>Covered 100%</td>
</tr>
<tr>
<td>Other Preventive Services</td>
<td>Covered 100%</td>
</tr>
</tbody>
</table>

### PEDIATRIC VISION SERVICES - FOR AGES THROUGH 18 YEARS ONLY

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Participating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Routine Eye Exams</td>
<td>$15</td>
</tr>
<tr>
<td>Contacts and Corrective Lenses</td>
<td>5% after deductible</td>
</tr>
</tbody>
</table>

*Limit one pair of eyeglass lenses or contact lenses per year*

### OUTPATIENT SERVICES

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Participating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outpatient Facility and Ambulatory Surgical</td>
<td>5% after deductible</td>
</tr>
<tr>
<td>Ambulance (Air or Ground) - emergencies only</td>
<td>$150 after deductible</td>
</tr>
<tr>
<td>Emergency Room Participating Facility</td>
<td>$100 after deductible</td>
</tr>
<tr>
<td>Emergency Room Nonparticipating Facility</td>
<td>$100 after deductible</td>
</tr>
<tr>
<td>Intermountain InstaCare® Facilities</td>
<td>$15</td>
</tr>
<tr>
<td>Intermountain KidsCare® Facilities</td>
<td>$10</td>
</tr>
<tr>
<td>Chemotherapy, Radiation, Dialysis</td>
<td>5% after deductible</td>
</tr>
<tr>
<td>Diagnostic Tests: Minor</td>
<td>Covered 100%</td>
</tr>
<tr>
<td>Diagnostic Tests: Major</td>
<td>$100 after deductible</td>
</tr>
<tr>
<td>Home Health</td>
<td>5% after deductible</td>
</tr>
<tr>
<td>Hospice</td>
<td>5% after deductible</td>
</tr>
<tr>
<td>Outpatient Private Nurse</td>
<td>20% after deductible</td>
</tr>
<tr>
<td>Outpatient Rehab/Habilitative Therapy: Physical, Speech, Occupational</td>
<td>$15 after deductible</td>
</tr>
</tbody>
</table>

*Up to 20 visits/calendar year for each therapy type*

See next page for additional benefits and footnotes.
### MISCELLANEOUS SERVICES

- **Maternity and Adoption**
  - Includes all related maternity and adoption services. Enroll in SelectHealth Healthy Beginnings Program: 866-442-5052
- **Chiropractic Care**
- **Miscellaneous Medical Supplies (MMS)**
- **Durable Medical Equipment (DME)**
- **Prosthetic Devices**
- **Injectable Drugs and Specialty Medications**
- **Infertility (select services only)**
  - Maximum plan payment: up to $1,500/calendar year; $5,000/lifetime
- **Pediatric Dental, SelectHealth Classic Network (through 18 years)**
  - Oral examinations and cleanings - two per calendar year
- **Autism Spectrum Disorder**
  - Applied behavior analysis and behavioral health services up to $30,000 or 600 hours/calendar year, whichever is greater
- **Mental Health and Chemical Dependency**
  - **Mental Health Office Visits**
  - Inpatient - up to a 5 day copay maximum
  - Outpatient
  - Residential Treatment Center - up to a 5 day copay maximum
- **Cochlear Implants**
- **Donor Fees for Organ Transplants**
- **TMJ (Temporomandibular Joint) Services**

### PRESCRIPTION DRUGS

- **Prescription Drug List (formulary)**
- **Prescription Drug Deductible - Per Person**
- **Out-of-Pocket Maximum**
- **Copay - Up to a 30-day supply for covered medications:**
  - generic substitution required
  - **Tier 1**: 
    - **Tier 2**: 
    - **Tier 3**: 
    - **Tier 4**: 
  - Maintenance Drug - 90-day supply (Mail-Order, Retail[99];
    - generic substitution required
    - **Tier 1**: 
      - **Tier 2**: 
      - **Tier 3**:

### PARTICIPATING

- **See Professional, Inpatient, or Outpatient Services**
  - **Not Covered**
  - 5% after deductible
  - 5% after deductible
  - 5% after deductible
  - 50%
  - **$15**
- **See Professional, Inpatient, Outpatient, or Mental Health and Chemical Dependency Services**
  - **$10**
  - $150 per Day after deductible
  - 5% after deductible
  - $150 per Day after deductible
- **See Professional, Inpatient, or Outpatient Services**
- **Not Covered**

### PARTICIPATING

- **RxCore**
  - None
  - Combined with medical

### FOOTNOTES

1. Visit selecthealth.org/findadoctor to find out whether a provider is a Primary Care or Secondary Care Provider.
2. Frequency and/or quantity limitations apply to some preventive care and MMS services.
3. Preauthorization is required for the following: all inpatient services; certain injectable drugs and specialty medications; certain prescription drugs; certain DME items and prosthetic items; certain mental health and chemical dependency services; maternity stays longer than two days for normal delivery or longer than four days for cesarean and all deliveries outside of the service area; home health nursing; pain management/pain clinic services; outpatient private nurse; organ transplants; cochlear implants and certain genetic tests. Benefits may be reduced or denied if you do not preauthorize certain services. Please refer to Section 11: "Healthcare Management", in your Certificate of Coverage, for details.
4. All deductible/copay/coinsurance amounts are based on the allowed amounts and not on the providers billed charges. Nonparticipating Providers or Facilities have not agreed to accept the allowed amount for Covered Services. When this occurs, you are responsible to pay for any charges that exceed the amount that SelectHealth pays for Covered Services. These fees are called Excess Charges, and they do not apply to your Out-of-Pocket Maximum.
5. SelectHealth provides a $4,000 adoption indemnity benefit as outlined by the state of Utah. Deductible, copay, or coinsurance listed under the maternity benefit applies and may exhaust the benefits prior to any plan payment.

*For more information, refer to your Certificate of Coverage or Contract or call Member Services at 800-538-5038 weekdays, 7:00 a.m. to 8:00 p.m., and Saturdays, from 9:00 a.m. to 2:00 p.m.*

*Benefits are administered and underwritten by SelectHealth.*
X. Money and Relationships

Personal Financial Plan
Carrolyn Sands
Fall 2016 MBA 620

Current Situation

The purpose of this Learning tool is to help you understand how money and other financial topics were handled in your family growing up. Our experiences and background can help much in understanding the sources of our habits and knowledge. The following questions relate to how money and finances was handled in your family in the past and how you/we intend to handle money in the future.

Budgeting

1. How was money generally handled in your family growing up? Who handled the checkbook? The savings? How was budgeting handled? What budgeting method did they use? How should it be handled in your family?

My father handled all of the finances. He actually had separate bank accounts that my mom did not know about until their divorce. So, my parents were not an ideal model for how a couple should manage finances.

My father would tell my mom how much she could spend on things per month, including groceries, school stuff, and clothes for us kids. My mom used the envelope method to help her manage what she spent every month to make sure she did not exceed her budgets.

My husband and I want to use budgeting software, like Mint.com, and we want to be completely transparent in our finances. We do not want one person to own the finances. Instead, we like to review things together and make plans.

2. What kind of lessons regarding money did your parents try to teach you? What methods did they use to teach you? How are you planning to teach your children?

My parents never really talked to us about money. The only thing I was taught is that you should save your money for things you really value. They would encourage me to save the money I made babysitting for bigger purchases that I really cared about. My mom always told me “Don’t buy things that you don’t value, because what you don’t value will never satisfy you.”

Daniel and I want to teach our kids about money from an early age. We want to be open with them about family finances and how we budget money for different
categories. We want to have family goals that we work towards—vacations or other purchases—that require the kids to be aware of how we are trying to save, and pointing out to them how we are changing our behavior in order to meet those goals. As they get older, we want to be more open with them about investments, how to save wisely, and how to prepare for the future. I want them to know everything I’ve learned in this class before they go to college.

3. Did your family have a family theme, motto, or mission statement? Did part of it relate to finances? If you were to put one together, what would it be?

No, we did not have one growing up.

Our family motto would be to “Put the Lord first, be obedient, and everything will work out.”

Cash Management/Savings

4. How was savings/cash management handled with your family? Which savings/cash management vehicles did your parents use? What savings/cash management vehicles will you use?

My parents usually did not have a lot of savings. It was mostly just in a savings account. They used only checking accounts to manage their cash—no CDs or MMMF accounts.

Daniel and I want to use CDs and MMMF accounts once we have more than 3 months for an emergency fund. We want to keep at least 3 months of our emergency fund in a savings account.

Debt

5. How was debt handled in your family? What was the view on debt? How was repayment of debt handled?

My parents had school debt that my father was still paying off when I was 21 years old. They also had credit card debt that they did not get out of until I was 17. So, my parents viewed debt as a necessary evil. They felt like they could not make ends meet without some kind of debt.

Repayment of debt was minimum payments until they had a good month, and they would pay off some of the extra. When they got out of credit card debt, they were purposefully trying to save money and use it to pay off the credit cards.

Investments and Attitudes
6. What kinds of financial things cause you to lose sleep at night? How can you alleviate those concerns?

My mom never knew what my dad had for retirement, what he invested in, how much it was worth, and how much he was contributing toward it. She also didn’t know how to plan for how much they would need at retirement. (My dad is unwilling to talk with me about this. He is not someone I think was honest in his finances, so that might be why. He hid a lot of things from my mom when they were married.)

I am grateful for this class, because it has made these topics less scary. I now have the tools to anticipate what I will need to save, I can make a saving plan, and I can monitor my performance. I know how to rebalance my portfolio when I need to. Having knowledge about these things makes it less scary to think about, and I can now plan for my future and work towards a plan.

7. Regarding investments, what do the words “risky” or “conservative” mean to you? Have those words changed over time? Will education and experience change their meanings?

Risky means the prices change all of the time. Conservative means it is less likely to change. Those words haven’t really changed over time for my mom.

For me, these words have different meanings. Risky means derivatives, options, futures, and other markets where I do not have the expertise to invest. Conservative means large cap stocks and bonds.

8. Assuming that your portfolio needs to grow at a 6-8% rate in order to meet your goals, would you be happy with that kind of return?

My mom had no idea if that would be good or not.

I would be happy with an 8% return, less happy with a 6% return. A 6% return means that I am not saving as much after taxes and inflation. I will have to put more principal in to meet my goals.

9. Have you ever done anything strange or excessive with your investments? What were those things? What did you learn from those experiences?

N/A

10. How have you felt when you’ve “made a killing”, i.e., the investments returned a very high return? How have you felt when you’ve “taken a bath,” i.e., lost money in an investment? What did you learn?

N/A
11. Talk with your parents or an older, trusted friend. What do they wish they would have done differently in regards to managing money and investing?

My mother wishes that she would have gotten involved in the finances from the beginning of her marriage. She feels sad that she thought she was too dumb to do it. Now, she has to figure it out and she’s in her 50s.

12. Regarding your current holdings, what are you most pleased about and what are your greatest concerns?

N/A

Retirement

13. How did your parents save for their retirement? What do they wish they had done differently?

My dad invested in his company 401k plans. When they got divorced, all of that went to attorney’s fees. So, my mom no longer has anything saved for retirement. She wishes that they had saved more over the years and had less debt.

14. How are you going to save for your retirement? What is your goal to save each month for retirement? What investment vehicles will you use (i.e., Roth 401k, IRAs, 403b, etc.)?

My husband and I want to save for retirement using company 401k plans, Roth IRAs, Traditional IRAs, and our own investment accounts (once we have enough that we need other accounts to contribute money into). We will get the full match for the company 401k plans, and then we will split up the remainder of our 20% savings every month to other retirement and child education funds.

Education and Missions

15. How did your parents save for your education and missions? What do they wish they had done differently? How are you going to save for your children’s missions and education if you choose so to do?

They didn’t. My dad paid for my brother’s mission with current earnings. He helped my brothers with college with current earnings. I paid for my own college by keeping scholarships and working two or three jobs at a time.

My husband and I want to save for our kids by putting away about 2% of what we make per month towards their education funds. We will start the funds when they are born. I like the idea of opening a 529 Savings Plan to help my kids.
16. If you choose to help, develop an “Education Plan” for your children. How will you save for your children’s education? How much will you save each month? How much of that will go to retirement, education, missions, etc.? What are the key education investment vehicles you will use (i.e., Education IRA, 529 Savings Plan, EE/I Bonds, etc.). Include this plan in section LT01-15 as your Education and Mission Plan (use Template 15).

My husband and I would like to help our children save for college. By the time we have our first child, I should be working full time and we should have an emergency fund saved. My husband will still be in medical school, so we will also be paying off student loans as much as we can during that time. So, we will likely have less at the beginning to contribute to our children’s education funds.

When our first child is born, we would like to open a Coverdell Education Savings Account for that child. At that point, my husband will not be a doctor, so our annual income will be below the limits required to make a contribution to the ESA. I also like the investment control in the ESA plans. However, we will not only use Coverdell Education Savings Accounts. Once my husband finishes school and starts making money, we will contribute to 529 Savings Plans.

Our goal is to initially save $500 a year in each child’s ESA Savings account. Once Daniel and I are both working, we would like to create 529 Savings Plans for our children, and put in $1000 a year per child into those accounts.

17. If you choose to help your children with their missions and education, develop a “Mission Plan” for yourself and your children. How will you save for your and your children’s missions? How much will you save each month? How much of that will go to retirement, education, missions, etc.? What is your strategy for saving for your family’s missions?

My husband and I want to save for a portion of our children’s missions, and we want them to fund the rest themselves through work they do in high school. We believe it is important for them to learn to save and sacrifice for something they believe in. (We will have school funds to help them when they get back from their mission. We are not trying to leave them high and dry.)

In saving for our children’s missions, we would like to open a mutual fund investment account specifically for missions. We will largely invest in large cap and small cap equities. After each child is born, we want to put in $350 a year per child, and aim for a 4% return after taxes and inflation on this account.

**Giving**

18. How did your parents give to the family, community and others? Be sensitive in asking this question as to not appear judgmental. How will you choose to give back and serve and bless others?
My parents paid their tithing, they paid fast offerings, and my dad contributed to election campaigns or charities that he liked. He usually helped with about $500 a year to charities above and beyond tithing and fast offerings.

Personally, I want to set up a scholarship fund someday. I feel like I have been blessed to have most of my education paid for by scholarships. I would like to be able to give back to BYU. Once my husband is done with medical school and we have paid off all of our school debt, and we are on track with our retirement and kids’ savings plans, I intend to donate money to BYU for scholarships. I may also choose to donate to other schools. But, education is the area where I feel most passionately about giving back.

**Action Plan**

19. How will you handle finances in your family? What are the key principles you will follow?

- We will be completely open and transparent in our finances with each other.
- We will pay our tithing and fast offerings every month, and give as generous a fast offering as we can.
- We will include the Lord in our financial decisions and recognize that we are stewards, not owners
- We will educate ourselves about finances so we can make wiser decisions
- We will live within our means and avoid school debt as much as possible, and stay out of consumer debt
- We will save 15-20% of what we earn so that we have a safety fund and a retirement fund
- We will not speculate or gamble with our money; we will have a diversified portfolio and avoid overly risky or speculative investments

20. How will you follow, document, and report on finances (i.e., what type of budgeting methodology will you use)? When will be your weekly “Stewardship Meeting” when you report on finances?

We like to discuss our budget on Sundays. I think I want to continue that pattern. If we ever have callings that prevent us from having time on Sunday, we’ll move it to Monday night.

We want to follow and document how we are doing by using Mint.com and comparing our finances to our goals that we will have written and recorded in Excel.

21. How will you determine whether you are on track to reach your financial goals? What tools will you use?
Annually, we will create plans for where we want our budget to be, our savings, our retirement, our mortgage, and our debts. We will create monthly goals to reach. At the end of each month, we will review them.

I plan to use the teaching tools for amortizing a mortgage loan with pre-payments; the teaching tool for planning what size your retirement should be, given the amount in your emergency fund; the teaching tool for portfolio rebalancing; and, Mint.com. In summary, I will have a lot of Excel spreadsheets until we have enough assets and things to keep track of that I need to use Quicken or some other more sophisticated software.

22. How will you teach your children fiscal responsibility? Will you give an allowance? What things will you do and what principles will you follow to teach them responsibility?

Daniel and I want to teach our kids about money from an early age. We want to be open with them about family finances and how we budget money for different categories. We want to have family goals that we work towards—vacations or other purchases—that require the kids to be aware of how we are trying to save, and pointing out to them how we are changing our behavior in order to meet those goals. As they get older, we want to be more open with them about investments, how to save wisely, and how to prepare for the future. I want them to know everything I’ve learned in this class before they go to college.

We want to use the principle of agency to help us while teaching our kids. It is not enough to just show them our example. We have to give them the opportunity to make choices and be responsible for those choices. As such, we are considering giving our kids a small allowance that they can manage. When our kids are teenagers, we want them to see how money in the budget is spent, so we may have them help us make purchases for specific budget items, including groceries and clothes.

I also want to teach my kids to give. I want to have times when we go with less so that we can give to others in need. Specifically, I think it would be cool to have at least one Christmas where we give away all of our gifts to others, or make a rule that all gifts have to be hand-made and the money we would have used has to go to someone else. I just want my kids to know that getting more is not what life is all about. I want them to feel the joy of giving.

Finally, we want to make sure our kids know that they are stewards. We will teach them to pay tithing as soon as they are old enough to talk. We will also tell them about when we pay fast offerings and pay our tithing, since it is likely to all be done online. We want them to know that obedience to the law of tithing brings great blessings.
XI. Investment Planning
Investment Plan (IPS)
Carrolyn Sands
MBA 520 Fall 2016

This Investment Plan (also called an investment policy statement or IPS) serves as the framework for the Investment Management Team of Carrolyn Ann Sands and Daniel Carlin Sands, as constructed by Daniel Carlin Sands on November 1, 2016. Carrolyn Sands is currently 25 years old and Daniel Sands is 24 years old.

This Plan acknowledges the Risk and Return Objectives of the Team; discusses the Constraints and Guidelines that they will follow; describes the specific Investment Policy that will be used; and covers the ongoing Evaluation and Modification that will occur.

I. Return and Risk Objectives

The Investment Plan proposes the creation and use of multiple sub-accounts. These include taxable accounts, including mutual fund accounts with firms like Vanguard, money market mutual fund accounts, and bank accounts; retirement accounts, including 401ks, IRA/Roth IRAs; education accounts, including college 529 Savings Plans; and mission accounts, including mutual fund accounts with brokerage firms like Vanguard. Retirement and Education accounts and goals will be discussed in more detail in the Retirement and Family sections of the Team’s Personal Financial Plan.

This Plan supposes two distinct time frames from which to view the Team’s investment objectives. Stage 1 is between now and the Investment Team’s 55th birthday and is expected to last 30 years. It is generally considered the time before retirement. During this stage, the Team’s primary objective is growth of retirement assets. Stage 2 is between the Team’s 56th and 90th birthday and is expected to last 34 years. It is generally considered the period during retirement. During this stage, the Team’s primary objective will be capital preservation and having a yearly stipend for income.

A. Return. The Team are not full-time investment professionals but consider themselves moderate investors. Their return objective is to make a return consistent with the return on a diversified portfolio of assets, which consist mainly of the return on portfolios of stocks, bonds, and cash, consistent with the asset allocation targets discussed in Section III.C.1 and 2.

1. Stage 1. The Team is seeking a 7% return, net of fees for Stage 1. This return is consistent with the historical average of the following portfolio (see Exhibit 1: Expected Return Simulation):

A 25% US bond portfolio, as measured by the Barclays Aggregate Bond Index; a 62% US large cap portfolio, as measured by the S&P 500 index; an 8% US small cap portfolio, as measured by the Russell 2000; and a 5% international portfolio, as measure by MSCI EAFE.
The historical returns for the first three asset classes are measured over 90 years, and for the fourth, the asset classes are measured over 25 years.

2. **Stage 2.** The Team is seeking a 5.5% return, net of fees, for Stage 2. This return is consistent with the historical average of the following portfolio:

   A 55% US bond portfolio, as measured by the Barclays Aggregate Bond Index; a 37% US large cap portfolio, as measured by the S&P 500 index; a 5% US small cap portfolio, as measured by the Russell 2000; and a 3% international portfolio, as measure by MSCI EAFE.

The historical returns for the first three asset classes are measured over 90 years, and for the fourth, the asset classes are measured over 25 years.

**B. Risk.** From a risk perspective, the Investment Team is considered moderate investors. Consistent with their return objectives, the Team accepts the risk of its weighted benchmarks in both Stage 1 and Stage 2.

1. **Stage 1.** The Team is comfortable with the risk of the weighted benchmark during Stage 1 which is:

   A 25% US bond portfolio, as measured by the Barclays Aggregate Bond Index; a 62% US large cap portfolio, as measured by the S&P 500 index; an 8% US small cap portfolio, as measured by the Russell 2000; and a 5% international portfolio, as measure by MSCI EAFE.

2. **Stage 2.** The Team is also comfortable with the risk of the weighted benchmark during Stage 2 which is:

   A 55% US bond portfolio, as measured by the Barclays Aggregate Bond Index; a 37% US large cap portfolio, as measured by the S&P 500 index; a 5% US small cap portfolio, as measured by the Russell 2000; and a 3% international portfolio, as measure by MSCI EAFE.

**II. Investment Guidelines and Constraints**

Investment guidelines and constraints covers specific items which are unique to this Investment Team and relate to the specific goals and objectives of the Team.

**A. Investment Guidelines.** During Stage 1, the majority of the assets invested should be considered long-term assets, and will likely not be needed for many years. Exceptions to this are the likely purchase of a home or when the children leave for college or missions, which is likely to begin in year 2036 for children leaving the home. The purchase of a home is not expected to occur until 2024.

During Stage 2, management of accounts during this period will be for income generation and preserving assets that will allow the Investment Team to go on missions, visit family members,
pay for health costs, and travel to places they have not yet seen. Major funding needs during this Stage are likely to be for missions, travel, and care for other family members.

**B. Constraints.** Key constraints for the Investment Team are liquidity, time horizon, taxes, and special needs.

1. **Liquidity:** Liquidity constraints are likely for the purchase of a home, education and missions, weddings for children, and travel when retired. These requirements should be planned for in the Investment account. Constraints will vary depending on the account type. Key liquidity concerns will be for graduate school between 2017 and 2023, the purchase of a modest home in 8 years, and children mission and education spending in 20 years. At no point in time will the Team’s Emergency Fund be less than 6 months income.

2. **Time horizon:** Time constraints will vary depending on account type. Assets invested in taxable accounts will have a 40-year time horizon, except for the portion used for the purchase of their first home or for sending children on missions. Assets invested in retirement accounts, i.e., 401k, IRA, and Roth IRA, will have a minimum of a 30-year time horizon or until retirement. Assets invested in education and mission accounts the 529 Savings Plans will have a minimum time horizon of 20 years (considering the Team does not yet have a child and they are not expecting to have a child for another year). Assets invested in the Investment account will have a shorter time horizon, as these will be used to help fund the purchase of a home and send children on missions.

3. **Taxes:** Taxes should be taken into account when considering the most attractive assets to purchase. The Team is in the 10% marginal federal tax bracket and in the 5% marginal (Utah) state tax bracket. The Team’s average tax rate on taxable income is 0%. We anticipate that this will change in 2017, with The Team being in the 25% tax bracket with 0% state income taxes in Texas.

4. **Unique needs:** The Team has a constraint on 10% of income that is to be used to pay for tithing to their church. They also donate money on a monthly basis for charity to help people in need in their local congregation.

**III. Investment Policy**

Investment policy covers how the portfolios will be managed, and include acceptable and unacceptable asset classes, investment benchmarks, asset allocation strategy, investment strategy, funding strategy, and new investment strategy.

**A. Acceptable and Unacceptable Asset Classes.** Initially, the Investment Team will invest in mutual funds, index funds, and ETFs which invest in bonds and cash, stocks, and other asset classes. The Investment Team will invest in no-load mutual funds, with an emphasis on funds that have low turnover, low management fees, and cost minimization. The Team desires to mainly utilize a buy-and-hold strategy that minimizes costs. As the size of the portfolios increase, the Team may also choose to invest in individual assets including stocks and bonds.

1. **Acceptable Asset Classes**
**Bonds and Cash.** The portfolios will contain bond funds including corporate bonds, Treasury bonds, and municipal bonds, particularly as the Team’s tax bracket rises. The Team will also likely invest in cash funds as well. Cash will usually mean money market funds, certificates of deposit, and other short-term debt instruments. Initially, the bonds and cash allocation will be considered the Team’s Emergency Fund.

**Stocks.** The portfolios will include stock funds including US stocks, international stocks, and emerging market stocks. These stock funds will be managed in a diversified manner, spread across countries, industries and companies.

**Other Assets.** Portfolios are not planned to include other assets, which would typically mean Real Estate Investment Trusts (REITS), which, in an asset class sense, are not viewed as "stocks" because of their unique nature.

2. **Total Assets.** At no time will the Team invest more than (8%) of its investable assets in any single company, stock, or individual investment except broad market mutual funds, index funds, or ETFs.

3. **Short Selling or Buying on Margin.** The Team will not, at any time, invest in activities that require the borrowing of cash or securities, i.e., buying on margin or short-selling as these add significant risk to the portfolio. Leverage will not be used in the portfolio.

4. **Unacceptable Asset Classes.** The Team will not invest in asset classes where the Team has no discernable specific advantage, i.e. derivatives, collectibles, foreign currencies, options, futures, etc. The only exception to this case would be the use of the options or futures as a means to increase incremental earnings on assets the Team already owns.

**B. Investment Benchmarks.** The Investment Team has two different overall weighted benchmarks for Stage 1 and Stage 2.

1. **Stage 1.** The weighted investment benchmark for Stage 1 is:

   A 25% US bond portfolio, as measured by the Barclays Aggregate Bond Index; a 62% US large cap portfolio, as measured by the S&P 500 index; an 8% US small cap portfolio, as measured by the Russell 2000; and a 5% international portfolio, as measure by MSCI EAFE.

2. **Stage 2.** The weighted investment benchmark for Stage 2 is:

   A 55% US bond portfolio, as measured by the Barclays Aggregate Bond Index; a 37% US large cap portfolio, as measured by the S&P 500 index; a 5% US small cap portfolio, as measured by the Russell 2000; and a 3% international portfolio, as measure by MSCI EAFE.

**C. Asset Allocation Strategy.** Asset allocation is the key determinant of returns. As such, the following are target, minimum, and maximum allocations for each of the asset classes by stage.
Investment Planning

In addition, a detailed investment strategy is discussed as a means of achieving the Team’s return objective.

1. Stage 1. Until retirement, the assets are not expected to yield much income. They will be managed for growth, with a limit on risk to capital in the form of realized losses and with a goal of maximizing after-tax returns. The portfolios will have the following asset class targets:

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities/US &amp; Intl:</td>
<td>75%</td>
<td>60%</td>
<td>85%</td>
</tr>
<tr>
<td>Bonds and Cash:</td>
<td>25%</td>
<td>20%</td>
<td>33%</td>
</tr>
<tr>
<td>Other (REITs):</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

2. Stage 2. After retirement, the asset allocation will be as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities/US &amp; Intl:</td>
<td>45%</td>
<td>35%</td>
<td>55%</td>
</tr>
<tr>
<td>Bonds and Cash:</td>
<td>55%</td>
<td>47%</td>
<td>65%</td>
</tr>
<tr>
<td>Other (REITs):</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

3. Detailed Investment Strategy. Currently the Investment Team is in Stage 1 of the investment process. The investments and allocations for this Stage will be as listed in Exhibit 2: Investment Process Worksheet (TT13).

D. Investment Strategy. The Investment Team are not full-time investment professionals. As such, they will have the following investment strategy.

1. Mutual Funds. The Team’s investment strategy is a blend of active and passive management. Approximately 70% of the Account assets will be managed in a passive strategy, with an emphasis on very low-cost indexing. The remaining 30% will be invested in assets that have a proven record of adding value over and above the stated benchmarks. Assets will be invested to minimize current taxes, realize long-term capital gains, and to defer, as much as possible, long-term capital gains until retirement.

2. Individual Assets. While trading in individual assets is not recommended, after the total portfolio exceeds a threshold amount of $750,000, the Team may invest in individual assets. Should the Team want to be more active in its trading strategy, this will be done through tax-deferred or retirement, rather than taxable accounts. In this manner, the overall portfolio will not be impacted by taxes resulting from increased turnover.

E. Funding Strategy. Funding of accounts will be consistent with the “priority of money” discussed in the Personal Finance class, namely, first, free money; second, tax advantaged money; and third, tax efficient and wise investing.

The Investment Team will fund the above strategy through bi-monthly direct deposits to their retirement plans, monthly direct deposits to their investment accounts. The Team has a goal to pay the Lord first 10% plus other offerings, the Team second, 20%, and then to budget and live
on the remainder. This account should grow, consistent with a 20% gross allocation of the Team’s salary each month.

**F. New Investments Strategy.** Key for the Investment Team is to maintain a diversified portfolio that will aid in the achievement of the Team’s personal goals.

1. **New Investments.** The Team will invest not more than 5% of the total portfolio amount in any new or individual asset or investment. Index funds, mutual funds and ETFs do not fall under this category unless they have portfolios with fewer than 50 assets.

2. **Investments in Company Stock.** The Team will ensure that at no time will the investments in company stock in the Team’s retirement plan (401k, 403b, 457 Plan) account for more than 8% of the Team’s total retirement assets.

3. **Unlisted Investments.** If the Team decides to invest in assets not listed on recognized stock exchanges (and the professor recommends against this), this allocation will be limited to 0.5% of the total portfolio amount.

**IV. Investment Monitoring and Evaluation**

Investment monitoring and evaluation covers how the portfolios will be monitored and evaluated, including portfolio monitoring and reporting, portfolio rebalancing, and portfolio communication.

**A. Portfolio Monitoring.** The portfolio will be monitored monthly, or more often as the need requires.

1. **Portfolio Reporting.** The Portfolio will be reported on monthly in a meeting held with the Investment Team on the first Sunday of the month at 7:00 PM to discuss financial matters including budgets, cost reduction, other topics, and the portfolio. This is the most critical financial meeting of the Investment Management Team.

**B. Portfolio Rebalancing.** The portfolio will be rebalanced on an annual basis. Rebalancing will attempt to minimize transactions costs and turnover through using new money to rebalance portfolios and by using charitable donations of appreciated assets to reallocate assets between asset classes. Cost and tax minimization remains a key area during rebalancing during stages 1 and 2.

1. **Portfolio Rebalancing Method.** The portfolio will be rebalanced using periodic-based rebalancing, unless range-based rebalancing is triggered by the portfolio’s asset allocations exceeding the limits placed for the maximum or minimum.

**C. Portfolio Communication.** Carrolyn Sands will ensure good communication in several ways: the Investment Team will receive trade confirmations as they happen; a monthly statement from the custodian; and write an annual report. Success will be measured by the achievement of the Goals and Objectives, as stated above.
Investment Planning

This Investment Plan may be modified at any time by mutual consent of the Investment Team based on changes in Team’s objectives or circumstances. The amount of the monthly deposit to the 401k, retirement, and investment account(s) will also be evaluated from time to time, but at no point will fall below the 10-20% recommended goal.

Team Signatures:

Signed: _______________ Date: _____

Signed: _______________ Date: _____

Attached Exhibits:

Exhibit 1: Expected Return Simulation and Benchmarks (Learning Tool 27)

Exhibit 2: Investment Process Worksheet (Learning Tool 13)

Exhibit 3: Financial Asset Pages (Data or Snapshot Pages from Morningstar (preferred) or from other financial websites such as YahooFinance, GoogleFinance, etc.)
Exhibit 1. Return Objective Simulation (LT 27)
using Historical Asset Class Returns and Benchmarks to 2014
Personal Finance: Another Perspective

Items in the blue are changed only by using Excel drop-down boxes. Items in green are typed in manually. Light blue items are the different asset classes. Dark blue items are the time frames chosen. Make sure allocations add to 100%. The period is the historical return for the asset class over that specific number of years. For example, if the return was for 90 years, the returns and standard deviation are for the period ending above and beginning 90 years earlier. US returns are calculated using Lipotesen data, and International, Emerging Market, and REIT data are from Morgan Stanley Capital International.

<table>
<thead>
<tr>
<th>Asset Class 1: US T-bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class: US T-bond</td>
</tr>
<tr>
<td>Period: 90</td>
</tr>
<tr>
<td>Weight: 25%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Class 2: US Large Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class: US Large Cap</td>
</tr>
<tr>
<td>Period: 90</td>
</tr>
<tr>
<td>Weight: 62%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Class 3: US Small Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class: US Small Cap</td>
</tr>
<tr>
<td>Period: 90</td>
</tr>
<tr>
<td>Weight: 8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Class 4: International</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class: International</td>
</tr>
<tr>
<td>Period: 25</td>
</tr>
<tr>
<td>Weight: 5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Class 5: US REIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class: US REIT</td>
</tr>
<tr>
<td>Period: 10</td>
</tr>
<tr>
<td>Weight:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Class 6: Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class: Emerging Markets</td>
</tr>
<tr>
<td>Period: 25</td>
</tr>
<tr>
<td>Weight:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Portfolio Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weighted Return using Historical Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recommended Return: This return or less</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.5%</td>
</tr>
</tbody>
</table>

Caution: Your Expected Return is > than 7.5%. In this case, I recommend you use a Return Objective of 7.5% (maximum) or less for your Investment Plan.

Your Expected Return on your Investment Plan should be less than 7.5% (section L.A.1), regardless of the return in cell F51. This spreadsheet is for information only, and is to give you an idea of historic returns over specific periods.

Note: For the purpose of your Investment Plan, you need to have a minimum of 4 asset classes for diversification.
Exhibit 2. The Investment Process Worksheet (LT 13)
Personal Finance: Another Perspective

Directions: Fill in the light green cells with your data. This includes your annual salary, your Emergency Fund goal, and your asset classes that you select. Fill in the dark green areas with your proposed holdings or your existing holdings in the 1. Target Allocations section. Type your proposed asset allocation targets in the Taxable and Retirement columns. Finally, add your actual holdings to the green part of section 2. Actual Holdings. Section 3 will be where you should be investing based on your asset allocation targets.

### Annual Salary

<table>
<thead>
<tr>
<th></th>
<th>3 months</th>
<th>6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>28,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,000</td>
<td>14,000</td>
</tr>
<tr>
<td></td>
<td>14,000</td>
<td></td>
</tr>
</tbody>
</table>

Initial Target Portfolio Goal: 56,000
Current Portfolio Value (based on EF and AA Targets (or actual holdings))

### Target Allocations

#### I. Asset Allocation Targets from your Investment Plan

<table>
<thead>
<tr>
<th>Phase</th>
<th>Asset Class</th>
<th>Investment Benchmark / Financial Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Emergency Fund</td>
<td>Bonds/Cash</td>
<td>Barclays Aggregate Index</td>
</tr>
<tr>
<td></td>
<td>1.</td>
<td>VWESX - Vanguard Long-Term Investment</td>
</tr>
<tr>
<td></td>
<td>2.</td>
<td>VBIIX - Vanguard Intern Term Bond Ix</td>
</tr>
<tr>
<td></td>
<td>3.</td>
<td>VTBIX - Vanguard Total Intl Bd Ix</td>
</tr>
<tr>
<td>2. Core Large Cap</td>
<td>Large Cap</td>
<td>Vanguard 500 Index Fund (VFINX)</td>
</tr>
<tr>
<td>3. Diversify 1:</td>
<td>Small Cap</td>
<td>Russell 2000 Index</td>
</tr>
<tr>
<td>4. Diversify 2:</td>
<td>International</td>
<td>MSCI EAFE Index</td>
</tr>
<tr>
<td>5. Diversify 3:</td>
<td>Real Estate</td>
<td>MSCI US REIT Index</td>
</tr>
<tr>
<td>6. Opportunistic</td>
<td>(optional)</td>
<td></td>
</tr>
</tbody>
</table>

#### II. Current Holdings from your Financial Reports

<table>
<thead>
<tr>
<th>Phase</th>
<th>Asset Class</th>
<th>Investment Benchmark / Financial Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Emergency Fund</td>
<td>Bonds/Cash</td>
<td>Barclays Aggregate Index</td>
</tr>
<tr>
<td></td>
<td>1.</td>
<td>VWESX - Vanguard Long-Term Investment</td>
</tr>
<tr>
<td></td>
<td>2.</td>
<td>VBIIX - Vanguard Intern Term Bond Ix</td>
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<tr>
<td></td>
<td>3.</td>
<td>VTBIX - Vanguard Total Intl Bd Ix</td>
</tr>
<tr>
<td>2. Core Large Cap</td>
<td>Large Cap</td>
<td>Vanguard 500 Index Fund (VFINX)</td>
</tr>
<tr>
<td>3. Diversify 1:</td>
<td>Small Cap</td>
<td>Russell 2000 Index</td>
</tr>
<tr>
<td>4. Diversify 2:</td>
<td>International</td>
<td>MSCI EAFE Index</td>
</tr>
<tr>
<td>5. Diversify 3:</td>
<td>Real Estate</td>
<td>MSCI US REIT Index</td>
</tr>
<tr>
<td>6. Opportunistic</td>
<td>(optional)</td>
<td></td>
</tr>
</tbody>
</table>
### Teaching Tool 13 - The Investment Process
#### Target Less Actual Differences

#### III. Target Holdings Differences from Plan

<table>
<thead>
<tr>
<th>Phase</th>
<th>Asset Class</th>
<th>Financial Asset</th>
<th>Taxable</th>
<th>Retirement</th>
<th>Total</th>
<th>Taxable</th>
<th>Retirement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Emergency Fund: Bonds/Cash</td>
<td>Barclays Aggregate Index</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>10,080</td>
<td>10,080</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>VWEUX - Vanguard Long-Term Investment</td>
<td>18%</td>
<td>0%</td>
<td>18%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3.</td>
<td>VTIIX - Vanguard Interm Term Bond Index</td>
<td>5%</td>
<td>0%</td>
<td>5%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2.</td>
<td>VTIX - Vanguard Total Intl Bd Index</td>
<td>2%</td>
<td>0%</td>
<td>2%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>II. Core: Large Cap</td>
<td>S&amp;P 500 Index</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1.</td>
<td>Vanguard 500 Index Fund (VFHIX)</td>
<td>40%</td>
<td>22%</td>
<td>62%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2.</td>
<td>Russell 2000 Index</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>III. Diversify 1: Small Cap</td>
<td>NAISX (Vanguard Small Cap Index)</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1.</td>
<td>VSMX (Vanguard Small Cap Index)</td>
<td>0%</td>
<td>4%</td>
<td>4%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2.</td>
<td>IJERX (JPMorgan Small Cap Equity)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Diversity 2: International</td>
<td>MSCI EAFE Index</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1.</td>
<td>VDJIIX - Fidelity International Fund</td>
<td>2%</td>
<td>3%</td>
<td>5%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2.</td>
<td>MSCI US REIT Index</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Diversity 3: (Opt) Real Estate</td>
<td>MSCI US REIT Index</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>IV. Opportunistic (Opt)</td>
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<td>0</td>
</tr>
<tr>
<td>2.</td>
<td>0%</td>
<td>0%</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

#### Total Left to Buy (Sell) to Reach Targets

- 70%
- 30%
- 100%

- 39,200
- 16,800
- 56,000

#### Notes:
1. Target Allocation percentages come from your Investment Plan section III.C.1. and are your allocations for until retirement. Once you multiply these allocations times your Initial Target Portfolio $ Size, it will give you your initial goal for your portfolio. If done correctly, your target allocation for your Emergency Fund times your initial target portfolio $ goal should give your Emergency Fund goal.
2. These are your actual holdings from your bank statements, brokerage reports, or other software. These are your current holdings you have in your investment or savings accounts. If you have nothing invested yet, these areas should be blank. This program will automatically calculate your current allocation percentages.
3. This is your Personal Financial Plan target less your Actual Holdings, or your differences between your goals of what you want and what you have. Notice that this is calculated automatically. These are the amounts you need to buy or sell.

- Exhibit 2 - Page 2 -
Vanguard Long-Term Investment-Grade Inv

Benchmark 1: BofA/Barclays US Corp 15 FR USD
Benchmark 2: Bloomberg US Agg Bond TR USD

Morningstar Analyst Rating 06-24-16

Silver

Morningstar Pillars

Process: Positive
Performance: Positive
People: Positive
Parent: Positive
Price: Positive

Morningstar Analyst Rating
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Performance 10-31-16

Ticker: VWESX

<table>
<thead>
<tr>
<th>Year</th>
<th>1 Qr</th>
<th>2 Qr</th>
<th>3 Qr</th>
<th>4 Qr</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>0.64</td>
<td>5.57</td>
<td>4.32</td>
<td>6.72</td>
<td>16.81</td>
</tr>
<tr>
<td>2013</td>
<td>0.61</td>
<td>6.17</td>
<td>6.30</td>
<td>5.97</td>
<td>13.95</td>
</tr>
<tr>
<td>2014</td>
<td>6.34</td>
<td>6.62</td>
<td>7.05</td>
<td>8.02</td>
<td>28.02</td>
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<tr>
<td>2015</td>
<td>3.67</td>
<td>7.63</td>
<td>2.63</td>
<td>6.90</td>
<td>10.23</td>
</tr>
<tr>
<td>2016</td>
<td>6.87</td>
<td>6.55</td>
<td>1.62</td>
<td></td>
<td></td>
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</tbody>
</table>

Rating and Risk

<table>
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<tr>
<th>Time</th>
<th>Lead Adj Return %</th>
<th>Morningstar Risk vs Cat</th>
<th>Morningstar Risk Adj Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Yr</td>
<td>11.66</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>3 Yr</td>
<td>8.79</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>5 Yr</td>
<td>5.61</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>10 Yr</td>
<td>4.53</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Other Measures

Standard Deviation: 7.95
Mean: 8.79
Sharpe Ratio: 1.14

Vanguard Fixed Income Securities Funds

Morningstar’s Take by Elizabeth Foss 06-24-16

On June 1, 2016, the lead manager of Vanguard Long-Term Investment-Grade, L.T. Hill, retired from Wellington Management Company, this fund’s longtime subadviser. Comanager Scott St. John, who has worked closely with Hill for a decade and was named to this fund in May 2014, assumed responsibility for the Wellington run portion of the fund’s asset mix.

St. John joined the firm in 2003 with prior experience as a fixed-income analyst. Because this duo worked together for some time, we don’t expect the change to cause significant disruption to the team or its process. The fund’s solid long-term record, strong team, and low expenses earn it a Morningstar Analyst Rating of Silver.

This fund has been successful at what it’s designed to do. It was added to our new corporate bond Morningstar Category in November 2013, but its defining features are unchanged. Among its new peers and former cohorts in the long-term bond category, this portfolio still stands out with a duration of 10.1 years (April 2016), well above the average for both categories. It places itself mainly by staying within a year of its Barings U.S. Long Credit A category's better index's duration. And the emphasis on higher-quality debt makes it sensitive to interest-rate shifts. When yields ticked sharply upward in 2013’s second quarter, its 5.0% loss was among the worst in the category. When Treasury yields dipped in 2014, the fund gained 18.2% through year-end, which bested all of its rivals. Over time, the fund’s significant interest-rate sensitivity has helped it in a market of generally falling yields.

The team also stays close to home with regard to the fund’s sector weightings, which won’t typically tilt more than 10% from its base. As benchmarks have tightened since 2012, the fund’s managers increased its credit quality. As of mid-2016, it had only 83.5% of its assets in bonds rated A or AA, whereas its average peer socked nearly half its assets in BBB-rated debt and investors in below-investment-grade fare, which this fund avoids. The team notes that this fund is attractive to institutional investors looking to match long-dated liabilities.

Address: Vanguard Fixed Income Securities Funds

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**Vanguard Interm-Term Bond Index Inv VBIIX**

**NAV**

$11.48 \downarrow -0.15\%

USD | NAV as of 11 Nov 2016 | 1-Day Return as of 11 Nov 2016

---

**Growth of 10K VBIIX**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>8,000</td>
<td>10,000</td>
<td>12,000</td>
<td>14,000</td>
<td>16,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Performance VBIIX**

- **Growth of 10,000**
  - YTD: 10,147
  - 1 Mo: 9,801
  - 1 Yr: 10,442
  - 3 Yr*: 11,190
  - 5 Yr*: 11,737
  - 10 Yr*: 16,990
- **Fund**
  - 4.17
- **+/− BBgBarc US Agg Bond TR USD**
  - 0.57
- **+/− Category**
  - 0.32
- **% Rank in Cat**
  - 35
- **# of Funds in Cat**
  - 1,059

* Annualized returns.

Data as of 11/11/16. Currency is displayed in USD.

---

**Top Holdings VBIIX**

<table>
<thead>
<tr>
<th>Type</th>
<th>Weight %</th>
<th>Maturity Date</th>
<th>Amount</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Treasury</td>
<td>2.91</td>
<td>05/15/2023</td>
<td>828.79</td>
<td>847.69</td>
</tr>
<tr>
<td>Note 1.75%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasury</td>
<td>2.72</td>
<td>08/15/2023</td>
<td>740.86</td>
<td>733.99</td>
</tr>
<tr>
<td>Note 2.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasury</td>
<td>2.66</td>
<td>11/15/2023</td>
<td>717.67</td>
<td>782.26</td>
</tr>
<tr>
<td>Note 2.75%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasury</td>
<td>2.23</td>
<td>02/15/2026</td>
<td>647.54</td>
<td>649.16</td>
</tr>
<tr>
<td>Note 1.625%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasury</td>
<td>2.16</td>
<td>05/15/2026</td>
<td>628.12</td>
<td>629.40</td>
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<tr>
<td>Note 1.625%</td>
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</tbody>
</table>

---

**Morningstar Risk Measures VBIIX**

- **Risk vs. Category**
  - High
- **Return vs. Category**
  - High
- **Overall Ranking**
  - Low

---

**Asset Allocation VBIIX**

- **Type**
  - Cash: 0.71
  - US Stocks: 0.00
  - Non US Stocks: 0.00
  - Bonds: 99.21
  - Other: 0.08

Note: Contains derivatives or short positions.

As of 09/30/2016

---

**Management VBIIX**

- **Start Date**
  - 04/25/2008

---

**Filings VBIIX**

- **Prospectus**
- **Statement of Additional Information**
- **Annual Report**
- **Semi-Annual Report**
## % Assets in Top 5 Holdings

<table>
<thead>
<tr>
<th></th>
<th>Fund</th>
<th>Benchmark</th>
<th>Cat Avg</th>
<th>Fund</th>
<th>Cat Avg</th>
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</thead>
<tbody>
<tr>
<td>U.S. Treasury</td>
<td>51.35</td>
<td>—</td>
<td>18.28</td>
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<tr>
<td>Corporate Bond</td>
<td>41.00</td>
<td>—</td>
<td>28.78</td>
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<tr>
<td>Other Government Related</td>
<td>2.62</td>
<td>—</td>
<td>5.60</td>
<td></td>
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</tr>
<tr>
<td>Non-U.S. Government</td>
<td>2.23</td>
<td>—</td>
<td>1.48</td>
<td></td>
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<tr>
<td>U.S. Agency</td>
<td>0.51</td>
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<td>0.47</td>
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</table>

Portfolio Date: 09/30/2016

## Dividend and Capital Gains Distributions VBIIX

<table>
<thead>
<tr>
<th>Distribution Date</th>
<th>Distribution NAV</th>
<th>Long-Term Capital Gain</th>
<th>Short-Term Capital Gain</th>
<th>Return of Capital</th>
<th>Dividend Income</th>
<th>Distribution Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/31/2016</td>
<td>11.72</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0239</td>
<td>0.0239</td>
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<tr>
<td>09/30/2016</td>
<td>11.85</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0233</td>
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<tr>
<td>08/31/2016</td>
<td>11.85</td>
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<td>0.0000</td>
<td>0.0000</td>
<td>0.0241</td>
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<tr>
<td>07/29/2016</td>
<td>11.94</td>
<td>0.0000</td>
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<td>0.0244</td>
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<tr>
<td>06/30/2016</td>
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<td>0.0000</td>
<td>0.0238</td>
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Currency: USD

S&P 500 index data: S&P 500 Copyright © 2016

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### Top Sectors VTIBX

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fund</th>
<th>Benchmark</th>
<th>Cat Avg</th>
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<tr>
<td>Government</td>
<td>76.69</td>
<td>—</td>
<td>34.78</td>
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<td>Corporate Bond</td>
<td>14.66</td>
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<td>18.05</td>
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<td>Supranational</td>
<td>2.64</td>
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<td>0.79</td>
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<tr>
<td>Agency/Quasi-Agency</td>
<td>1.96</td>
<td>—</td>
<td>1.96</td>
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<tr>
<td>Covered Bond</td>
<td>0.92</td>
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<td>0.02</td>
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Portfolio Date: 05/30/2016

### Dividend and Capital Gains Distributions VTIBX

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<th>Distribution Date</th>
<th>Distribution NAV</th>
<th>Long-Term Capital Gain</th>
<th>Short-Term Capital Gain</th>
<th>Return of Capital</th>
<th>Dividend Income</th>
<th>Distribution Total</th>
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<td>10/31/2016</td>
<td>11.02</td>
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<td>0.0120</td>
<td>0.0120</td>
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<td>0.0000</td>
<td>0.0000</td>
<td>0.0110</td>
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<td>11.19</td>
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<td>0.0000</td>
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<td>0.0110</td>
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<tr>
<td>07/29/2016</td>
<td>11.20</td>
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<td>0.0000</td>
<td>0.0000</td>
<td>0.0100</td>
<td>0.0100</td>
</tr>
<tr>
<td>06/30/2016</td>
<td>11.11</td>
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<td>0.0000</td>
<td>0.0000</td>
<td>0.0110</td>
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Currency: USD

S&P 500 Index data: S&P 500 Copyright © 2016

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**Vanguard 500 Index Inv**

**Benchmark 1: S&P 500 TR USD**  
**Benchmark 2: S&P 500 TR USD**

**Morningstar Analyst Rating: 02-24-18**  
**Gold**

**Morningstar Pillars**
- **Process**: Positive
- **Performance**: Positive
- **People**: Positive
- **Parent**: Positive
- **Price**: Positive

**Morningstar Analyst Rating**
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

**Analyst Rating Spectrum**
- Silver
- Gold
- Neutral
- Negative

**Performance 10-31-16**

<table>
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<th>Year</th>
<th>1st Qtr</th>
<th>2nd Qtr</th>
<th>3rd Qtr</th>
<th>4th Qtr</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>12.51%</td>
<td>2.72%</td>
<td>6.31%</td>
<td>0.42%</td>
<td>15.96%</td>
</tr>
<tr>
<td>2013</td>
<td>10.57%</td>
<td>2.87%</td>
<td>5.20%</td>
<td>10.45%</td>
<td>32.18%</td>
</tr>
<tr>
<td>2014</td>
<td>1.76%</td>
<td>5.19%</td>
<td>1.09%</td>
<td>4.88%</td>
<td>13.51%</td>
</tr>
<tr>
<td>2015</td>
<td>0.26%</td>
<td>-5.48%</td>
<td>7.00%</td>
<td>1.25%</td>
<td>3.78%</td>
</tr>
<tr>
<td>2016</td>
<td>2.31%</td>
<td>2.12%</td>
<td>3.82%</td>
<td>1.65%</td>
<td>12.90%</td>
</tr>
</tbody>
</table>

**Trailing**
- 1 Year: 4.04%
- 3 Mo: 1.70%
- 6 Mo: 3.59%
- 1 Yr: 4.37%
- 3 Yr: 6.98%
- 5 Yr: 14.30%
- 10 Yr: 6.58%
- 15 Yr: 4.75%

**Tax Analysis**
- Tax Adj Ret: 6.71%
- Tax Cost: 4.36%

**Potential Capital Gain Exposure**: 41% of assets

**Morningstar's Take by Kevin McDevitt, CFA**

Vanguard 500 index's minimal fees, axiomatically sound, and excellent performance versus peers continue to earn it a Morningstar Analyst Rating of Gold.

This fund's performance during the recent correction further dispelled the notion of an active advantage during downturns. While the fund matched the S&P 500's post-to-12.5% loss from late June 2015 through mid-February 2016, the typical actively managed large-blend offering fell 15.8%. This suggests that the market is just as challenging to beat whether the trend is up or down. Also, the 1.8% median cash reserve for these active funds doesn't provide much cushion, either.

To be sure, some of the index's recent edge has been cyclical and hence transitory. Large-cap stocks, which constitute more than 80% of the S&P 500, fared far better than mid- and small-cap stocks during the correction, as well as during the last five years, generally. This has contributed to the fund's advantage over most of its actively managed peers, which have more than 20% of their assets in mid- and small-cap stocks on average. In a year when mid-caps have tumbled large-caps, such as in 2009, the fund's relative results tend to be more muddling.

The fund's low-cost Admiral shares, which hold the bulk of its assets, and refined process give it an edge relative to most index funds, too. No retail fund that tracks the S&P 500 has a lower expense ratio than this one's 0.02%. This gives it a big advantage over time. Also, the fund is only one of a few mutual funds that have a portfolio turnover of less than 10%.

For those looking an S&P 500 index option, this fund remains the best choice.

---

**Portfolio Analysis 09-30-16**

**Total Stocks: 545**  
**Share Change since 08-31-15:**

<table>
<thead>
<tr>
<th>Sector</th>
<th>YTD Net %</th>
<th>% Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>9.4%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Microsoft Corp</td>
<td>9.5%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Exxon Mobil Corp</td>
<td>9.5%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Amazon.com Inc</td>
<td>9.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>9.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Facebook Inc A</td>
<td>7.7%</td>
<td>1.6%</td>
</tr>
<tr>
<td>General Electric Co</td>
<td>7.7%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Berkshire Hathaway Inc B</td>
<td>7.7%</td>
<td>1.4%</td>
</tr>
<tr>
<td>AT&amp;T Inc</td>
<td>7.7%</td>
<td>1.4%</td>
</tr>
<tr>
<td>JPMorgan Chase Co</td>
<td>7.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Procter &amp; Gamble Co</td>
<td>7.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Alphabet Inc A</td>
<td>7.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>General Electric Co</td>
<td>7.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Chevron Corp</td>
<td>7.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Intel Corp</td>
<td>7.7%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Coca-Cola Co</td>
<td>7.7%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

**Morningstar® Mutual Funds**

Address: Vanguard Index Funds  
Valley Forge, PA 19482  
800-662-7477  
Web Address: www.vanguard.com  
Inception: 01-31-76  
Advisor: Vanguard Group Inc  
Subadvisor: None  
Minimum Purchase: $1000  
Minimum Investment Plan:  
Sales Fees: No Load  
Management Fee: 0.2%  
Actual Fees: Max 0.14%  
Expense Projections: $100,000  
Income Distribution: Quarterly  
12.5%  
Book Value: 0.45%  
Sales: 0.55%  
Cash Flow: 0.25%  
Historical Expenses: 0.35%  
Profitability:
Return on Equity: 21.24%  
Return on Assets: 7.67%  
Net Margin: 13.11%

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**Vanguard Small Cap Index Inv** NAESX | ★★★★

**NAV** $58.74  \(\uparrow 1.43\%\)

USD | NAV as of 11 Nov 2016 | 1-Day Return as of 11 Nov 2016

**Growth of 10K NAESX**

- NAV: NAESX: 20,964.53 USD
- Small Blend: 18,095.56 USD
- S&P 500 TR USD: 19,736.71 USD

**Performance NAESX**

- **YTD**
  - Growth of 10,000: 11,180, 10,250, 10,841, 12,144, 18,622, 21,036
  - Fund: 11,80, 250, 8,41, 6,69, 13,24, 7,72
  - +/− S&P 500 TR USD: 3.90, 1.02, 1.79, -2.49, -0.54, 0.85
  - +/− Category: -1.11, -1.70, -0.32, 1.35, 1.42, 1.35
  - % Rank in Cat: 63, 91, 59, 36, 35, 20
  - # of Funds in Cat: 787, 843, 767, 634, 550, 381

- **5 Year**
  - Growth of 10,000: 11,180, 10,250, 10,841, 12,144, 18,622, 21,036
  - Fund: 11,80, 250, 8,41, 6,69, 13,24, 7,72
  - +/− S&P 500 TR USD: 3.90, 1.02, 1.79, -2.49, -0.54, 0.85
  - +/− Category: -1.11, -1.70, -0.32, 1.35, 1.42, 1.35
  - % Rank in Cat: 63, 91, 59, 36, 35, 20
  - # of Funds in Cat: 787, 843, 767, 634, 550, 381

- **10 Year**
  - Growth of 10,000: 11,180, 10,250, 10,841, 12,144, 18,622, 21,036
  - Fund: 11,80, 250, 8,41, 6,69, 13,24, 7,72
  - +/− S&P 500 TR USD: 3.90, 1.02, 1.79, -2.49, -0.54, 0.85
  - +/− Category: -1.11, -1.70, -0.32, 1.35, 1.42, 1.35
  - % Rank in Cat: 63, 91, 59, 36, 35, 20
  - # of Funds in Cat: 787, 843, 767, 634, 550, 381

- **Annualized return:** Data as of 11/11/2016. Currency is displayed in USD.

**Top Holdings NAESX**

- **Arthur J. Gallagher & Co**
  - Weight %: 0.30
  - Last Price: 52.33 USD
  - Day Chg %: 1.53 \(\uparrow\)
  - 52-Week Range: 35.96 - 52.31

- **Newfield Exploration Co**
  - Weight %: 0.29
  - Last Price: 37.70 USD
  - Day Chg %: -0.34 \(\downarrow\)
  - 52-Week Range: 20.84 - 47.56

- **Regency Centers Corp**
  - Weight %: 0.27
  - Last Price: 68.66 USD
  - Day Chg %: 0.04 \(\uparrow\)
  - 52-Week Range: 64.28 - 85.35

- **Westar Energy Inc**
  - Weight %: 0.26
  - Last Price: 56.71 USD
  - Day Chg %: 0.85 \(\uparrow\)
  - 52-Week Range: 40.00 - 57.49

- **Broadridge Financial Solutions Inc**
  - Weight %: 0.27
  - Last Price: 60.60 USD
  - Day Chg %: -0.12 \(\downarrow\)
  - 52-Week Range: 48.56 - 71.74

- **% Assets in Top 5 Holdings**
  - 1.40

**Morningstar Risk Measures NAESX**

- Risk vs. Category: -Avg
- Return vs. Category: +Avg

**Overall Ranking**

- Low
- Avg
- High

**Style Map NAESX**

- Weighted Average of holdings
- 75% of fund's stock holdings

**Asset Allocation NAESX**

- Cash: 1.65%
- US Stock: 97.70%
- Non US Stock: 0.51%
- Bond: 0.00%
- Other: 0.14%

**As of 09/30/2016**

**Morningstar Sustainability NAESX**

**Category**

- Small Blend

**Sustainability Mandate**

- No

**Management NAESX**

- Start Date
Top Sectors NAESX

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fund 1 Yr</th>
<th>High 1 Yr</th>
<th>Low 1 Yr</th>
<th>Avg 1 Yr</th>
<th>Cat Avg</th>
<th>Fund 3 Yr</th>
<th>High 3 Yr</th>
<th>Low 3 Yr</th>
<th>Avg 3 Yr</th>
<th>Cat Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrials</td>
<td>15.86</td>
<td>16.73</td>
<td>15.43</td>
<td>17.15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>15.47</td>
<td>15.47</td>
<td>15.10</td>
<td>15.42</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>13.56</td>
<td>13.56</td>
<td>12.09</td>
<td>7.90</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Cyclic</td>
<td>13.32</td>
<td>14.81</td>
<td>13.32</td>
<td>14.27</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Services</td>
<td>12.67</td>
<td>13.36</td>
<td>12.67</td>
<td>17.51</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Portfolio Date: 09/30/2016

Dividend and Capital Gains Distributions NAESX

<table>
<thead>
<tr>
<th>Distribution Date</th>
<th>Distribution NAV</th>
<th>Long-Term Capital Gain</th>
<th>Short-Term Capital Gain</th>
<th>Return of Capital</th>
<th>Dividend Income</th>
<th>Distribution Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/19/2016</td>
<td>57.61</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.2560</td>
<td>0.2560</td>
</tr>
<tr>
<td>06/13/2016</td>
<td>54.93</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.1280</td>
<td>0.1280</td>
</tr>
<tr>
<td>03/14/2016</td>
<td>51.89</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.1330</td>
<td>0.1330</td>
</tr>
<tr>
<td>12/22/2015</td>
<td>52.87</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.2870</td>
<td>0.2870</td>
</tr>
<tr>
<td>09/24/2015</td>
<td>53.03</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.0000</td>
<td>0.4050</td>
<td>0.4050</td>
</tr>
</tbody>
</table>

Currency: USD

S&P 500 Index data: S&P 500 Copyright © 2016
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JPMorgan Small Cap Equity R5

Morningstar Analyst Rating 09-19-16

Morningstar Analyst Rating
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

- **Morningstar Analyst Rating**
  - **Bronze**

**Morningstar Pillars**
- **Process** Positive
- **Performance** Positive
- **People** Positive
- **Parent** Positive
- **Price** Positive

**Morningstar Analyst Rating**
Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

**Analyst Rating Scenarios**
- **Gold**
- **Silver**
- **Bronze**

**Pillar Spectrum**
- **Positive**
- **Negative**
- **Neutral**

**Performance 10-31-16**

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Qtr</th>
<th>2nd Qtr</th>
<th>3rd Qtr</th>
<th>4th Qtr</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>13.44</td>
<td>-2.18</td>
<td>5.17</td>
<td>2.32</td>
<td>18.34</td>
</tr>
<tr>
<td>2013</td>
<td>13.99</td>
<td>1.95</td>
<td>7.89</td>
<td>0.78</td>
<td>36.44</td>
</tr>
<tr>
<td>2014</td>
<td>2.32</td>
<td>2.23</td>
<td>-5.42</td>
<td>8.71</td>
<td>7.55</td>
</tr>
<tr>
<td>2015</td>
<td>5.55</td>
<td>-0.56</td>
<td>-8.76</td>
<td>2.93</td>
<td>1.36</td>
</tr>
<tr>
<td>2016</td>
<td>2.85</td>
<td>2.13</td>
<td>5.42</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

**Trading**

- **Total**
- **% Return**
- **% Rank**
- **Growth of $10,000**

<table>
<thead>
<tr>
<th>Period</th>
<th>Return</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Mo</td>
<td>-1.93</td>
<td>38/36</td>
</tr>
<tr>
<td>3 Mo</td>
<td>5.03</td>
<td>35/36</td>
</tr>
<tr>
<td>1 Yr</td>
<td>8.00</td>
<td>7/6</td>
</tr>
<tr>
<td>3 Yr</td>
<td>5.79</td>
<td>15/64</td>
</tr>
<tr>
<td>5 Yr</td>
<td>14.77</td>
<td>2E1</td>
</tr>
<tr>
<td>10 Yr</td>
<td>9.79</td>
<td>1E1</td>
</tr>
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</table>

**Tax Analysis**

- **Tax Adj. Return**
- **% Share**
- **Tax Cost**
- **Tax Equity**

<table>
<thead>
<tr>
<th>Period</th>
<th>Adj. Return</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Yr</td>
<td>7.06</td>
<td>1.35</td>
</tr>
<tr>
<td>10 Yr</td>
<td>1.67</td>
<td>0.72</td>
</tr>
</tbody>
</table>

**Potential Capital Gain Exposure**: 32% of assets

Morningstar’s Take by John Fei 09-19-16

Don San Jose has done a good job steering JPMorgan Small Cap Equity since becoming lead manager 2013. The fund benefits from experienced analysts and a proven, risk-averse process that focuses on funds with strong management and enduring advantages. It continues to outperform its benchmark and has delivered solid risk-adjusted returns. The fund earns a Morningstar Analyst Rating of Bronze.

San Jose and comanager Dan Pencella invest in market-leading firms that they think have clear competitive advantages and high returns on invested capital, such as Ford Motor Co. and Pool Co. Pencella says Sandoz dominates the competitive landscape and has a strong reputation for good engineering and customer service. Pool Corp isn’t a household name, but it dominates its niche as well. The company has about 40% market share in the distribution of pool and landscaping products and excellent returns on capital, robust cash flows, and a strong balance sheet. Such characteristics are illustrative of the manager’s stock-selection process.

This quality bias and strong stock-picking have generated a robust risk/reward profile that hasn’t missed a beat under San Jose. Since its 1994 inception, the fund has returned 13.6% annually, compared with 9.3% for the Russell 2000 Index and 10.2% for the typical fund in the small-blend Morningstar Category. The fund has held up better than peers in market downturns and more than kept pace in up markets. Its five-year rolling returns have beat the Russell 9000% of the time overall and 90% of the time when the index has been negative.

There’s no reason to think the fund has lost its downside chops, though it hasn’t been in a five-year rolling period for the index since San Jose took over as lead manager. He’s continued the fund’s record of excellence in buoyant markets and just needs proof he can maintain its winning ways in a protracted downturn.

**Portfolio Analysis 03-31-16**

**Ticker**

<table>
<thead>
<tr>
<th>JSBX</th>
<th>Yield</th>
<th>Total Assets</th>
<th>MS category</th>
</tr>
</thead>
<tbody>
<tr>
<td>JBER</td>
<td>0.9%</td>
<td>$4,421 mil</td>
<td>Small Blend</td>
</tr>
</tbody>
</table>

**Investment Style**

- **Equity**
- **Growth of $10,000**
- **Return of Fund**
- **Return of Benchmark**

**Performance Quartile**

<table>
<thead>
<tr>
<th>Category</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.0</td>
<td>Above Quartile</td>
</tr>
<tr>
<td>15.0</td>
<td>Above Quartile</td>
</tr>
<tr>
<td>7.5</td>
<td>Above Quartile</td>
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</table>

**Ratings and Rank**

<table>
<thead>
<tr>
<th>Period</th>
<th>Morningstar Rating</th>
<th>Morningstar Risk vs Category</th>
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</thead>
<tbody>
<tr>
<td>1 Yr</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>3 Yr</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>5 Yr</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>10 Yr</td>
<td>High</td>
<td>High</td>
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</table>

**Other Measures**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Standard Index</th>
<th>Best Fit Index</th>
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</thead>
<tbody>
<tr>
<td>Alpha</td>
<td>-0.7</td>
<td>3.0</td>
</tr>
<tr>
<td>Beta</td>
<td>0.85</td>
<td>0.85</td>
</tr>
<tr>
<td>R-Squared</td>
<td>72/96</td>
<td></td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>12.04</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>7.50</td>
<td></td>
</tr>
<tr>
<td>Sharpe Ratio</td>
<td>0.65</td>
<td></td>
</tr>
</tbody>
</table>

**Current Investment Style**

- **Market Cap %**
- **Giant** 0.0
- **Large** 0.0
- **Mid** 36.4
- **Small** 54.7
- **Micro** 9.9

**Price/Earnings**

<table>
<thead>
<tr>
<th>Market Cap</th>
<th>Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giant</td>
<td>21.57</td>
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<tr>
<td>Large</td>
<td>1.57</td>
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<tr>
<td>Mid</td>
<td>2.75</td>
</tr>
<tr>
<td>Small</td>
<td>1.47</td>
</tr>
<tr>
<td>Micro</td>
<td>1.55</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Price/Income</th>
<th>Cash Flow</th>
<th>Dividend Yield %</th>
<th>Growth Estimates</th>
<th>Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>Returns</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Earnings</td>
<td>15.17</td>
<td>1.57</td>
<td>1.47</td>
<td>1.55</td>
</tr>
<tr>
<td>Price/Book</td>
<td>2.75</td>
<td>1.47</td>
<td>1.47</td>
<td>1.55</td>
</tr>
<tr>
<td>Price/Sales</td>
<td>1.57</td>
<td>1.47</td>
<td>1.47</td>
<td>1.55</td>
</tr>
<tr>
<td>Price/Cash Flow</td>
<td>1.47</td>
<td>1.55</td>
<td>1.47</td>
<td>1.55</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>1.47</td>
<td>1.55</td>
<td>1.47</td>
<td>1.55</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth Estimates</th>
<th>%</th>
<th>High Category</th>
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<tbody>
<tr>
<td>Long-Term Earnings</td>
<td>12.73</td>
<td>1.08</td>
</tr>
<tr>
<td>Book Value</td>
<td>4.56</td>
<td>1.37</td>
</tr>
<tr>
<td>Sales</td>
<td>6.32</td>
<td>3.85</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>11.40</td>
<td>1.65</td>
</tr>
<tr>
<td>Historical Earnings</td>
<td>5.23</td>
<td>1.03</td>
</tr>
</tbody>
</table>

**Profitability**

- **Return on Equity** 12.77
- **Return on Assets** 4.52
- **Net Margin** 8.18

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Fidelity® Diversified International

Benchmark 1: MSCI ACOM Ex USA Growth NR USD
Benchmark 2: MSCI ACOM Ex USA HRI USD

Morningstar Analyst Rating: 07-28-16

Bronze

Morningstar Pillars
- Process: Neutral
- Performance: Positive
- People: Positive
- Parent: Neutral
- Price: Positive

Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analysis Rating Spectrum
- Total: Neutral
- Silver: Neutral
- Bronze: Neutral

Pillar Spectrum
- Positive: Neutral
- Negative: Neutral

Performance: 10-31-16

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Qtr</th>
<th>2nd Qtr</th>
<th>3rd Qtr</th>
<th>4th Qtr</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>12.4%</td>
<td>9.5%</td>
<td>7.8%</td>
<td>11.1%</td>
<td>8.5%</td>
</tr>
<tr>
<td>2013</td>
<td>4.4%</td>
<td>10.6%</td>
<td>15.1%</td>
<td>25.9%</td>
<td>16.8%</td>
</tr>
<tr>
<td>2014</td>
<td>4.8%</td>
<td>9.0%</td>
<td>10.1%</td>
<td>20.1%</td>
<td>14.6%</td>
</tr>
<tr>
<td>2015</td>
<td>5.8%</td>
<td>7.2%</td>
<td>7.4%</td>
<td>15.3%</td>
<td>11.5%</td>
</tr>
<tr>
<td>2016</td>
<td>4.8%</td>
<td>7.5%</td>
<td>6.0%</td>
<td>15.3%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Tailing
- Total: 0.0
- Silver: 0.0
- Bronze: 0.0
- Neutral: 0.0

Tax Analysis
- Tax Adj. Return: 0.0
- Tax-Exempt: 0.0
- Nontaxable: 0.0

Morningstar's Take by Kate Rushekweitz Reichart, CFA
07-28-16

Fidelity Diversified International retains its Morningstar Analyst Rating of Bronze. Backed by manager Bill Bower since 2001, the fund has posted competitive results versus the MSCI EAFE and among its peers in the foreign large-growth and foreign large-growth Morningstar Categories (it's been in both groups on his watch).

The fund looks for durable businesses that are taking market share and have shareholder-focused management teams. That's given the fund a quality tilt, as evidenced by its above-benchmark returns on assets and returns on equity. It's also supported above-benchmark price multiples, suggesting Bower will pay up for quality businesses.

That stance, plus the fund's preference in recent years for more companies in growth-oriented sectors, including technology, healthcare, and consumer discretionary, has led to a growth tilt. In 2014, the fund moved into the foreign large-growth category from foreign large-blend. Meanwhile, the fund has held 5%-10% of assets in emerging markets and a double-digit U.S. stake, both out-of-benchmark bets.

Developed Europe and the United Kingdom still consume the bulk of assets, though. Bower is breading carefully in these regions as he assesses the fallout from the unexpected Brexit vote. Some of the fund's domestically oriented U.K. holdings, including Whitbread, Lloyds, and Nex, hurt performance in 2015's first half, as did its avoidance of global players that held up better, such as Royal Dutch Shell and GlaxoSmithKline; the fund lagged 60% of its peers for the year to date through June.

The fund has come through other market laps in the past. It's lost less than the benchmark in down markets on Bower's watch and has produced benchmark- and peer-beating results overall. Following years of outflows, the fund is arguably more nimble than it was at its peak in assets. Since then, it's recovered from a streak of middling performance and has adapted well to a new international analyst team.

Fidelity Investment Trust
Boston, MA 02103
800-548-0854

Web address: www.fidelity.com

Investor: 1-572-951
Advisor: Fidelity Management & Research Company
Subadvisor: Franklin Investment Management (U.K.) Limited

Historical Profile

Ticker: FDXV
Yield: 1.80%
Total Assets: $18,621 mil

Investment Style
- Equity

Performance Profile (with Category)
- NAV: Total Return %
- A/B: Benchmark
- B: Benchmark

Portfolio Analysis 09-30-16

Total Stocks: 216
Shares change since 09-30-16

<table>
<thead>
<tr>
<th>Sector</th>
<th>Country</th>
<th>% Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector Weights</td>
<td>% of Stocks</td>
<td>% of Shares</td>
</tr>
<tr>
<td>Cyclical</td>
<td>37.7%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Basic Mater</td>
<td>9.0%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Consumer Cyc</td>
<td>11.9%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Consumer Disc</td>
<td>11.1%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Energy</td>
<td>8.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Technology</td>
<td>13.1%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Defensive</td>
<td>32.4%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Growth</td>
<td>17.4%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.2%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Value Measures
- Return Category: Reg Date
- Price/Earnings: 17.45
- Price/Book: 25.4
- Price/Sales: 1.7
- Price/Cash Flow: 24.8
- Dividend Yield %: 1.1
- Shareholder Return:

Country Exposure %

Japan: 20.1%
Europe: 11.4%
Latin America: 10.3%
Middle East: 2.9%
Africa: 1.3%

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XII. Retirement Planning
Carrolyn Sands
Personal Financial Plan
MBA 620 Fall 2016

Current Situation
My husband and I currently do have any savings for retirement. We are doing our best to stay debt free in our schooling this last year at BYU. Once I start a full-time job, we intend to start investing for our retirement.

Preferred Retirement Vehicles

Roth IRA – When I start working, we expect that we will be in the 15% tax bracket for federal taxes. We expect that to increase after my husband finishes medical school in about eight years. Thus, for the next eight years, we think it is beneficial to contribute in a Roth IRA because we can pay the taxes now and have the principal and earnings all tax-free in retirement.

Once Daniel starts working and making a normal wage for a doctor (in probably ten to twelve years), we will not want to pay as much into a Roth IRA because the taxes will be higher than they will be in retirement. We may contribute smaller amounts to this every year, though, to have the flexibility for withdrawals and to manage our tax rate in retirement. (We don’t intend to withdraw before retirement. But, if Daniel decides to retire early for some reason, I would like to have one retirement account that would be accessible.)

Traditional IRA – Because of the phase-outs, a traditional IRA will also likely be a vehicle that my husband and I cannot use once he starts working full time. As such, we will only use this vehicle for a few years while I am still working while he is in school. I may continue to contribute to a Traditional IRA as a Spousal IRA once my husband starts working. Because the phase outs for the spouse are higher (they match the phase outs for a Roth), I may be able to contribute to this for a while when my husband first starts working.

401k – The bulk of our retirement will go into a company 401k. Using this 401k, we will invest in large and small cap mutual funds, as well as some bond mutual funds. I intend to always get the full match for my 401k while I work, and my husband will get the 401k match if he has one as a physician.

SIMPLE IRA – If Daniel works for a small physician practice, he may have the option to contribute to a SIMPLE IRA. This would be great for us because he could contribute more to the plan annually than he could with a traditional IRA.

How Much We Will Need to Save
If we want to maintain 75% of our pre-retirement income, and if we retire in 43 years, and if we expect to be in retirement for 26 years, then we need about $6.7 million in future dollars (adjusted for inflation and taxes) to have the needed annuity to live off of $85,000 (in today’s dollars) a year in retirement. This amounts to about $25,500 per year that we need to save to reach this goal.

While Daniel is in medical school, we do not think we can save that much per year. We intend to save about $13,000 per year while Daniel is in school, because we will need to be paying off student loans. After that, we intend to save around $29,000 per year for retirement from my husband’s work until he retires at 67. I also intend to save $14,500 a year for retirement when I am between the ages of 45 and 65. (I want to take off from 35 to 45 to be with my kids while they are little, if we are able to have kids.)

Finally, Daniel and I are still discussing the lifestyle we want to have in retirement. We are not sure we need that much a year ($85,000). However, we also do not want our standard of living to decline in retirement because we did not save enough. We want to make sure we have enough to pay for missions and for visiting family and for traveling/making memories. So, this is something we will continue to discuss over the next few months as we prepare for full-time employment and medical school.

**Action Plan**

What will be your strategies for retirement? Make sure you include your strategies for:

*Accumulation.* How will you accumulate your assets before retirement? How much will you save (in percent), and where will that go?

We will be accumulating assets in different phases, determined by our working status and ability to save.

Phase 1 – While Daniel is in medical school, I will be the breadwinner for the family. During this time, I will contribute 8% of my gross salary to my company 401k to get the 4% match. I will also max out one Roth IRA each year, which will be another 6.1% of my salary. This leaves me with about 2% that I still need to save (8% + 4% + 6.1%), and I intend to contribute that 2% towards the money I will be spending to pay off my husband’s medical school loans.

Phase 2 – Once my husband graduates from medical school and starts his first full-time job, we will likely be in too high of an earning bracket to contribute to a traditional IRA. At that point, we will want to max out one 401k limit per year, if my husband works for an employer that offers a 401k. If they do not offer a 401k because they are a small employer, my husband will likely contribute to a SIMPLE IRA. We anticipate that maxing out the 401k will be approximately 9% of my husband’s salary.
The remaining 10% will need to be split among other retirement accounts. If I am still working, we will contribute to my 401k plan. If I am not working, however, we will look into non-deductible IRAs or Roth IRAs as tax-advantaged accounts. Since my husband will be over the phase-out limits for a traditional IRA, we will have to consider other accounts. While our tax rate will be higher at this time than it will in retirement, putting money into a Roth IRA will still allow the earnings to grow tax-free. If we use a non-deductible IRA, we will have to pay taxes at this time and when we pull money out at retirement. Thus, we plan to first max out the Roth IRAs, which will be another 5.5% of our savings.

However, if the tax law will allow Carrolyn, as a non-working spouse, to contribute to a traditional IRA using the same limits required for a Roth IRA, she will put money into the traditional IRA for as long as she can before putting the money into the Roth IRA during this phase.

Finally, we intend to invest in taxable accounts, largely S&P 500 Index Funds and small cap index funds, using another 3.5%. We will want to have a long-term buy and hold strategy with these funds, and find ones with low fees, no loads, and minimal turnover to minimize taxable events triggered by distributions. We want to hold onto everything long enough to have qualified tax rates.

The remaining 2.5% will be used to save for our children’s education and missions, as outlined in the plan we created for mission and education IRA and investment accounts.

Phase 3 – If Carrolyn returns full-time to the workforce between 45 and 65, she will begin contributing again to her own 401k, equal to $14,400 per year (in today’s dollars). Daniel’s saving will be the same as listed in Phase 2.

Retirement. How will you take the distribution of your assets at retirement? What percent will you “annuitize” and how will you do it?

Our minimum level of acceptable retirement income is 70,000 annually (in today’s dollars). If social security comes through for us at current levels (which is highly unlikely), we anticipate it would reduce this to $40,600 in annual retirement income (in today’s dollars). If this is the case, we would need to purchase an annuity worth about $800,000 (in today’s dollars) to fund the annuity for 26 years.

If social security provides less than that, we will purchase a larger annuity to cover the full $70,000.

We would like to annuitize the above amount, and be given the payments one year at a time. I would like to purchase a period certain annuity that disperses the funds according to a “Life and a Certain Period.” We want to purchase this annuity using money in our 401k retirement accounts.
Distribution. How will you take the distribution of your qualified retirement accounts at distribution?

We will have an annuity distribution, as listed above. We will also have to take the minimum required distribution from the rest of our traditional IRA/401k accounts, which we anticipate will be around $15,000 per year (in today’s dollars). This would place us right around the $85,000 we want per year for retirement.

The money in our Roth account will be used on an as-needed basis, and will be used to supplement the annuity in later years if the traditional IRA and 401k accounts run out of money before we die.
### Teaching Tool 6 - Worksheet for Funding Your Retirement Needs

**Personal Finance: Another Perspective**

**Directions:** Fill the green cells with your data. Be careful not to modify the blue cells.

Percentages must be converted to decimal form.

#### Key Data:

<table>
<thead>
<tr>
<th>Number of Years Till Retirement</th>
<th>43</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Average Growth Rate of Investments Until Retirement</td>
<td>7.0%</td>
</tr>
<tr>
<td>Estimated Average Annual Rate of Inflation Until Retirement</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Years In Retirement</th>
<th>26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimate Growth Rate of Investments During Retirement</td>
<td>5.5%</td>
</tr>
<tr>
<td>Estimated Annual Rate of Inflation During Retirement</td>
<td>3.0%</td>
</tr>
<tr>
<td>Estimated Tax Rate In Retirement</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Step 1: Estimate Your Annual Needs at Retirement**

- **A.** Present level of your living expenditures on an after-tax basis in today's dollars: $97,800
- **B.** Percentage of income you want to replace (e.g., 80% in decimal form): 75%
- **C.** Base retirement expenditure level in today's dollars at replacement level: 73,350
- **D.** Anticipated change in living expenditures after retirement: 11,650
- **E.** Annual living expenditures at retirement in today's dollars on an after-tax basis: 85,000
- **F.** Estimated tax rate in retirement (from above): 15.0%
- **G.** Before-tax income necessary for retirement in today's dollars: 100,000
- **H.** Before-tax income necessary at retirement in future dollars after inflation: $403,937

**Step 2: Estimate Income Annually from Social Security and Pensions at Retirement**

- **A.** Projected annual Social Security benefits (in today's dollars): $29,400
- **B.** Projected annual defined-benefit pension (in today's dollars): -
- **C.** Projected total pension benefits in today's dollars for all vehicles: 29,400
- **D.** Estimated average growth factor in percent: 1.5%
- **E.** Estimated number of years until you retire (from above): 43
- **F.** Anticipated Social Security and Pension income in future dollars: $55,768

**Step 3: Estimate your total Retirement Needs After Inflation at Retirement**

- **A.** Target Annual retirement income in future dollars (from line 1.H): $403,937
- **B.** Combined Social Security and Pensions in future dollars (from line 2.F): 55,768
- **C.** Target Annual Income Needed from Investments, in future dollars \((A+B)\): 348,169
- **D.** Monthly Income Needed from Investments, in future dollars \((C/12)\): 29,014
- **E.** Number of Years in retirement (from above): 26
- **F.** Expected interest rate in retirement (from above): 5.5%
- **G.** Expected inflation rate in retirement (from above): 3.0%
- **H.** Inflation adjusted return \((1+\text{nominal return})/(1+\text{inflation})-1\): 2.43%
- **I.** Total inflation adjusted Annuity required to give annual income (beginning of period) \((\text{PV})\): 6,816,717
- **J.** Total inflation adjusted Annuity required to give monthly income (beginning of period) \((\text{PV})\): $6,721,622

**Step 4. Determine how much have you Accumulated so far in Today's and Future Dollars**

- **A.** Current value of taxable investment and savings account assets: -
- **B.** Current value of Retirement account assets (401K, IRAs, SEPs, etc.) in today's dollars: -
- **C.** Total Value of Taxable and Retirement Accounts: $0
- **D.** Number of years till retirement (from above): 43
- **E.** Estimated growth rate in investments until retirement (from above): 7.00%
- **F.** Estimate annual rate of inflation until retirement (from above): 3.30%
- **G.** Inflation adjusted return \((1+\text{nominal return})/(1+\text{inflation})-1\): 3.58%
- **H.** Projected value of current savings at retirement in future dollars: $0
### Teaching Tool 6 - Worksheet for Funding Your Retirement Needs
#### Personal Finance: Another Perspective

#### Step 5. How much will you draw from home equity?

<table>
<thead>
<tr>
<th>Step</th>
<th>Calculation</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Current value of your home in today's dollars</td>
<td>$200,000</td>
</tr>
<tr>
<td>B.</td>
<td>Estimated growth in your home's market value (may be different from inflation)</td>
<td>4%</td>
</tr>
<tr>
<td>C.</td>
<td>Number of years to retirement (from above)</td>
<td>31</td>
</tr>
<tr>
<td>D.</td>
<td>Estimated value of your home at retirement in future dollars</td>
<td>674,627</td>
</tr>
<tr>
<td>E.</td>
<td>Mortgage remaining at retirement (should be negative)</td>
<td>-</td>
</tr>
<tr>
<td>F.</td>
<td>Price of new home at retirement (should be negative)</td>
<td>(200,000)</td>
</tr>
<tr>
<td>G.</td>
<td>Home's estimated contribution to total investment needed in future dollars</td>
<td>474,627</td>
</tr>
</tbody>
</table>

#### Step 6. How much more do you need to save?

<table>
<thead>
<tr>
<th>Step</th>
<th>Calculation</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Preliminary Total Investment needed in future dollars for monthly income</td>
<td>$6,721,622</td>
</tr>
<tr>
<td></td>
<td>(from 3.J)</td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td>Preliminary Total Investment needed in future dollars for annual income</td>
<td>6,816,717</td>
</tr>
<tr>
<td></td>
<td>(from 3.J)</td>
<td></td>
</tr>
<tr>
<td>C.</td>
<td>Current savings in future dollars</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(from 4.H)</td>
<td></td>
</tr>
<tr>
<td>D.</td>
<td>Contribution from home equity in future dollars</td>
<td>474,627</td>
</tr>
<tr>
<td></td>
<td>(from 5.G)</td>
<td></td>
</tr>
<tr>
<td>E.</td>
<td>Total Investment Shortfall in future dollars for monthly income</td>
<td>6,246,995</td>
</tr>
<tr>
<td></td>
<td>(from above)</td>
<td></td>
</tr>
<tr>
<td>F.</td>
<td>Total Investment Shortfall in future dollars for annual income</td>
<td>6,342,090</td>
</tr>
<tr>
<td></td>
<td>(from above)</td>
<td></td>
</tr>
<tr>
<td>G.</td>
<td>Number of years until retirement</td>
<td>43</td>
</tr>
<tr>
<td>H.</td>
<td>Estimated growth rate in investments until retirement</td>
<td>7%</td>
</tr>
<tr>
<td>I.</td>
<td>Total Investment Amount needed monthly to reach your monthly goal in today's dollars</td>
<td>$1,907</td>
</tr>
<tr>
<td>J.</td>
<td>Total Investment Amount needed annually to reach your annual goal in today's dollars</td>
<td>$25,596</td>
</tr>
</tbody>
</table>

#### Step 7. Start saving now!!!!!!!!!!

This spreadsheet was adapted from the article in Kiplinger's, dated March 2001, by Mary Beth Franklin.
XIII. Wills, Estate and Advance Planning
Carrolyn Sands
Personal Financial Plan
Fall 2016 MBA 620

Current Situation
Attached is my holographic will (and the will of my spouse).

Action Plan
I realize that once I leave school, I should go to a lawyer and get a will that is valid in my state of residence. I also plan to review my will after the birth of each of my future children to ensure that any needed changes are made. I have also attached Teaching Tool 14: Utah Advance Health Care Directive.

Estate Planning

Current Situation
My current estate is less than the $5.43mn single ($10.86mn MFJ) limits for 2015. I will continue to monitor gifts to ensure they are not over the limit.

Action Plan
As my assets grow, I will begin to implement estate planning procedures. Specifically, I plan to create a trust when my husband and I purchase our first home. In the presentation in class, the lawyer mentioned that professionals who get sued a lot benefit from having their assets in a trust. After two years, it protects the assets from being discoverable and seized in a lawsuit. Thus, I want to speak to an attorney and accountant to set up a trust that will allow me to manage our assets and protect them from litigation.
Carrolyn Ann Sands' Will

I, Carrolyn Ann Sands, being over 18 years of age, of sound mind, and not acting under duress, do declare this my last will and testament, revoking all prior wills and codicils.

I am married, and my husband's name is Daniel Carlin Sands. We have no children.

I intend to dispose of all my property at the time of my death through this will. I give all my property, possessions, and the residue of my estate to my husband, Daniel Carlin Sands. If Daniel Sands does not survive me, I give my property, possessions, and the residue of my estate to my mother, Christine Kay (Bradford) Leiker.

I have intentionally omitted any existing heirs who are not specifically mentioned here. Any who shall contest this will shall only receive one dollar.

If any part of this will is invalid, such invalidity shall not affect any other provision.

My estate shall be administered by one Personal Representative. I nominate the following to serve as Personal Representative to administer my estate, to serve without bond in the order in which listed: Daniel Carlin Sands, Christine Kay (Bradford) Leiker, and Andrew McMurdie. My Personal Representative is authorized to do whatever is necessary to administer my estate.

In witness whereof, I voluntarily sign my name this day.

Carrolyn Sands
I, Daniel Carlin Sands, being over 18 years of age, of sound mind and not acting under duress, declare this my last will and testament, revoking all prior wills & codicils.

I am married. My wife's name is Carrolyn Ann Sands. We have no children.

I intend to dispose of all my property at the time of my death through this will. I give all my property, possessions, and the residue of my estate to my wife, Carrolyn Ann Sands. If Carrolyn Ann Sands does not survive me, I give the residue to Christine Kay Leiker.

I have intentionally omitted any existing heirs who are not specifically mentioned here. Any who shall contest this will shall only receive one dollar.

If any part of this will is invalid, such invalidity shall not affect any other provision.

My estate shall be administered by one Personal Representative. I nominate the following to serve as Personal Representative to administer my estate, to serve without bond in the order in which listed: Carrolyn Ann Sands, Jeffrey Irving Sands, and Victoria Harris Sands. My Personal Representative is authorized to do whatever is necessary to administer my estate.

In witness whereof, I voluntarily sign my name this day

Daniel Carlin Sands
Utah Advance Health Care Directive
Pursuant to Utah Code Sections 75-2a-100 et seq.

Part I: Allows you to name another person to make health care decisions for you when you cannot make decisions or speak for yourself.

Part II: Allows you to record your wishes about health care in writing.

Part III: Tells you how to revoke or change this directive.

Part IV: Makes your directive legal.

My Personal Information

Name: [Redacted]
Address: [Redacted]
Address: [Redacted]
Telephone: [Redacted]
Birth Date: [Redacted]

A: No Agent

B: My Agent

Agent’s Name: [Redacted]
Street Address: [Redacted]
City, State, Zip: [Redacted]
Home Phone: [Number Redacted]

C: My Alternate Agent

This person will step in only if BOTH B and C are unable to act.

Agent’s Name: [Redacted]
Street Address: [Redacted]
City, State, Zip: [Redacted]
Home Phone: [Number Redacted]
XIV. Giving Plan
Carrolyn Sands
Personal Financial Plan
MBA 620 Fall 2016

Current Situation

Giving of Time – Right now, I spend about 3 to 4 hours a week working on my calling in Young Women’s. I am a second counselor in my ward’s presidency, and I am also the Combined Building Advisor for the combined mutual program. I absolutely love working with the young women and getting to know them.

I also like to spend free time helping people in my ward. During my class breaks, I babysit or help out women in my ward who have lots of kids. My mom always told me that I should help young moms—someday I will be in those shoes and I will be so appreciative of anyone who will help me.

My husband also serves in his calling in the elder’s quorum, and he enjoys helping people with all kinds of things. He is good about befriending people, inviting them to do things, and helping them out with any kind of need. I appreciate when he brings me along or when I can support him in spending time serving others. Together, we also like going to service events when we know about them.

Giving of Resources – My husband and I pay a fast offering every month that is equal to about 8% of our total food budget. We also occasionally give money to people who have just had a baby or experienced a family loss. In the program, there have been several occasions for me to be able to donate to help others in my program who were experiencing these situations.

I have also given away other tangible resources when I have had them to give away. For example, I gave away a laptop to a lady in the ward who needed one to return to school. It was a bigger laptop, so I did not use it for school. I wish I could have bought her a new laptop, but, I try to do what I can.

Giving of Talents – I think I try to use my talents when I am giving my time. I’m fairly good with kids, so I offer to babysit. I can cook a few good meals, so I offer to cook meals when families in the ward need them.

But, I think the giving that means the most to people is time. Often, I sit and talk with people and listen to them about what is on their minds, what decisions they are making, or what is bothering them. My friends have told me how much that means to them, and that they appreciate having someone who is a listening ear. I think I have a talent for being able to listen in a way that helps people to feel understood, heard, and validated. Sometimes, when I listen, people also come to
solutions with problems they are facing. Just as I appreciate people who do that for me, I try to do that for others.

**Action Plan**

**Giving to family** – Truthfully, my greatest giving will always be to my family. I believe that our families are the greatest blessing and stewardship that God has given to us, and I want to treat my family members like a treasure. As such, they will be my first priority in giving of my time, talents, and resources. I’m not sure how to quantify this into a measureable goal. I think I can measure this one by asking Heavenly Father every day to help me know how to love and serve my family members. If I am receiving promptings, acting on them, and also recognizing service opportunities on my own, I think I will be meeting this goal.

**Giving to the church** – I have a goal to always have a mindset of service when I go to church. My mom taught me growing up that we go to church to serve others, not to be served or focus on ourselves. I have always appreciated that and I try to find people in my ward that could use my help. No matter where I live, I have a goal to keep that mindset and to find individuals and families that I can serve. I intend to offer my help without having to be asked.

Additionally, I intend for our fast offerings to increase as our income increases and we pay off our debts. Right now, our fast offerings are around 2.5-3% of our gross income. I want to keep a similar or higher percentage as my income grows.

If we are able, my husband and I would also like to pay for someone’s mission outright. When he joined the church, his family ward paid for him to go on a mission. We feel like we want to express gratitude for that by not only helping our children, but by helping another non-family member to serve the Lord.

**Giving to the community** – We both grew up volunteering in a lot of community organizations (YMCA, VA Hospitals, Boy Scouts of America, etc.), and we want to find local organizations wherever we live that we can get involved in. We want our kids to be involved in these actions, just as our parents involved us.

**Giving to schools** – My education has largely been paid for by generous scholarships and sacred tithing funds. I feel so grateful to the kind people who have made it possible for me to get an education. As such, I fully intend to be a regular donor to BYU. I intend for those donations to grow as my income grows. Additionally, I would love to start a scholarship some day for single mothers who are going back to school. I have seen how hard that is for my mom, and someday I want to have a scholarship that gives women the resources they need to reach that goal.
As a final note, I believe that the best way to teach children about service is through example. Daniel and I had parents who were always serving others, bringing us along and getting us involved. I believe that as I make service a priority, and I involve my children as much as they are able, they will learn to make service a priority, too.
XV. Education, Home and Auto Strategy
Carrolyn Sands
Personal Financial Plan
Fall 2016 MBA 620

Education Strategy

Current Situation

My husband and I currently do not have any kids, and we do not anticipate having any kids until 2018. So, currently we are not saving for our children’s education.

Action Plan

My husband and I would like to help our children save for college. At that point, I should be working full time and we should have an emergency fund saved. My husband will still be in medical school, so we will also be paying off student loans as much as we can during that time. So, we will likely have less at the beginning to contribute to our children’s education funds.

When our first child is born, we would like to open a Coverdell Education Savings Account for that child. At that point, my husband will not be a doctor, so our annual income will be below the limits required to make a contribution to the ESA. I also like the investment control in the ESA plans. However, we will not only use Coverdell Education Savings Accounts. Once my husband finishes school and starts making money, we will contribute to 529 Savings Plans.

Our goal is to initially save $500 a year in each child’s ESA Savings account. Once Daniel and I are both working, we would like to create 529 Savings Plans for our children, and put in $1000 a year per child into those accounts.

For missions, we would like to open an investment account specifically for missions, likely in large cap and small cap equities. We will put in $350 a year per child, and hope to get a 4% return after taxes and inflation on this account.

Home Strategy

Current Situation

My husband and I currently are in student married housing, paying about $720 a month for rent, utilities, and internet. We do not currently have renter’s insurance—I looked into it, and think we will get it next semester.
Action Plan

My husband and I do not plan to buy a home until he is done with both medical school and his residency (approximately eight years from now). During this time, we plan to save up for a down payment so that we can pay at least 20% on our first home. We do not want to have to pay PMI. We plan to purchase our first home where my husband begins his first real job.

We would prefer to not move around too much. If it works out, we would like to stay in our first home for at least six years. After that, we may move for job-related reasons. Thus, when we buy our first home, we will calculate how much a balloon payment at the end of six years will affect our effective interest rate, and we will determine if it is worth it to buy points or keep a slightly higher interest rate.

My husband and I also plan to continue building our credit scores over the next eight years so that when we go to purchase a home we have a good credit rating. We do not want there to be any surprises when we go to purchase our house, and we want to be able to get the best loan possible.

Auto Strategy

Current Situation

I currently drive a Hyundai Elantra 2008 that has 117,000 miles on it. I am done paying off the car, and I pay $68 dollars a month for car insurance. I also purchased an extended engine and transmission warranty that is good for five years or until 186,000 miles.

Most of the major maintenance work was done at 86,000 miles for the car, including the timing belt, transmission fluid, etc. I also replaced the tires last year, and I continue to get them rotated every 10,000 miles. On average, I need an oil change every 3 months, and it costs around $45 dollars.

Action Plan

My husband and I believe that we will need a new car mid next year when he starts medical school. If I end up being able to go to GE, I intend to use my signing bonus to buy a new car for him outright so that we do not have to finance the car purchase.

We will research which car to buy and find one with good safety ratings. Driving is crazy in Houston, so I want my husband to have a safe car. I also want to get a car with good safety ratings so that it is cheaper to insure.

In negotiating with the dealer, I intend to research several dealerships so I can have bargaining power. I also will only work with dealers who are willing to share the invoice price. Finally, I will anchor my offer low and in line with my budget, and only negotiate on the “out-the-door” price so that I do not get tricked into paying lots of extra fees.
Regarding warranties, I prefer to have an engine warranty on the car that covers basically everything, including the transmission. I do not want to have an engine go bad and have to pay $3000 to replace it. If the car does not come with a good warranty, I do not want to purchase it.

My husband and I intend to drive every vehicle until it dies or 200,000 miles.
I. Who

I told my husband about our lecture on trusts, and he was intrigued when I told him that they help to protect individuals from lawsuits. My husband is going to medical school, and as such, he is concerned about people trying to sue him just because he is a doctor. He asked me to explain what the presenter in our class had explained.

My husband also wanted to learn about this because I made him write a holographic will. He wanted to know what I had him do that, and what I was learning about in class that led me to do that assignment.

II. Results

I began by opening up the slides from our guest lecturer on trusts. I started by explaining to my husband about probate, intestate wills, and holographic wills. I explained how he can modify his existing holographic will by writing a codicil. Further, I explained how we will want to go to an attorney and do real wills when we have children, as holographic wills may not be valid in the state that we move to. We do not want to risk having the state decide our kids’ futures because we did not take the time to write out who should be their guardians, and who should be our beneficiaries.

Next, I went over the different kinds of trusts. I explained how trusts provide special advantages because they can avoid both taxes and probate. I also explained how Kurt Johnson said that doctors can set up trusts to protect their assets from lawsuits. After two years of being established, those trusts are not discoverable in lawsuits. So, I told Daniel we will want to consult with an attorney to figure out what kind of trust we need to create in order to ensure that our assets are protected when he starts practicing medicine.

Next, I reviewed with my husband some of the different kinds of trusts, and I explained how non-revocable trusts provide the greatest protection from taxes. We decided we want to learn more about these trusts so that we know which kind we will need. Since we won’t be worried about estate taxes, we think a living trust would actually work for us, as long as it provides the same lawsuit protections. We determined we need to talk with a lawyer about this.

III. What Worked Well

I used Kurt Johnson and Dr. Sudweeks’s PowerPoints to teach my husband about wills and trusts. I was grateful for the slides because I did not remember all of the details about trusts
and the different kinds of trusts. It was helpful to have the slides as a reference during our conversation.

I think it was also helpful to have a direct application of the content for my audience. Daniel wanted to learn about trusts because he is motivated to avoid future lawsuits. When I introduced the topic as something relevant to him, it made him more willing to listen to what I had to say. So, I think finding topics that people care about is really important.

I also think it helped to take good notes in class. Kurt’s comment about doctors and lawyers was not explicit in his PowerPoint. Yet, it was something that I wrote down and went up to him afterwards to talk about. So, I’ve learned that when I care about a topic, it helps me to teach it better.

IV. What I Would Change

I would like to talk with a lawyer before teaching this topic again. There were some questions that my husband had that I could not answer. Daniel wanted to know how much it costs to start a trust, what ongoing fees there are, and how someone manages a non-revocable trust. I did not have the answers for him, and we spent a little bit of time looking up answers on the internet. However, I feel like it would be more helpful to anticipate these kinds of questions and find answers to them before my next teaching engagement.

V. Attachments
Estate Planning Overview

Kurt A. Johnson, Esq.
Attorney at Law

Benefits of Estate Planning
2. Simplify the Administration Process.
3. Protect Estate from Creditors.
4. Control the Distribution of Assets.
5. Reduce or Eliminate Estate Taxes
6. Encourage or Educate Younger Beneficiaries.

What Happens if you do not have a Will?
- The State of Utah has written a Will for you.
- It is called the Intestate Statute or Intestate Succession – Utah Code Annotated Section 75-2-101 to 114.

Separate Property - Married
- No Children or issue - All to Spouse
- All Children of same - All to Spouse Marriage.
  - Not all Children of Same - ½ to Spouse Marriage ½ to children

Separate Property - Unmarried
- Any Issue - All to Issue
- No Issue, but Parents - All to Parents
- No Issue or Parents - All to Issue of Parents
- No kindred - State of Utah School Fund

Reasons to Do a Will
- Name a Personal Representative (Executor)
- Name a Guardian for Minor Children
- Simplifies the Probate Process
- Can Create a Trust for Minor Children
XVI. Service Teaching Template
Meeting with Daniel Sands
Carrolyn Sands
Nov 29, 2016

I. Who

I told my husband that I put together an investment plan for our future, and he was curious about how I did that. He was specifically interested in how I knew which mutual funds to pick, and what was driving my decisions. He asked me to show him how I found the funds and what criteria I used to pick the funds.

II. Results

My husband and I sat down and I walked him through the process I used to find mutual funds. First, I walked my husband through the slides that outlined what mutual funds are, what kinds of asset classes they can include, what impacts mutual fund performance (fees, turnover, taxes, active management), and what kind of class shares there are in mutual funds. Specifically, I highlighted how we want no-load funds, perhaps some retirement funds (as I have found some that have good returns), or funds with back-end loads that are reduced when you hold the shares for a longer period of time.

Once I explained some of the big-picture details about mutual funds, I explained to my husband that there are several criteria to look for in a mutual fund. These criteria include:
- No-loads
- Turnover
- Management fees
- Cash retained in the fund
- Management drift
- Management time in position
- Benchmarks and benchmark comparisons
- Category comparisons/trailing
- Rank in category
- Percentage of a specific asset as a percentage of the total fund
- Minimum required payment to be in the fund

I then showed my husband how to log into the Morningstar website from the BYU library website. I asked him what criteria he would put in to the search to locate a bond fund. We picked several criteria and then started looking through the search results.

Next, we pulled up a few funds and examined their information. I showed my husband where to find all of the information we had talked about on the report. He got excited when he found reasons to reject certain funds: higher turnover (>50%), too much of one asset (30% in one bond), management drift, or loads. It was fun to watch him figure it out.
By the end, we actually had not settled on one we liked. Daniel decided he wants to keep looking.

III. What Worked Well

I used Dr. Sudweek’s PowerPoint for our meeting, and I trimmed out slides that I thought were not applicable for this meeting. It was helpful to have the PowerPoint to remind me of things to speak to during our conversation. Instead of it being a formal presentation, I referenced the slides to remind me of key points, and then I talked my husband through them, giving examples. My husband appreciated that, because he gets bored just looking at PowerPoints. He likes it to feel like a conversation.

It was also helpful to have him put the skills to practice. When we got into Morningstar, my husband was able to ask me questions and clarify things he had not fully understood. Seeing the reports and having to evaluate them helped him to internalize the concepts we talked about, and he enjoyed the interactive nature of the assignment.

I think this was probably one of my favorite teaching experiences because it was so interactive and my husband thought it was cool to learn.

IV. What I Would Change

Next time I teach someone about mutual funds, I will start off by asking more questions about what they know. I thought my husband knew more than he did about mutual funds, so as I talked about some concepts, he had to stop me and ask some clarifying questions. I think anytime you jump into a topic, it is important to assess understanding before jumping into the content. I will be better about asking questions before the meeting so that I can prepare what people need, not just what I think they need.

V. Attachments
Investments 6: Mutual Fund Basics
Personal Finance: Another Perspective

Mutual Fund Basics

A. Understand the Advantages and Disadvantages of Mutual Funds

- What is a Mutual Fund?
  - A way of holding financial and real investments
  - An investment company that pools money from investors to buy stocks, bonds, and other financial investments
  - Investors own a share of the fund proportionate to the amount of their investment divided by the total value of the fund
- Why were they developed?
  - To give smaller investors access to professional management and to increase the assets of mutual fund companies

Mutual Funds (continued)

- What are the advantages of Mutual Fund Investing?
  - Diversification
    - While owning a single stock or bond is very risky, owning a mutual fund which holds numerous securities can reduce risk significantly
  - Professional management
    - Picking your own stocks and bonds to put in your portfolio and to hopefully beat your benchmarks is difficult and time consuming. Hiring a mutual fund to make those decisions for you can be beneficial and save time
- Minimal transaction costs
  - Buying individual stocks and bonds is expensive in terms of transaction costs. Mutual funds enjoy economies of scale in purchases and sales due to size
- Liquidity
  - Buying and selling individual stocks and bonds takes time. Money from open-end mutual funds can be received in two business days
- Flexibility
  - Individual stocks and bonds are not flexible. With many mutual funds, you have more flexibility and can often write checks on your account

Mutual Funds (continued)

- Low cost
  - "No-load" mutual funds are sold without a sales charge and are redeemed without a charge as well
  - The ability to purchase and sell at Net Asset Value
  - "Open-end" mutual funds can be purchased and sold each day at the fund's Net Asset Value, which is the fund's assets less liabilities, divided by the number of shares outstanding
- Service
  - Mutual funds generally offer service to answer questions, help you open accounts, purchase and sell funds, and to transfer funds as well

Mutual Funds (continued)

- In addition, they may include:
  - Automatic investment and withdrawal plans
  - Automatic reinvestment of interest, dividends, and capital gains
  - Wiring and funds express options
  - Phone switching
  - Easy establishment of retirement plans
  - Check writing
  - Bookkeeping and help with taxes

1
Mutual Funds (continued)

- What are the disadvantages of Mutual Fund Investing?
  - Active risk of lower-than-market performance
    - From 1987-2015, the average annual returns of actively managed stock funds underperformed the return of the S&P 500 stock index. Not all mutual funds outperform their benchmarks, and taxes take a significant part of investor returns (Dalbar QIAIB 2016).

- High costs
  - Unless analyzed carefully, management and other fees can be significant. Moreover, many mutual funds have "loads" or sales charges and 12-b1 fees which all reduce returns

- Other Risks
  - Mutual funds are subject to both market and stock related risks, particularly in concentrated portfolios
  - Inability to plan taxes
    - Mutual funds pass through 95% of all capital gains and dividends to the shareholders
    - Even if you do not sell your mutual fund, you can have a significant tax bill each year if your mutual fund trades often and has dividends, interest or capital gains
  - It is difficult to plan for taxes when the tax decision is taken by the portfolio manager, not you

B. Major Types of Mutual Funds

- What are the major types of Mutual funds?
  - The types of mutual funds generally follow the major asset classes
    - Money market, stock, and bond mutual funds
  - Others specialty funds
    - Index funds
    - Exchange Traded Funds (ETFs)
    - Balanced funds
    - Asset allocation funds
    - Life-cycle funds
    - Hedge funds
Mutual Fund Returns (continued)

- The key to after-tax returns is to understand the investment policy of the mutual fund (i.e., turnover and distributions), and to invest in funds which have the highest after-tax return.
- By looking at a fund’s turnover, you can get an idea about how often the mutual funds’ managers turn over the portfolio, generating:
  - Capital gains and losses
  - Federal and state taxes, and
  - Transactions costs
- These are all at the Fund level. Remember that you are taxed on these each year, even when your Fund loses money and when you have not sold the Fund.

Mutual Fund Returns (continued)

- How do you calculate fund returns?
  - Mutual fund returns include distributions of dividends, capital gains, and interest, and any NAV appreciation.
  - Total return:
    \[
    \text{ending NAV} - \text{beginning NAV} + \text{distributions} \div \text{beginning NAV}
    \]
  - Make sure you adjust your beginning and ending NAV’s to take into account the cost of both front-end and back-end loads.

Mutual Fund Returns (continued)

- Calculating before-tax returns:
  - With reinvestment of all distributions, total return includes the NAV share increase and the increased number of shares.
  - Total return:
    \[
    \frac{(\#ES \times EP) - (\#BS \times BP) + \text{Distributions}}{(\#BS \times BP)}
    \]
  - \#BS = beginning shares owned
  - BP = beginning price
  - \#ES = ending shares owned
  - EP = ending price

Mutual Fund Returns (continued)

- Calculating after-tax returns:
  - With reinvestment of all distributions, total return includes the NAV share increase and the increased number of shares. After-tax (AT) Total return is:
    \[
    \frac{(\#ES \times EP) - (\#BS \times BP) + \text{AT-SD} + \text{AT-LCG} + \text{AT-SCG} + \text{AT-BDI}}{(\#BS \times BP)}
    \]
  - ES = Ending Shares
  - EP = Ending Price
  - BS = beginning shares, BP = beginning price, AT-SD = Stock dividends x (1-tax on stock dividends), AT-LCG = Long-term cap gains x (1-tax on LT Cap Gains), AT-SCG = Short-term cap gains x (1-tax on ST Cap Gains), AT-BDI = Bond dividends/interest x (1-tax rate on interest)

E. Know How to Buy a Mutual Fund

- What are the steps to buying a mutual fund?
  - 1. Determine your investment objectives and goals and your key principles of successful investing.
  - 2. Select your risk level, asset classes, asset allocation, and investment benchmarks.
  - 3. Identify funds in each asset class that meet your objectives and benchmark subject to your investment principles.
  - 4. Evaluate the funds and choose wisely based on your key investment principles.
  - 5. Send money or purchase online.

Step 1. Determine your Investment Objectives

- What is the final purpose of the funds you will be investing in?
  - Know your personal goals and budget.
  - Determine your risk tolerance and return requirements for each goal.
  - Determine your investment constraints for each goal.
  - Determine where you are now in your investment program.
  - Determine which key principles are most important to this investment.
Congrats!

You just picked a fund for your investment plan 😊
I. Who

While I was preparing my retirement plan for the class, I discovered that I could not do that plan on my own. I definitely needed my husband’s input to help me make the plan. Thus, I asked him if I could explain some retirement plan basics to him and get his help in estimating when we will retire, how long we will be in retirement, and what kind of life we want to live in retirement.

II. Results

This teaching engagement was more hands-on than a formal presentation. I started by asking my husband to calculate the age at which he would die. He laughed, and then we both sat down and calculated how long we are expected to live. Daniel’s life expectancy from the test came to 86. We decided to tack on five years to that since I was expected to live to 91, and we thought we would just go with the highest estimate.

Next, I explained to my husband what the different kind of retirement vehicles would be available to us to save for retirement. We spent a lot of time looking at Roth IRAs, Traditional IRAs, Spousal IRAs, non-deductible IRAs, and 401ks to understand their contribution limits and the salary limits where you can contribute to those accounts. This was particularly important because we expect that while I work for the next decade, we will be eligible to contribute to all of those plans. Once Daniel starts working, we believe we will be more limited.

I then pulled up TT06 and showed my husband what the different inputs in the spreadsheet were. This sparked a conversation about where we expect our income to be when we retire, and what percentage of that income we will need replaced. It was a good conversation and helpful to think through the lifestyle we want to live.

I also spent some time simply explaining Social Security to my husband and how they use the AIME and bend points to calculate your annual amount. We discussed how SS will likely pay less in the future, and how we should lower our estimate for how much SS will replace of our monthly income every month. (I did not pull up slides for this. Instead, I pulled up my practice cases and showed my husband how things are calculated.)

Finally, we worked in Excel together to calculate how much we want to contribute while I am working, how much we want to contribute while he is working, and what vehicles we will use during different years of our life. It was great to have this hands-on experience with my husband to identify how we want to save for retirement.
III. What Worked Well

One thing that worked great for this assignment was how I involved my husband in all of the steps. It feels nice when you can help your spouse to understand what the different options for retirement savings are and what they will mean for your family. I think involving him in my planning helped this to be a bonding experience for us. My husband is now invested in the plan we put together, and I know he would have been less invested if I had just put it together and told him I had done it. I think this taught me that in financial matters, it is worth it to take the time to talk with your spouse and help them get up to speed on a topic. It is just better when you tackle things as a couple.

If I help people learn this in the future, I will ask them to come prepared to practice with their real-life situation. I do not want to go through hypotheticals with them, if they are comfortable using real information. The learning is simply more valuable when it is applicable and real.

This assignment also worked well because my husband and I took the time to look up answers to questions we had. I spent a lot of time on the IRS website understanding some of the nuances in the salary limits and how they apply to spouses, specific retirement vehicles, and their contribution limits. I now feel pretty confident that I can explain these differences to other people and help them identify why certain vehicles would be better for their unique situations.

IV. What I Would Change

For the future, I think I would like to have more formally prepared on Social Security. A lot of people (including myself before this class) do not really understand Social Security. Because it is related to retirement planning, it would be helpful to have this prepped in a way that they could practice estimating their own Social Security AIME and monthly benefit.

V. Attachments
Personal Finance: Another Perspective

Retirement Planning:
What Vehicles Will We Use

Defined Contribution Plans
Employee Contribution or Salary Reduction Plans
- Employees contribute before tax dollars reducing their taxable income
- Earnings accumulate tax deferred
- $4 million active employees and 89 million total participate in defined contribution (401k, 403b, etc.) plans in 2010
- 95% of 401(k) plans have matching contributions in 2012

Defined Contribution Plans (continued)
- Types of Employee or Salary Reduction Plans
  - 401k Plans or Roth 401k Plans
    - Plan where employees contribute a percent of salary up to a specified amount ($18,000 in 2016). Employees may contribute a matching amount (free money) to encourage participation
  - 403b Plans or Roth 403b Plans (also called Tax Sheltered Annuities)
    - Same as 401k but for non-profit tax-exempt companies and institutions (i.e., schools)
  - 457 Plans
    - Same as 401k but for state and municipal workers and tax-exempt organizations

Defined Contribution Plans (continued)
- What are the differences between Roth 401k/403b Plans and traditional salary reduction plans?
  - Roth Plans are after tax, with no tax deferral
  - Distributions of contributions can be made without penalty and without tax after 5 years
  - Roth plans do not have mandatory distributions (if they are rolled over into Roth IRAs at retirement)
  - Matching employer contributions with Roth plans go into traditional plans (not Roth plans)
  - Roth plans allow you to save more money for retirement (taxes are paid outside the vehicle)

Defined Contribution Plans (continued)
- Salary Reduction Plans
  - Employees direct the funds into different financial asset options including:
    - Mutual funds, index funds, fixed income, equities, money market funds, and GICs (guaranteed investment contracts)
    - Companies have their list of approved investment assets
    - Employees choose where to invest their assets subject to the company list
    - Employees are not allowed to invest outside of approved investment assets

Defined Contribution Plans (continued)
- Advantages to Employees
  - May offer strong growth potential
  - Greater sense of control and portability
  - Tax advantages from tax deferred contribution and earnings, or tax elimination with Roth Plans
- Disadvantages to employees
  - No guarantee of actual amounts available at retirement
  - Risk is shifted from the employer to the employee
Retirement Planning 1: Basics
Personal Finance: Another Perspective

Defined Contribution Plans (continued)

- Advantages to Employers
  - Easier to administer
  - Less government regulation
  - Greater employee investment choice
  - Shifts investment decisions to employee
  - Many varieties

- Disadvantages
  - Takes time and resources to administer

Defined Contribution Plans (continued)

- Thoughts on Defined Benefit/Contribution Plans
  - 75% of plan balances are invested in equities
  - Mutual funds still provide bulk of investment opportunities, although some firms are forming brokerage links for stocks
  - Most plans typically provide 10+ options

- Important questions to ask:
  - What are annual or administration expenses?
  - Are there any transfer fees to go from one fund to another?
  - How often can I reallocate my assets? Costs?

Defined Contribution Plans (continued)

- US$ Annual Contribution Limits for a 401(k), Roth 401(k), 403(b), Roth 403(b), and 457 Plan.**

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<thead>
<tr>
<th>Year</th>
<th>Contribution Limit</th>
<th>Catch Up Costs</th>
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<tbody>
<tr>
<td>2012</td>
<td>17,000</td>
<td>5,500</td>
</tr>
<tr>
<td>2013</td>
<td>17,000</td>
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<tr>
<td>2014</td>
<td>17,500</td>
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<tr>
<td>2015</td>
<td>18,000</td>
<td>6,000</td>
</tr>
<tr>
<td>2016</td>
<td>18,000</td>
<td>6,000</td>
</tr>
</tbody>
</table>

* Catch up contribution is for those over age 50
** **457 Plan participants also have the option of the final 3 years before retirement to increase their deferrals to the lesser of twice the normal limit ($36,000 in 2016) or the plan limit not realized in previous years.

Defined Contribution Plans (continued)

- Matching contribution must vest according to the respective cliff or graded schedules:

  401(k) Vesting
  - Year | Cliff Graded | Cliff Graded
  - 1.   | 0% 0% 0% 0% |
  - 2.   | 0% 0% 0% 0% |
  - 3.   | 100% 40% 20% |
  - 4.   | 100% 60% 40% |
  - 5.   | 100% 80% 100% |
  - 6.   | 100% 100% 100% |
  - 7.   | 100% 100% 100% |

  403(b) Vesting
  - Year | Graded | Graded |
  - 1.   | 0% 0% 0% |
  - 2.   | 0% 0% 0% |
  - 3.   | 100% 40% 20% |
  - 4.   | 100% 60% 40% |
  - 5.   | 100% 80% 100% |
  - 6.   | 100% 100% 100% |
  - 7.   | 100% 100% 100% |
Tax Considerations

- What are the tax considerations of DCPs?
  - All retirement income, including capital gains, are taxed as ordinary income when distributed
  - 10% penalty rule applies for early withdrawals before 59 1/2, with some exceptions
  - There is a 20% withholding requirement
  - Certain loan provisions may apply
  - Mandatory annual distributions begins after age 70 1/2

Defined Contribution Plans (continued)

- Required minimum distributions must begin by April 1st of the year following age 70 1/2
- The distribution is the account balance on Dec 31 of the previous year (age 69) divided by the life expectancy from the table below. There is a 50% penalty on minimum distributions not taken.

Uniform Table

<table>
<thead>
<tr>
<th>Age</th>
<th>Life Expectancy (LE)</th>
<th>Age</th>
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<td>74</td>
<td>23.8</td>
<td>79</td>
<td>19.5</td>
</tr>
</tbody>
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Payout/Distribution Options?

- What are my four payout or distribution options for defined contribution plans?
  - Payout/distribution options are ways the employee can receive your money at retirement
- 1. Lump Sum Distribution or as Needed
  - Benefits
    - Take the money out as you need it
    - Can invest/gift/use it elsewhere
  - Risks
    - Plans only allow distributions every 3 months
    - Taxes are incurred immediately
    - If not plan well, may not have sufficient money for retirement

Payout/Distribution Options (continued)

- 2. Purchase of an Immediate Annuity
  - Use DCP to purchase an immediate annuity (You can purchase this contract either from your retirement Plan provider or from others outside the Plan)
  - Benefits
    - Stable payments usually for life
    - Useful for planning and tax purposes
  - Risks
    - Generally no cost of living adjustment
    - Tax is due on amount received each year

Payout/Distribution Options (continued)

- 3. Take Periodic Payments
  - Benefits
    - Can plan for regular payments at regular intervals. Can ensure that payments are available for a specific period of time
    - Payments may be large
  - Risks
    - No assurance of lifetime income
    - Tax rate may be high due to the amount of money withdrawn

Payout/Distribution Options (continued)

- 4. Roll it into an IRA Rollover (Be careful and don’t touch the funds)
  - Benefits
    - You can defer taxes until you withdraw the funds
    - You can direct investment to different assets and asset classes
    - You can continue to enjoy tax-deferred growth
  - Risks
    - There is no guarantee that funds will last a lifetime
    - You must begin withdrawals at 70 1/2 or 50% penalty is incurred
Important Questions to ask when Considering Defined Contribution Plans

- Questions for Defined Contribution Plans?
  - Do you have a match?
  - How much is it?
  - How soon until I can contribute to get the match?
  - What is the vesting period for the match?
  - What is the normal retirement age?
  - Is there any advantage to working past age 65?

A. Understand Individual Retirement Accounts

- With the Taxpayer Relief act of 1997, there are three major types of Individual Retirement Accounts:
  - Traditional IRA
  - Roth IRA
  - Education IRA, which is also called a Coverdell Education Savings Account (ESA)

Individual Retirement Accounts (continued)

- In addition, there are also many additional types of IRAs:
  - Spousal IRA: An IRA funded by a married taxpayer in the name of their spouse
  - Non-deductible IRA: An IRA with contributions made after-tax, and earnings grow tax-deferred, with taxes paid when withdrawn at retirement
  - Individual Retirement Annuity: An IRA set up with a life insurance company through purchase of annuity contract
  - Employer and Employee Association Trust Account: set up by employers, unions, associations

Individual Retirement Accounts (continued)

- Rollover IRA: A traditional IRA set up to receive a distribution from a qualified retirement plan
- Inherited IRA: An IRA acquired by the non-spousal beneficiary of a deceased IRA owner
- Simplified Employee Pension (SEP-IRA): A traditional IRA set up by a small business employer for the firm's employees
- Savings Incentive Match Plan for Employees IRA (SIMPE-IRA): A traditional IRA set up by a small business employer for the firm's employees

1. The Traditional IRA

- What is a traditional IRA?
  - An individual retirement account in which an individual can contribute up to $5,500 annually in 2016 which is tax-deferred
  - Eligibility and amounts depend on the contributor's income level and whether they have other retirement plans
- Who can contribute to a traditional IRA and what is the maximum contribution?
  - Must be younger than 70½, have earned income or be the spouse of someone with earned income
  - Maximum contribution is $5,500 per year ($6,500 if over age 50 due to $1,000 catch up provision)
Traditional IRA (continued)

- Benefits of a traditional IRA
  - The contribution is tax deductible and earnings grow tax-deferred
  - May deduct the full $5,500 contribution in 2016 on your income tax return if you are not in an employer-sponsored plan (ESP) or you are in ESP but AGI is less than IRS determined maximums
  - Spouses not in an Employer Sponsored Plan may make deductible contributions up to $5,500 if joint AGI is $184,000 or less in 2016

Traditional IRA (continued)

- Traditional and Roth IRA annual contribution limits are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution Limit</th>
<th>Catch Up Contrib *</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5,000</td>
<td>1,000</td>
</tr>
<tr>
<td>2013</td>
<td>5,500</td>
<td>1,000</td>
</tr>
<tr>
<td>2014</td>
<td>5,500</td>
<td>1,000</td>
</tr>
<tr>
<td>2015</td>
<td>5,500</td>
<td>1,000</td>
</tr>
<tr>
<td>2016</td>
<td>5,500</td>
<td>1,000</td>
</tr>
</tbody>
</table>

* Catch up contribution is for those over age 50

Traditional IRA (continued)

- When can withdrawals be made?
  - After 59½ for any purpose
  - Prior to 59½ withdrawals are subject to federal penalties (10%) and ordinary income taxes unless money is used for:
    - Qualified education expenses, First time home purchase (up to $10,000), Death or disability, Annuity payments, or Medical expenses > than 7.5% of AGI
    - These still require the payment of taxes on withdrawals though
  - Federal law requires that you begin withdrawals by April 1st of the year after you reach 70½

Traditional IRA (continued)

- Deductibility
  - Individuals who are "active participants" in Employer Sponsored retirement plans (an 401k, Roth 401k, 403b, etc.) can only deduct contributions if their modified AGI is less than the phase-out range
  - If they are within (above) the phase-out range, there is only partial (no) deductibility
  - Non- "active participants" in Employee Sponsored retirement plans can receive the full deduction regardless of MAGI
  - If neither spouse is an active participant, then all contributions are deductible regardless of MAGI

Traditional Deductibility Limits

<table>
<thead>
<tr>
<th>Traditional IRA*</th>
<th>MAGI Phase Out Range (in 000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Single Range</td>
</tr>
<tr>
<td>2013</td>
<td>$59-$69</td>
</tr>
<tr>
<td>2014</td>
<td>$60-$70</td>
</tr>
<tr>
<td>2015</td>
<td>$61-$71</td>
</tr>
<tr>
<td>2016</td>
<td>$61-$71</td>
</tr>
</tbody>
</table>

Neither you nor spouse are covered by an Employer plan (ESP)

<table>
<thead>
<tr>
<th>Year</th>
<th>MAGI Phase Out Range (in 000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>No phase out</td>
</tr>
</tbody>
</table>

Married with only one spouse covered by a ESP retirement plan

<table>
<thead>
<tr>
<th>Year</th>
<th>MAGI Phase Out Range (in 000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$184-$194</td>
</tr>
</tbody>
</table>

* Note: you can still contribute if you earn beyond these limits to a non-deductible IRA, but your contribution is not tax deductible

Roth IRA Deductibility Limits

<table>
<thead>
<tr>
<th>Roth IRA</th>
<th>MAGI Phase Out Range (in 000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Single Range</td>
</tr>
<tr>
<td>2011</td>
<td>$107-$122</td>
</tr>
<tr>
<td>2012</td>
<td>$110-$125</td>
</tr>
<tr>
<td>2013</td>
<td>$112-$127</td>
</tr>
<tr>
<td>2014</td>
<td>$114-$129</td>
</tr>
<tr>
<td>2015</td>
<td>$116-$131</td>
</tr>
<tr>
<td>2016</td>
<td>$117-$132</td>
</tr>
</tbody>
</table>
Retirement Planning 1: Basics
Personal Finance: Another Perspective

Deductibility Limits
<table>
<thead>
<tr>
<th>Year</th>
<th>Single Range</th>
<th>Married FJ Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$95-$110</td>
<td>$190-$220</td>
</tr>
<tr>
<td>2013</td>
<td>$95-$110</td>
<td>$190-$220</td>
</tr>
<tr>
<td>2014</td>
<td>$95-$110</td>
<td>$190-$220</td>
</tr>
<tr>
<td>2015</td>
<td>$95-$110</td>
<td>$190-$220</td>
</tr>
<tr>
<td>2016</td>
<td>$95-$110</td>
<td>$190-$220</td>
</tr>
</tbody>
</table>

- Your modified Adjusted Gross Income is your adjusted gross income and adding back certain items such as foreign income, foreign-housing deductions, student-loan deductions, IRA-contribution deductions and deductions for higher-education costs.

Traditional IRA (continued)
- Required minimum distributions must begin by April 1st of the year following age 70½.
- The distribution is the account balance on Dec. 31 of the previous year divided by the life expectancy. There is a 50% penalty on minimum distributions not taken.

<table>
<thead>
<tr>
<th>Age</th>
<th>Life Expectancy (LE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>27.4</td>
</tr>
<tr>
<td>71</td>
<td>26.5</td>
</tr>
<tr>
<td>72</td>
<td>25.6</td>
</tr>
<tr>
<td>73</td>
<td>24.7</td>
</tr>
<tr>
<td>74</td>
<td>23.8</td>
</tr>
</tbody>
</table>

Uniform Table

- What is a Roth IRA?
  - An individual retirement account which provides no deduction for contributions but provides that all earnings and capital gains are tax free upon withdrawal after retirement.

- Who can Contribute to a Roth IRA?
  - Anyone, even if part of another Employee Savings Plan.
  - Any age, even if you are over age 70½.
  - Any amount, up to $5,500 in 2016.

Roth IRA (continued)
- What are the advantages of a Roth IRA?
  - You are actually investing more with a Roth, since your investments are after-tax.
  - Contributions can be withdrawn tax-free.
  - Earnings grow tax-free if the Roth IRA is in place for at least 5 years, and you are 59½ years old.
  - No requirement for distributions by age 70½.

- Disadvantages
  - You cannot have both a traditional and a Roth, but you cannot exceed the yearly $5,500 limit in 2016.
  - There are income limits for investing in a Roth.
  - Earnings must be in place 5 years before they can be withdrawn without penalty.

Roth IRA (continued)
- How do I make withdrawals from a Roth IRA?
  - Before age 59½ and Roth is held less than 5 years.
    - Earnings are subject to early withdrawal penalty of 10%, plus earnings are considered ordinary income for income tax purposes, unless for death or disability until age 59½.
    - Contributions can be withdrawn without penalty or tax.
  - After age 59½ and Roth is held for less than 5 years.
    - Earnings are subject to ordinary income tax
    - Earnings are not subject to early penalty.
    - Contributions can be withdrawn without penalty.

Roth IRA (continued)
- Withdrawals from a Roth
  - Before age 59½ and Roth is held longer than 5 years.
    - Earnings are subject to ordinary income tax and subject to early withdrawal penalty (10%) on and after age 59½.
    - Contributions are treated first as contributions (without tax) and then as earnings (taxable).
    - Withdrawal of earnings for first time home purchase ($10,000 max.), or Death/Disability
  - After age 59½ and Roth is held longer than 5 years.
    - All contributions & earnings are withdrawn tax-free.
    - No required minimum distributions (versus a traditional IRA which requires minimum distributions at age 70½).
Retirement Planning 1: Basics
Personal Finance: Another Perspective

Summary of Traditional versus Roth

<table>
<thead>
<tr>
<th>Traditional IRA</th>
<th>Roth IRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-deductible Contributions</td>
<td>Yes</td>
</tr>
<tr>
<td>Minimum total annual contribution to IRA programs</td>
<td>Yes</td>
</tr>
<tr>
<td>Eligibility</td>
<td>Must be under age 70 1/2 and have earned income</td>
</tr>
<tr>
<td>Required RMD</td>
<td>Yes</td>
</tr>
<tr>
<td>Taxation of withdrawals</td>
<td>Yes</td>
</tr>
<tr>
<td>Age to begin required minimum distributions</td>
<td>71 1/2</td>
</tr>
<tr>
<td>Penalty for withdrawals</td>
<td>Withdrawn at any time, subject to income tax and a 10% penalty after age 59 1/2</td>
</tr>
</tbody>
</table>

4. Spousal IRA

- A Spousal IRA is an IRA contribution for a non-earning spouse
  - If one spouse is an active participant, the non-earning spouse can contribute to a Spousal IRA. Limits are the same as the traditional and Roth IRA.
  - Carolyn will likely use this if she does not work for a few years after Daniel graduates from medical school, the limits for the Traditional will be equal to the Roth limits for her IRA.

5. Non-deductible IRA

- Individuals may contribute to a non-deductible IRA
  - The benefits are that money is contributed after-tax, and investment earnings grow tax-deferred
  - No taxes are paid on the investment earnings until the earnings are withdrawn at retirement
  - Accurate record keeping is required to pro-rate the nondeductible portion of any subsequent distribution
  - There is no ordering of distributions before age 59 1/2
  - All distributions are considered to be both contributions and earnings

B. When does Converting to a Roth Makes Sense?

- Converting to a Roth IRA may be a smart choice for you if:
  - You think your tax bracket will stay the same or go up after you retire
  - You plan to wait at least five years before withdrawing money
  - You want to save more for retirement and can pay the taxes from other savings
  - It won’t move you into a higher tax bracket in the year you convert
  - You want to avoid a required minimum distribution from your retirement savings

Roth Conversion (continued)

- You can convert a Traditional IRA to Roth IRA
  - You pay taxes on traditional IRA (but not the 10% penalty) then move funds to Roth IRA
  - The money accumulates tax free if:
    - 5 year and age 59 1/2 rule applies

Roth Conversion (continued)

- Transfers are allowed in 3 ways
  - 1. Accept payment and reallocate within 60 days (it is risky to take payment directly)
  - 2. Request a trustee-to-trustee direct transfer
  - 3. Change the account designation with the trustee to a Roth
  - The direct transfer is the most simple and safest
    - 60 day rollover rule requires 10% taxes to be withheld at distribution, and you will have to replace withheld taxes with other funds
    - 10% early withdrawal penalty applies if you use IRA funds to pay income taxes at conversion
Retirement Planning 1: Basics
Personal Finance: Another Perspective

When will different vehicles make sense for us?

Roth IRA
We will likely use a Roth IRA during the next ten years because:
- We will be in the 15% tax bracket using our 401k contributions and the standard exemption
- This will help us to save more for retirement, because the money we put in will have no taxes at retirement
- Having money in a Roth will help us manage our tax bracket in retirement
- We can grow money for a down payment in this without penalty for withdrawing it if we wait five years

Traditional IRA
We will likely contribute little to a traditional IRA. We want to max out Carolyn's 401k and a Roth IRA per year before putting money into a traditional IRA.
If we do use a traditional IRA, it will be due to Carolyn's tax bracket getting higher in the next ten years

401k/SIMPLE IRA
We will always want to get the full matching amount from our employers – Free Money is the first priority for saving
When Daniel starts working, if he has a 401k, we will want him to max out the 401k contribution each year to help reduce our gross income for taxes
If the place of employment is a small practice and does not have a 401k, Daniel may contribute to a SIMPLE IRA and be able to save significantly more in this account to avoid tax penalties

Spousal IRA
If Carolyn stops working for a while after Daniel starts working full-time as a doctor, she will want to contribute to a spousal IRA
This IRA will be advantageous because it is a traditional IRA that has the same limits for phase out as a Roth (because Carolyn doesn't have an employer plan)
This will allow us to save money now and pay taxes later, when we expect our tax bracket to be lower

Summary
401k matching is always a priority
Roth IRA is a priority while tax bracket is lower (while Daniel is in med school)
Spousal IRA is a priority when Daniel starts working as a doctor
Taxable investment accounts will also become a priority when Daniel is working, because he will not be eligible for other kinds of accounts
I. Who

Prior to this teaching experience, my husband did not know about financial statements. He saw me preparing my financial statement section of the plan, and he asked what I was doing. When I told him I was working on a balance sheet and income statement, he did not know what those were. So, I scheduled time where we could talk about the statements, what they teach us, and why ratios are important to keep track of as we manage our finances.

I also prefaced our discussion of financial statements with a reminder about the purpose and importance of budgeting the right way. We talked about saving early, and how that will become a priority for us in the future as we earn money and live within our means.

II. Results

It was nice to briefly review with my husband what the different budgeting techniques are, and why I chose to use Mint.com. I was able to share personal family experiences with some of the techniques, and the pros and cons I saw from them. It also gave me the chance to ask him if he was liking Mint.com or if he would prefer something else. We agreed that we like an online account that links all of our accounts. We also spent time where I showed Daniel how I set up the accounts and hid duplicates that arose because we have the same CitiBank credit card.

The bulk of our time was spent on financial ratios. I started with the balance sheet, and explained to Daniel the difference between current and non-current assets, as well as current and long-term liabilities. We talked about changes in our balance sheet over the course of the semester and why those changes occurred.

Next, we talked about our income statement, including our wages, other income, and expenses. This one made sense to him because it resembled our conversations about our budget every month. Finally, we reviewed the financial ratios. I explained to him what the ratios meant, and what the recommended values should be. We discussed trends in our ratios and how we want the trends to change after we graduate.

III. What Worked Well

It worked well to have OUR financial ratios to show my husband. This helped to make the exercise important to him because he knew he was looking at his own financial data. It was also helpful that I had thought through the changes in our financial statements so that I
could speak to why things changed.

Overall, this sparked a good conversation about how our ratios are going to change over the next few months as our assets continue to decline and our expenses exceed our income. My husband told me he feels more motivated to work more hours next semester after looking at this. I think having an overall snapshot of your net worth, your net income, and your ratios really helps to put things in perspective. We found it to be a valuable exercise.

IV. What I Would Change

In the future, I would like to give the person a chance to put together a financial statement. I could have asked my husband to put together an income statement for one of the months, and then he could have compared it to mine to see if he had done it right. While I think he understood where things came from, it would probably have been better to practice putting it together himself. So, in the future, I will let my husband put together our monthly financial statements, and I will help review them with him to make sure they are right. That will help me to ensure he fully understood it himself.

V. Attachments
Budgeting and Measuring Your Financial Health

Personal Finance: Another Perspective

Objectives

Part 1
A. Understand the principles of successful budgeting
B. Pick the Budget Method Right for Us
C. Learn How to Use the Budget Method

Part 2
D. Understand Financial Statements
E. Review Our Financial Statements

A. Understand the Principles of Successful Budgeting (continued)

- What are the principles of successful budgeting?
  - 1. Understand yourself and your goals
  - 2. Spend less than you earn
  - 3. Keep good records for spending, tax and other purposes
  - 4. Use a budgeting method that meets your individual and family needs and objectives
  - 5. Eliminate (unproductive) consumer debt and minimize (productive) mortgage and education debt

B. Budgeting (continued)

- What is a Budget?
  - It is the single most important tool in helping you attain your personal goals.
  - It's the process of making sure your resources are used for the things that matter most—your personal goals. Budgeting is a star to set your sights by, not a stick to beat yourself with

Principles of Successful Budgeting (continued)

- There are five main types of budgeting methods to help meet your needs and objectives:
  - Useful methods:
    - 1. The Envelope Method
    - 2. The 60% Rule
    - 3. Spreadsheets
    - 4. Budgeting Software
    - The method too many of us use:
      - 5. DNAH-val Methods (Do Nothing and Hope)
Carrolyn’s Take on the Envelope Method

- Carrolyn’s mom used this method growing up
- It works well if you want to carry cash all month
- Carrolyn and Daniel both prefer to NOT carry cash
- This method also requires you to write down all transactions, where as an electronic method would track the transactions

Principles of Successful Budgeting (continued)

- The 60% Solution Method
  - Requirements: Journal or spreadsheet
  - Determine your gross salary each month. Take 60% of that amount and only spend that amount each month. Do not spend beyond that amount
  - Take 20% of your salary and save for long-term goals
  - Take 20% of your salary and save to pay your taxes at year-end
  - Once you have spent your money, you cannot go outside the method for more money

Carrolyn’s 60% Rule Reservations

- Having a blanket 60% rule does not work for all tax brackets—lower brackets would allow you to live on more of your income and higher brackets would cause you to live on less income in terms of percentage
- It’s better to have goals for how much to spend and to make a budget tailored to those goals

Principles of Successful Budgeting (continued)

- Spreadsheet Methods
  - Requirements: Computer and spreadsheets
  - Determine your gross salary and take home each month after taxes and other deductions
  - Determine spending by categories (rows) and dates (columns), and budget each category
  - As bills come in, input the spending on each date (column) and row (category)
  - Plan in adequate amounts for a financial reserve and long-term goals
  - Type in spending directly into spreadsheet
  - Can be useful if updated regularly (TT04/31)

Carrolyn’s Take on Spreadsheets

- This is what we have historically used
- Takes a lot of time to put all of our accounts together and make sure everything lines up properly
- Makes it harder to monitor everything together during the month

Principles of Successful Budgeting (continued)

- Computer Software Methods
  - Requirements: Computer and software, such as Mint.com (free), Quicken, Mvelopes
  - Determine your gross salary and take home each month after taxes and other deductions
  - Determine spending by category, and budget each category. Work to within your budget for each spending category
  - Obtain receipts and credit card information directly via internet from financial institutions
  - Can plan in adequate amounts for a financial reserve and long-term goals
Budgeting and Measuring Your Financial Health
Personal Finance: Another Perspective

Say Yes to Online Software!

- Carolyn likes this option because it allows us to track transactions across all of our accounts in real time.
- I also like this option because it allows us to set budget goals and to monitor our spending in categories against those goals.
- I also like the tabs for net income, assets, and liabilities, which help us to create balance sheets and income statements.

Principles of Successful Budgeting (continued)

- DNAH-ial Methods (Denial - Do nothing and hope for the best)
  - Requirements: None
  - This is what the majority do.
  - Do nothing in the hopes that things will work out (they should because I pay my tithing).
  - Only respond when things get so bad that you have to act.

Which is the best method?

- In my experience, the best plans are those that:
  - Are low cost and relatively easy to use.
  - Allows downloading of bills from banks and credit card companies—makes data entry easier.
  - Allows adequate categorization of spending for income, spending, reporting, and tax purposes.
  - Minimizes the time spent in doing finances (I spend roughly 1-2 hours per week).
  - What I recommend (for most):
    - Mint.com for those starting out (free), spreadsheets for Excel wizards, and Quicken for more advanced users who are willing to put in the upfront time.

B. Develop and Live on a Budget

Spencer W. Kimball said:
- Every family should have a budget. Why, we would not think of going one day without a budget in this Church or our businesses. We have to know approximately what we may receive, and we certainly must know what we are going to spend. And one of the successes of the Church would have to be that the Brethren watch these things very carefully, and *we do not spend that which we do not have* (italics added, Conference Report, April 1975, pp. 166-167).

Budgeting (continued)

- The Budgeting Process
  1. Know what you want to accomplish (goals).
  2. Track your spending (saving and expenses) by creating a monthly balance sheet and income statement.
  3. Develop your cash budget (plan) according to the BETTER WAY.
  4. Implement your budget.
  5. Compare it to actual expenses and make changes where necessary to achieve your goals.

Budgeting: The Old Way

\[
\text{Income} - \text{Tithing} - \text{Expenses} = \text{Available for Savings}
\]

Personal Goals
Budgeting and Measuring Your Financial Health
Personal Finance: Another Perspective

Budgeting: The Better Way

Income - Pay the Lord - Pay Yourself - Expenses = Other Savings

Personal Goals

The Better Way

- Before
  - You paid the Lord first, lived on the rest, and whatever money was left at the end of every month went into savings.

- Now
  - You pay the Lord first, yourself second, and then live on the rest--your priorities are now in order
  - And now you have twice the chance of achieving your personal goals

The Better Way (continued)

L. Tom Perry affirmed this when he said:
- After paying your tithing of 10 percent to the Lord, you pay yourself a predetermined amount directly into savings. That leaves you a balance of your income to budget for taxes, food, clothing, shelter, transportation, etc. It is amazing to me that so many people work all of their lives for the grocer, the landlord, the power company, the automobile salesman, and the bank, and yet think so little of their own efforts that they pay themselves nothing (L. Tom Perry, "Becoming Self-Reliant," Ensign, Nov. 1991, 64).

The Better Way (continued)

- Gordon B. Hinckley stated:
  - In managing the affairs of the Church, we have tried to set an example. We have, as a matter of policy, stringently followed the practice of setting aside each year a percentage of the income of the Church against a possible day of need. I am grateful to be able to say that the Church, is able to function without borrowed money. If we cannot get along, we will curtail our programs. We will shrink expenditures to fit the income. We will not borrow (italics added, Gordon B. Hinckley, "To the Boys and to the Men," Ensign, Nov. 1998, 51).

4. Implement your Cash Budget

- Try the budget for a month
  - Record all income and expenses in the proper category by date
  - Sum all days or columns
  - Note how much you have available in each category at the end of each week
  - Adjust the plan or expenses as necessary to maintain the plan
  - Try to be as financially prudent as possible

5. Compare Budget to Actual

- Compare your budget to actual
  - Adjust the plan or your expenses as necessary to maintain the plan
  - Don't reduce payments to the Lord or yourself
Exercise: Mint.com
- Set up an account on Mint.com
- List all of your accounts
  - Checking
  - Savings
  - Credit Cards
- Hide duplicate accounts (Carrolyn and Daniel have the same card with CitiBank) to avoid seeing duplicate transactions
- Create budget categories
- Categorize transactions
- Compare budget to actual 1x per week

Part 2
FINANCIAL RATIOS

Calculate your Net Worth
Using a Balance Sheet
- What is a personal balance sheet?
  - A financial snapshot of your financial position on a given date
- How do you calculate your net worth or equity?
  - Assets (things you own of value)
  - Liabilities (what you owe others)
  - Net Worth (the value of your holdings)
Note: There are different ways to value your assets and liabilities. Do it correctly!

Assets: What you own
- There are four different types of assets
  - This differentiation is important as it will have a major impact on how you will live your financial lives,
    - Please note that your most important assets are not included on your balance sheet.
    - They include your family, your testimony, and your education
    - Always keep these assets first in mind

Assets: What you own
- 1. Income-generating assets
  - These are the best type of assets. These assets generate income or capital gains which may eventually allow you to have income without your having to work.
  - These would include financial assets such as stocks, bonds, or mutual funds; rental properties that are structured well, or even some types of insurance.

Assets: What you own
- 2. Appreciating assets
  - These are assets which may or which have historically appreciated in value.
  - Examples include your home or some types of business assets.
Assets: What you own

3. Depreciating assets
   - These are assets which depreciate. Often, the minute you take ownership of these assets, i.e. drive these assets off the car lot, they drop in value.
   - This includes assets such as automobiles, recreational vehicles, boats, etc.

Assets: What you own

4. Income-consuming assets
   - These are assets perhaps listed above which require a constant infusion of cash to keep operative.
     - Examples include automobiles (maintenance, fuel, insurance), recreational vehicles (maintenance, fuel, insurance), homes (property taxes, upkeep, insurance), recreational properties (property taxes, upkeep, insurance), etc.

Assets: What you own (continued)

A. Monetary (or Current) Assets
   - Cash or other assets that can be easily converted into cash. These may be income-producing assets
     - Provide necessary liquidity in case of an emergency
     - Reported at current or market value

Assets (continued)

B. Investment Assets
   - Assets, stocks, bonds, mutual funds that are invested for the future. These are also income-producing assets.
     - Used to accumulate wealth to satisfy specific goals
     - Reported at current or market value

Assets (continued)

C. Retirement plans
   - Income-producing assets, such as pensions, IRAs, 401K, etc. by you or employer
     - Used to accumulate wealth for retirement
     - Reported at current or market value

D. Housing
   - Appreciating tangible assets, such as land, dwellings, vacation home, or rental property
     - Use for personal goals or capital income
     - Reported at fair market or appraised value

Assets (continued)

E. Automobiles and Other Vehicles
   - Depreciating assets, such as cars, trucks, and RVs that normally must be inspected and licensed
     - Use to meet transportation and work needs
     - Reported at "blue book" or appraised value

F. Personal Property
   - Depreciating tangible assets, such as boats, furniture, clothing, etc.
     - These assets represent your lifestyle
     - Reported at fair market value, but normally depreciates
Budgeting and Measuring Your Financial Health
Personal Finance: Another Perspective

Assets (continued)

- G. Other Assets
  - Any other tangible or intangible assets, business ownership, collections, hobbies, that may or may not be of value
  - Used to fulfill specific personal or business goals and objectives
  - Reported at appraised value, but very hard to value

Assets We Own

We have:
- * Current Assets -- Checking and Savings
- * Depreciating Assets -- Car, Euphonium, Electronics
- * Income Consuming Assets -- Car (which will be paid off soon)

We should try to increase/start our retirement and income-generating assets next year when we graduate.

Liabilities: What You Owe

Liabilities come in two major forms:

- A. Current liabilities
  - Liabilities that must be paid-off within the next year.
  - Credit cards, utility bills, rent, tuition, books, food, etc.
  - Reported at the current amount, plus accrued interest depending on how soon you pay it off

Liabilities (continued)

- B. Long-term liabilities
  - Liabilities that extend beyond one year
  - Student loans, auto loans, home mortgage, consumer loans, credit card debt that you do not expect to pay off within a year, etc.
  - Reported at the current amount, although interest rates and when you pay it off will ultimately determine your ultimate payoff amount

Our only long-term liability is our car payment, which will be done in November.

The Difference: your net worth

- Do you owe more than you own?
  - If so, you are Insolvent.
  - It may be OK for most students. You are investing now! Keep your spending off credit cards though!!!
  - What is a good level of net worth?
    - Depends on your goals and your life cycle
    - "Good" is relative. Where are you now?

Net Worth

- What does your balance sheet show?
  - Is your net worth growing?
  - Are you reaching your goals?
  - Are you planning for emergencies?
  - Do you have adequate liquid assets?
  - Are you out of credit card and consumer debt?
  - Are you saving for retirement and your other financial goals
  - If you can answer affirmatively to the above, you are financially "healthy"
Budgeting and Measuring Your Financial Health
Personal Finance: Another Perspective

C. Develop a Personal Income Statement

- What is a Personal Income Statement?
- A financial record your inflows and outflows of cash
  - It is on a cash basis. The statement is based entirely on actual cash flows, not accruals
- Sources of income:
  - Wages, tips, royalties, salary, and commissions
  - Income is amount earned, not necessarily amount received. It also includes taxes, health care costs, expenses, etc.

Expenditures: Where Your Money Goes

- Two types of expenses
  - Fixed expenses:
    - Expenses you don't directly control
      - Mortgage, rent, tuition, books, etc.
  - Variable expense:
    - Expenses you can control
      - Food, entertainment, clothing, BYU Creamery, dates, cable TV, new rims for the jeep, new snowboard

Expenditures (continued)

- Can there be differences of opinion as to fixed versus variable expenses?
  - One spouse might consider dates each weekend a fixed expense, while another, variable
  - Be careful that variable expenses are not considered fixed
    - Most fixed expenses are variable over longer periods of time

Liquidity Ratios (continued)

- 1.a. Current ratio
  - Monetary Assets/Current Liabilities
    - This ratio tells you how many times you could pay off your current liabilities with your liquid cash on hand
    - Interpretation
      - Ratio greater than 2 recommended
        - Track the trend and if it is going down -- make changes
      - Note that this ratio does not consider long-term assets or liabilities

Liquidity Ratios (continued)

- 1.b. Month’s Living Expenses Covered ratio
  - Monetary Assets/Monthly Living Expenses
    - This ratio tells you how many months you could survive in the event of the loss of all current income
    - Your living expenses do not include charitable contributions, taxes or savings
    - Interpretation
      - A ratio of 3-6 is recommended. This ratio should at least be equal to how many months it would take to get a new job
        - Track the trend and if it is going down -- make changes

Question 2: Can You Meet Your Debt Obligations?

- These ratios help determine whether or not you can meet your current or long-term debt obligations:
  - Key debt ratios:
    - a. Debt ratio
    - b. Long-term debt coverage ratio
Debt Ratios (continued)

- 2.a. Debt ratio
  - Total liabilities/total assets
  - This ratio tells you whether you could payoff all your liabilities if you liquidated all your assets,
  - Interpretation
  - This represents the percentage of your assets financed with borrowing
    - Track the trend; this ratio should go down with age,
    - A zero debt ratio is a great goal!

Debt Ratios (continued)

- 2.b. Long-term Debt Coverage ratio
  - After-tax income/Long-term Debt Payments
  - This ratio tells how long you could make monthly payments on your debt based on your income after taxes. The inverse of this ratio is the Debt Service ratio
  - Interpretation
  - The higher this ratio the better, as it indicates the longer you could cover your debt payments
  - Track the trend; this ratio should go up. Ideally, you have no debt

Question 3: Are You Saving As Much As You Think?

- These ratios determine what percent of your income you are putting to work for you each period through savings and investment
  - Two key savings ratios:
    - a. Savings Ratio
    - b. Gross Savings Ratio

Savings Ratios (continued)

- 3.a. Savings Ratio
  - Income for Savings / Income after taxes
  - This ratio tells you what proportion of your after-tax income is being saved,
  - Interpretation
  - U.S. rate typically -1% to 8%
    - Track the trend. If it is decreasing, make changes
    - We recommend a minimum savings ratio 10%+ but in reality 20%+ if possible, and more as you get older

Savings Ratios (continued)

- 3.b. Gross Savings Ratio
  - Savings / Gross Income
  - This ratio tells you what proportion of your total income is being saved.
  - Interpretation
  - U.S. rate typically -1% to 7%
    - Track the trend. If it is decreasing, make changes
    - We recommend you save at minimum 10% but in reality 20%+ of your gross income if possible, and more as you get older

Our Ratios

- Let’s examine our ratios and see how we are doing!

- \OneDrive\3 - MBA 620 - Personal Finance\Personal Financial Plan
  - Sections\Balance Sheet.xlsx
Final Thoughts

- Joseph B. Wirthlin commented:
  - I advise you to be patient in financial matters.
    Avoid rash or hurried financial decisions; such decisions require patience and study. Get-rich-quick schemes seldom work. Beware of debt. Be especially careful of easily obtained credit even if the interest is tax deductible. You young couples should not expect to begin your married lives with homes, automobiles, appliances, and conveniences comparable to those your parents have spent years accumulating. (Joseph B. Wirthlin, "Patience, a Key to Happiness," Ensign, May 1987, 30.)
Personal Finance Journal
MBA620/Fin418 Financial Planning
2016

The purpose of this Journal is to allow you to document the critical things you have taken away from the discussions in class. It also allows you to write down other things you felt important.

**Day 1 Objectives: Introduction**

A. Understand the requirements of this course and fill out the IEP  
B. Understand the importance of perspective  
C. Understand the “whys” of personal finance  
D. Understand our perspective  
E. Understand the principles supporting that perspective  
F. Understand the implications of that perspective

Day 1 Take Aways:  
1. I need to be more mindful of my goals and how finances can help me to achieve those goals.  
2. My husband and I should talk about the “whys” and the “whats” more often

**Day 2 Objectives: Setting Personal Goals**

A. Understand the role of personal financial planning in achieving your goals  
B. Understand the requirements for your Personal Financial Plan  
C. Think through your personal goals: What do you want out of life?

Day 2 Take Aways:  
1. I need to include Heavenly Father in my goal making more. I should ask for “abilities equal to my tasks, not tasks equal to my abilities.” I should ask Him about where and how to grow.  
2. I need to make sure my goals are balanced across different avenues of my life. I focus a lot on school, but, what about spiritual and family health?

**Day 3 Objectives: Budgeting**

A. We discussed the principles of successful budgeting  
B. Develop and Implement a budget for the rest of the semester  
C. Introduce Quicken to the class  
D. Calculate your net worth or wealth using a balance sheet

Day 3 Take Aways:  
1. Have a budget and do ratios and plans before making any other big financial decision. Be careful before changing our lifestyle.  
2. Our living standards need to meet our financial goals. Don’t have an entitlement attitude.  
3. Be willing to sacrifice to meet financial goals.

**Day 4 Objectives: Debt and Debt Reduction, Time Value of Money**

A. Understand the importance compound interest and time. Pass an assessment test
B. Understand what our leaders have said regarding debt
C. We discussed the principles of using debt wisely
D. Understand the debt cycle and why people go into debt
E. Understand how to develop and use debt reduction strategies

Day 4 Take Aways:
1. There is peace in having freedom from debt. Daniel and I need to consider the cost of his schooling as an equally important factor with location, quality of the school, etc. We need to minimize debt and do all we can to get out of it quickly.
2. Don’t forget to calculate how much each $1 actually costs. Don’t throw away or rationalize small amounts of spending. Realize what it takes to buy small items.

**Day 5 Objectives: Tax Planning**

A. Understand what our leaders have said regarding taxes
B. We discussed the principles of effective tax management
C. Understand the importance of tax planning and how it helps attain your personal goals
D. Understand the tax process and strategies to help lower your taxes (legally and honestly)
E. Understand the major tax features of our tax system

Day 5 Take Aways:
1. Plan to manage what I pay in taxes. Be wise about when to pay tuition and keep track of school expenses so I can deduct them.
2. Budget to invest in my kids’ future education.
3. Learn more about tax credits and get help in planning for medical school.

**Day 6 Objectives: Cash Management**

A. Understand the importance of cash management and how it can help you achieve your goals
B. Understand the different types of cash alternatives and how to compare them
C. Understand the different types of financial institutions
D. Understand that while technology can help, unless you plan and spend at least 1-2 hours a week following your finances, you will not be able to keep up with your financial goals
E. We discussed the principles of effective cash management

Day 6 Take Aways:
1. I need to learn more about cash management options so I can help minimize the losses I’ll have due to inflation on my savings and cash.
2. Good money management takes more time than I realized. I need to budget more time for my money management.
3. Small returns add up over 40 years. Don’t discount the impact they will have.
4. Put the family together and the world will take care of itself. I like that. If the family falls apart, nothing in the world can really heal that damage.
Day 7 Objectives: The Auto Decision
A. Understand how a car fits into your financial plan
B. Understand how to buy or lease a vehicle
C. Understand the lease versus buy decision
D. We discussed the principles of effective ownership
E. Understand how to buy a new or used car
Day 7 Take Aways:
1. Daniel and I need to think about getting a new car and how we will pay for it.
2. Do your best to buy with cash.
3. Learn more about leases and buying and associated fees.
4. Do your research and don’t forget cars are commodities.

Day 8 Objectives: Credit Use: Cards, Reports and Scores
A. Understand the correct uses of credit cards and how they can help (or hinder) you attaining your financial goals
B. We discussed the principles of using credit wisely
C. Know about credit evaluation, credit reports, and your FICO credit score
D. Know how credit cards work and the costs involved
E. Know how to manage your credit cards and open credit
Day 8 Take Aways:
1. Manage your credit score like you manage your assets. You should focus on your score and report and make sure things are accurate.
2. A give minute call is all the effort it takes to get your credit limit increased or get a late payment waived.

Day 9 Objectives: Consumer and Mortgage Loans
A. Understand the principles of effective consumer loan use: calculate their costs
B. Understand the types of mortgage loans, characteristics, and how to calculate their costs
C. Know the least expensive types of loans and how to reduce the cost of loans
Day 9 Take Aways:
1. Be an informed shopper when looking into loans; don’t let fads push you into a mortgage that puts your financial health at risk.
2. When you get a loan, you are putting yourself at risk. Loans should be a last resort. Try to be wise and save and prepare for expenses so that you minimize the need for a loan, and so you get the best rates possible.

Day 10 Objectives: Home Buying I
A. Understand the principles of buying a home
B. Understand how a house fits into your personal financial plan
C. Know the process on buying a home
D. Know how to compare different types of loans with different fees
E. Understand my recommendations in obtaining a home
F. We did Case Studies on effective interest rates
Day 10 Take Aways:
1. Buy a modest house using the LDS calculator.
2. Start saving as soon as possible for a down payment to avoid PMI.
3. Keep house up and budget for it – 1 to 2% price of house
4. Pre-paying can cut years in half if you pay enough to principal

Day 11 Objectives: Home Buying II Questions and Answers
Day 11 Take Aways:
1. Don’t rush. Do it right.
2. Be wise when thinking about how long you’ll stay in the home.
3. Don’t let lenders push you around, and ask for multiple quotes so you are informed.
4. Do a total cost analysis – don’t get fixated on one analysis that tells you it’s okay to buy that house. Think through everything.

Day 12 Objectives: Insurance 1: Basics and Insurance 2: Life Insurance
Day 12 Take Aways:
1. My husband and I need to think about when and how much we may need to get.
2. It might be a good idea to get life insurance earlier while I am healthier and in a lower risk pool.

Day 13 Objectives: Insurance 3: Health Insurance and Insurance 4 Auto and Home Insurance
Day 13 Take Aways:
1. I need to increase the limits on my auto insurance ASAP; they are too low
2. Insurance helps you to sleep better at night because you have transferred some risks you cannot take on yourself. Be willing to pay for insurance—if something happens, you want to be grateful you have it!

**Day 14 Objectives: Investments 1: Before You Invest and Investments 4: Understanding Bond Basics**

- A. Know what to do before you invest
- B. Understand the ten principles of successful investing
- C. Understand asset classes
- D. Review the risk and return history of the major asset classes

**Investments 4: Understanding Bond Basics**

- A. Understand risk and return for bonds
- B. Understand bond terminology and the major types of bonds
- C. Understand how bonds are valued
- D. Understand the costs of investing in bonds
- E. Understand investing in other asset classes

**Day 14 Take Aways:**
1. Invest for the long term
2. Find someone good to invest in
3. Think about taxes!
4. Include your spouse

**Day 15 Objectives: Investments 2: Your Investment Plan and Investments 2: Securities Market Basics**

- A. Understand the Importance of Financial Goals and How to Set Them
- B. Understand the Importance of your Investment Plan and How to Prepare It
- C. Consider index funds as useful financial assets
- D. Beware of “Get Rich Quick” Schemes

**Investments 3: Securities Markets Basics**

- A. Understand the different types of securities markets
- B. Understand the basics of brokers and investment advisors
- C. Understand how to buy and sell securities
- D. Understand how to choose a broker or investment advisor

**Day 15 Take Aways:**
1. "If ye are prepared ye shall not fear"
2. Do your homework before you invest; always have a benchmark so you can evaluate how you are doing; you always need a reference point.
3. My husband and I need to be thoughtful and decide together how we want to grow and prepare for the future.
4. Do not freak out during bad years and pull everything out - you need to take the long-term perspective.
Day 16 Objectives: Investments 5: Stock Basics and Investments 7: Building Your Portfolio

A. Understand how stocks are valued  
B. Understand strategies for investing in stocks 
C. Understand preferred stock and how it is valued 
D. Understand the costs of investing in stocks 

Investments 7: Building Your Portfolio

A. Understand the Factors Controlling Investment Returns 
B. Understand the Priority of Money 
C. Understand how to build a successful investment portfolio 
D. Understand the process of investing 

Day 16 Take Aways:
1. Prioritize according to free, then cheaper investments. 
2. Build your portfolio goals step by step and meet them with discipline. 
3. Focus on what you CAN control, not what you can’t. 

Day 17 Objectives: Investments 7: Understanding Mutual Fund Basics and Investments 8: Picking financial Assets 

A. Understand the advantages and disadvantages of mutual funds 
B. Understand the major types of mutual funds 
C. Understand how to calculate mutual fund returns 
D. Understand the process of how to buy or sell a mutual fund 
E. Understand the costs of investing in mutual funds 

Investments 8: Picking Financial Assets 

A. Understand why you shouldn’t be picking stocks until Phase IV 
B. Understand where to find information on mutual funds and stocks 
C. Understand what makes a good mutual fund 
D. Understand index funds and ETFs 
E. Understand taxes on financial assets 

Day 17 Take Aways:
1. Know the criteria for a good mutual fund and don’t be fooled by the stars. 
2. This is fun if you do your homework and you are thoughtful and follow your plan. 
3. Don’t be a hero. 

Day 18 Objectives: Investments 9: Portfolio Reporting and Rebalancing and Investments 10: Behavioral Finance 

A. Understand portfolio rebalancing 
B. Understand the importance of portfolio management/evaluation 
C. Understand risk-adjusted performance measures 
D. Understand how to perform attribution analysis 

Investments 10: Behavioral Finance 

A. Understand behavioral finance 
B. Understand learn behavioral finance 
C. Understand other alternatives to traditional finance
D. Understand how behavioral finance can help us

Day 18 Take Aways:
1. Buy low, sell high. Don’t do it the other way around.
2. Know your biases and think about how to challenge them and correct for them.
3. You need to compare your portfolio to the risk-free rate and to benchmarks. Make sure you get an appropriate return for the risk!

**Day 19 Objectives: Investments 11: Questions and Answers**

A. Answer additional questions on investing

Day 19 Take Aways:
1. I need to look forward, not back. It is important to keep the past in perspective and focus on the future.
2. You need to do everything unto the Lord.

**Day 20 Objectives: Retirement Planning 1: Basics**

A. Understand how retirement planning impacts your personal financial plan
B. Know the principles, stages, and steps in retirement planning
C. Understand the different retirement planning vehicles
D. Understand key payout options and caveats available at retirement
E. Understand how to monitor your retirement planning progress

Day 20 Take Aways:
1. Don’t be caught unprepared. Don’t be so afraid of retirement that you don’t prepare.
2. If you avoid it now, it will be impossible to avoid later and it will be overwhelming.
3. My husband and I need to start now and live within a budget that allows us to save as we should.


A. Understand Employer Qualified Retirement Plans
B. Understand the Defined Benefit
C. Understand Defined Contribution Plans

Retirement Planning 4: Understand Individual and Small business plans

A. Understand the difference between the traditional and Roth IRA
B. Understand when converting to a Roth IRA makes sense
C. Understand Individual Retirement Accounts
D. Understand retirement plans for the self-employed and small businesses

Day 21 Take Aways:
1. You can take steps to manage what your tax rate will be in retirement.
2. Daniel and I need to figure out how we will be able to invest as our income changes.
3. Stay updated on changes in taxes.
Day 22 Objectives: Retirement Planning 2: Social Security and Retirement Planning 5: Wrap Up and Q&A

A. Understand Social Security in a Historical Context
B. Understand how Social Security Works
C. Understand the key questions relating to Social Security
D. Understand the likely future of Social Security

Retirement Planning 5: Wrap Up and Q & A
A. Understand events and impact on finances
B. Answer remaining questions on Retirement

Day 22 Take Aways:
1. Just save. Don’t count on someone else to be there to bail you out or help you.
2. Take care of your health so insurance costs stay low and standard of living stays high.
3. Don’t count on social security being there to help you.

Day 23 Objectives: Wills, Estate, and Advanced Planning

A. Understand the importance of Estate Planning and the Estate Planning Process
B. Understand how trusts can be used to your advantage in Estate Planning
C. Understand the importance of Wills and Probate Planning
D. Understand the importance of a will
E. Write a holographic will that is valid in Utah

Day 23 Take Aways:
1. I want to open a trust when Daniel becomes a doctor to protect our assets from lawsuits.
2. Don’t leave your children or family in the lurch because you didn’t prepare. Have a will, get a real one when you have kids. It is worth paying for a lawyer’s time.
3. Don’t think you are invincible.

Day 24 Objectives: Money and Marriage

A. Understand the key principles of money and marriage
B. Understand why money may be an issue in relationships
C. Understand a few recommendations for money and marriage

Day 24 Take Aways:
1. My husband and I need to be equal partners in our marriage. I cannot abdicate my responsibilities, nor can Daniel. Everything is supposed to be done as equals, unanimously, and with the help of the Lord.
2. Our marriage is more important than money. We need to prioritize our marriage, learn how to talk about money with each other, and make goals where we are aligned so that we are united on finances rather than divided.

Day 25 Objectives: Family 2: Teaching Children Finance and

A. Understand the importance of teaching your children about personal finance
B. Understand some thoughts on how do you teach children financial responsibility
C. Understand some thoughts on when do you teach children financial responsibility

Family 3: Preparing for your Children’s Education and Missions
A. Understand the importance of how education relates to your financial goals
B. Understand the Priority of Money for financing school
C. Understand how to reduce the cost of education
D. Understand how to prepare for and finance your children’s education and missions

Day 25 Take Aways:
1. Help kids to learn principles at every age level that are appropriate for their age.
2. Do not be a knight in shining armor who bails out your kids. Let them feel natural consequences.
3. Let the market help pay for your kids’ needs so you can help them out in reaching their goals.

Day 26 Objectives: Understand Careers in Financial Planning
A. Understand Financial Planning: Fee only financial planning versus commission

Day 26 Take Aways:
1.
2.

Day 27 Objectives: Learning to Give
A. Understand the Myths of Giving
B. Understand what the scriptures say about money and giving
C. Understand why we should give
D. Understand how to give now
E. Understand the basics of wise giving

Day 27 Take Aways:
1.
2.

Day 28 Objectives: Understand your future starts today
A. Understand the key decisions to be truly successful in life -- Decide to Decide
B. Understand my final thoughts on finance -- what wise stewards know
C. Learn about additional resources on personal finance
D. Review problems to prepare for the Final Exam

Day 28 Take Aways:
1.
2.