

Financial Plan

Goals, Risk Tolerance, Wealth Building Guidelines, Investment Summary, Projections and Retirement Income Plan



Example

David & Deborah Smith

“In a Schwab study of Americans over 50, those who created and maintained a financial plan achieved an average total net worth three times those who didn’t.”

An ideal retirement is often defined as one including freedom, security, flexibility, reduced stress, peace of mind, travel, time with family and time with hobbies. Follow your investment plan to achieve your goals.

A financial plan is a written long-term plan to guide you to meet your retirement goals and maintain income in retirement. A plan provides peace of mind to your family, defines goals, monitors progress and drives adjustments. Plans make you less likely to overreact to market volatility and increase one’s confidence and effectiveness in managing income, spending, saving, debt and investing.

- How should I distribute my income between spending, saving, investing and paying off debt?
- What risk level should my investments be at during each stage of my life?
- What type of investment accounts should I have? Joint, 401(k), Traditional IRA, Roth IRA?
- What type of investment strategies should I use?
- How much will I need to save for retirement to maintain my standard of living?
- When will I be able to retire?
- How much income will I have in retirement?
- When I retire what type of retirement income strategy will I use?
- When I retire what type of tax management strategy will I use?
- When is the optimal time to start drawing Social Security?
- What is my probability of success of not running out of money before the end?
- Do I need life insurance to protect my family?
- Do I need a trust and will and are my beneficiaries set up correctly on my accounts?

The investment process is complicated and requires strict discipline without emotion. Without professional guidance, you will likely produce mediocre returns, and not meet your retirement goals. You should always seek professional advice unless you receive the proper training, invest in the proper tools, and are willing to put the time into managing your portfolio. Most people find investing complicated, difficult to find good advice and are worried about losing money.

Prepared by Philip Michalek
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See our website or brochure for our Disclosure, Fee Schedule and Privacy Policy

Financial Plan Summary Sheet (2022)

Birth Dates & Ages

David Smith	Deborah Smith	Michael Smith	Michelle Smith
02/10/1972 (50)	09/10/1972 (50)	02/10/2004 (18)	09/10/2007 (15)

Spending (average including larger purchases and travel)

	Annual Pre-tax	Monthly Pre-tax	Annual Post-tax	Monthly Post-tax
Current Spending			\$84,000	\$7,000
Retirement Spending (High healthcare costs)			\$84,000	\$7,000

Income	Annual Pre-tax	Monthly Pre-tax	Annual Post-tax	Monthly Post-tax
Full Time Job D (end 60)	\$130,000	\$10,833	\$80,000 Take H	\$6,667
Full Time Job Deb (end 60)	\$30,000	\$2,500	\$20,000 Take H	\$1,667
Part Time Job (60-65)	\$30,000	\$2,500	\$24,000 Take H	\$2,000
Pension Deb (start 60)	\$24,000	\$2,000	\$19,200	\$1,600
Social Security D (start 67)	\$33,600 *	\$2,800	\$30,240	\$2,520
Social Security D (start 67)	\$16,800 *	\$1,400	\$15,120	\$1,260
Investment Distributions	\$2.5 million at retirement @ 60/60 5%,20%		\$100,500 MGP or XLS	\$8,375
From TD Joint (start 60/60)	\$0	\$0	\$0	\$0
From TD IRAs (start 60/60)	\$0	\$0	\$0	\$0
Current Income (Take Home after taxes, 401(k), healthcare, * Today's Dollars)			\$100,000	\$8,333

Investment Contributions

Pre-tax saving rate	\$19,000/year	David 401(k) \$19k * Taken out of take-home pay
Post-tax savings rate	\$16,000/year	David Roth \$6k, D Roth \$6k Taxable \$4k

Net Worth

Investments Taxable	\$330,000	January 1, 2021
Investments 401(k) & IRA	\$500,000	TD \$300k, Bank \$30k
Investments Roth	\$80,000	David ML 401(k) \$300k, <u>David TD IRA \$200k</u>
Home	\$300,000	<u>David TD Roth \$40k, Deb TD Roth \$40k</u>
Other	\$0	Zillow Estimate 2020
Liabilities (Debt)	-\$170,000	Cottage, Rentals, Future Inheritance
	\$150,000 Home	Home, Home Equity, Credit Card, Auto
	\$20,000 Auto	4.0% End in 2028, \$1500/month
Total Net Worth	\$1,040,000	4.0% End in 2022, \$800/month
		\$910,000 + \$300,000 - \$170,000
		Investment Home Debt
		College Saving Plan 529 \$10,000 each, HSA \$0

Other Assumptions in Retirement

Inflation: 2.25%, Term Life Insurance \$0, Will and Trust
 Effective tax rate estimates, Income: 15%F + 4.3% MI = 19.3%, CG: 15%F + 4.3%MI = 19.3%, SS 10% F + \$0 State MI
 If you spend \$8,000/month in retirement from taxable income sources like SS, Pension and IRA your effective federal tax rate on social security will be around 70% of your fed tax rate and \$0 state.

Investment Strategy & Risk Tolerance

PDM Portfolio Strategy is a Diversified Mutual Fund & Sector Portfolio, Moderate Risk (60%-75%-80% equity)
 Tactical Equity Allocation, Strategic Active Asset Class & Sector Allocation, Active Mutual Funds and Individual Stocks.
 Returns are adjusted for alpha - fees X percent of total portfolio PDM. (Alpha of +1% over MGP is an estimate, not guaranteed)
 (Alpha +1 x 65% PDM = +0.65) - (Fee 0.6% fee x 65% PDM = 0.39%) = +0.3 adjustment
Current Scenario MGP
 Pre-Retirement Moderate Risk @ 71% equity, 5.6% +0.3% = 5.9%, In Retirement Moderate Risk @ 71% equity, 5.6% +0.3% = 5.9%
Scenario 1: MGP
 Pre-Retirement Moderate Risk @ 71% equity, 5.6% +0.3% = 5.9%, In Retirement Mod-Cons Risk @ 60% TR I, 5.3% +0.3% = 5.6%
 Your current \$910,000 Investment Portfolio six-month risk is Moderate. +22% (+\$200,000) to -14% (-\$125,000).

Expected Returns

Expected 5-year annual returns for a moderate risk portfolio is 4.8%. (2022)
 S&P500: 3% to 6% (Earnings 4.0%, Dividends 2.0%, Buybacks 1.0%, PE Expansion -1.5% = 5.5% * .87 Moderate = 4.8%)
 Expected 20-year annual return for a moderate risk portfolio is 5.7%. (Money Guide Pro, 2022)

Probability of Success

Probability of Success of not running out of money before 90 is 95%. (Money Guide Pro or My Estimate)
 The variables above will help determine your success rate of not running out of money in retirement.

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