

Assignments

Financial Plan Assignments

Continue to work on your Investment Plan. For this chapter, you must first determine the size of your emergency fund. This fund should contain three to six months' worth of income. This is the first asset you will invest in, before mutual funds of stocks, bonds, and other asset classes.

Second, determine what percentage of your portfolios you can allocate between taxable and retirement accounts. The amount you can put in retirement accounts is limited each year by the IRS. Make an estimate for planning purposes. If you have no better idea, it is acceptable to split the allocation initially to half in retirement and half in taxable accounts. Remember that you will have no allocation to retirement for your emergency fund because you need access to those funds in an emergency, and you do not want to pay a penalty to the IRS.

Third, once you know your emergency fund, divide that by your allocation to bonds and cash (your percentage allocation) to get your initial target portfolio size goal. You can then multiply each of your asset allocation targets by their respective percentages to come up with the amounts you need in each asset class and in each of the retirement and taxable accounts.

Finally, transfer this data to [Investment Process Spreadsheet](#) (LT13). You can put in your data for your emergency fund and your asset allocation percentages, and it will calculate your initial target portfolio size for you and your allocations to the various asset classes.