



## COMMON QUESTIONS ANSWERED THROUGH THE FINANCIAL PLANNING PROCESS

Financial planning is a highly personalized, dynamic process designed to consolidate all aspects of your financial life into one cohesive document. This includes an assessment of your current situation plus various scenarios to help project your future wealth and facilitate better decisions. In short, by comparing the scenarios to your current situation, we can determine which strategies are most appropriate.

A well-prepared financial plan will provide peace-of-mind by answering several questions including the following:

### **Retirement (Pre & Post)**

- How much capital will you need to maintain your desired lifestyle throughout retirement?
- How much do you need to invest to accumulate this capital?
- What is your probability of running out of money at various ages?
- What is the maximum amount you can withdrawal each year without running out of money?
- How much will you need to withdraw to maintain your desired lifestyle?
- From which accounts should you withdraw first (ex: taxable/tax deferred/tax free)?
- How much of a market decline can you withstand before you must reduce your withdrawals?
- How will you keep track of the required minimum distribution (RMD) on retirement accounts and avoid the 50% under-distribution penalty?
- Should you convert your Traditional IRA to a Roth IRA?
- Are your beneficiary designations up-to-date and do you have contingent beneficiaries?
- Are your beneficiary designations coordinated with your estate documents?

### **Portfolio Management**

- What is the expected rate of return of your existing investment portfolio?
- What is the average annual return you must achieve to meet your goals (i.e. required return)?
- What is the probability of achieving your required rate of return with your current portfolio?
- How much risk do you have in your current investment portfolio?



- How much could your investment portfolio decline in a 12-month, 3-year, or 5-year period?
- Are you receiving an adequate return for the degree of risk in your current portfolio (a measure of portfolio efficiency)?
- Are your investment returns being monitored on a regular basis to assure you're on track to meet your goals?
- Do you have any "chronic" underperforming assets impeding the performance of your account?

### **Income Tax**

- What is your current and projected federal and state income tax liability?
- What is your effective tax rate, or the percentage of tax paid per dollar earned (a measure of tax efficiency)?
- How can you reduce your tax liability?
- Do you have any itemized deductions that could be accelerated to the current year to minimize your taxes?
- How can you capture losses during a financial market decline to reduce your future income taxes?
- Are you subject to the Alternative Minimum Tax (AMT)?
- Are you subject to the Net Investment Income Tax (3.8%)?
- Are you subject to the additional Medicare withholding tax (0.9%)?

### **Estate**

- What is the value of your gross estate?
- Will your heirs inherit according to your wishes, based on your existing estate documents, beneficiary designations, etc?
- What portion of your gross estate will be subject to the probate process (ex: your probate estate)?
- Will your estate be subject to the federal estate tax, and if so, what is your potential exposure?
- How much will taxes, attorney fees, executor fees, and other final expenses reduce your bequests?
- Will your estate be subject to the IRD tax (Income in Respect of a Decedent)?
- Will there be enough liquidity in your estate to pay all estate settlement costs or will assets need to be liquidated, perhaps at a loss?
- Does your estate plan unknowingly favor any heirs?



- If you have made previous *taxable* gifts, how will this affect your estate costs upon your demise?
- What is the probability of leaving a specified amount of financial assets to your heirs?
- If applicable, what portion of your estate is separate property versus community property?

### **Insurance and Risk Management**

- Do you need life insurance?
- If you need life insurance, how much and what type is best in your situation?
- Who should be the owner of your policy?
- Do you need long-term care insurance, or can you afford to self-insure?
- Is your auto and homeowner's insurance adequate and competitively priced?
- Do you need disability insurance?

### **Cash Flow and Net Worth**

- How much should you maintain in an emergency fund to pay for unexpected expenses?
- What is your net worth and is it being tracked on an annual basis?
- What percentage of your net worth is in real estate, financial assets, business assets, etc.?

### **Debt**

- What is the difference between good debt and bad debt?
- Should you accelerate your debt payoff or pay as scheduled?
- What is your debt-to-income ratio and is it within the normal range?
- What is your debt-to-asset ratio and is it within the normal range?

**IMPORTANT DISCLOSURE:** The questions listed above are *potential* questions that may be addressed in the financial planning process. Some questions may not be applicable and there may be additional questions that are relevant in your situation.