

Sample financial plan description

[Finance](#), [Investment](#)



We have created a financial plan to help you retire at the age of 62 and afford to send your son, Sam, to college. After looking at the information you gave us regarding your income and expenses, we came up with the best solution for your financial future. We've picked out profitable mutual funds for your son's college, as well as retirement investments. We also have found different methods of saving money for your retirement and future education for your son. We believe that there will be a great benefit to having a financially stable future.

We understand with Sam attending a four-year university, the cost will be great along with the need for saving money for this to work financially. Grand Valley State University will provide an excellent education for your son, along with benefiting him for his future. Overall, it will cost \$189,750 to attend Grand Valley State University for four years. We do, however, understand that the cost to attend the university may concern you at first, but there are methods of assistance that are available, such as investments and savings plans.

Investing in specific funds, with good performance history, will have a huge advantage in acquiring the money for your son to go to college. We strongly advise investing a portion of your discretionary income into mutual funds. Your discretionary income would be the amount of your income that is left over, after taxes and expenses have been paid. Investing in mutual funds, rather than other investment options, will eliminate the stress and difficulty of trying to time the market. We invested 46% of your discretionary income into four different types of mutual funds, which will provide diversification for your investments.

Using a MET and/or a MESP savings plan will create many advantages that will benefit you in sending your son to college. Both, the MET and MESP savings plan, are 529 plans. These are tax-advantaged savings plans specifically designed to encourage saving for future college costs. You are not able to withdraw money that is invested into a 529 plan unless it is an eligible college expense. We feel as though it is a benefit for most because it allows the money to amass without disturbance. The Michigan Education Trust (MET) is a way to help pay tuition and mandatory fees at Michigan public colleges.

The plan allows for years of college tuition to be purchased for the future use of a student at today's price. For example, you could buy four years of tuition now at 2011 prices, which would be \$189,750, for Sam to use when he enters college in 2028. Some advantages the MET offers are a state tax deduction and a tax-free growth. The only thing that we want to bring to your attention is that you only have fifteen years to use the tuition benefits, unlike the MESP, which has no expiration date. The Michigan Education Savings Plan (MESP) is an advantageous way to allow your family to save for the expenses that come along with college.

The MESP is a 529 college savings plan which allows families to save for tuition, room & board, mandatory fees, equipment, and required books for any qualified institution in the nation and some abroad. When the student is ready to use the funds in the MESP, whatever has been accumulated is what they have to work with. Some benefits of the MESP include: a state tax deduction, tax-free growth, and it allows for unused benefits to be

transferred between members of the same family. We would recommend this plan over the MET to your family.

The MET will cover tuition fees; although, it lacks the flexibility to pay for other related expenses, such as books, supplies, and other miscellaneous items. A mutual fund is an investment in which a company brings together money from many investors and invests it in stocks, bonds or other assets. Mutual funds are a good long-term investment, such as for your retirement. The risk level depends on the type of mutual fund it is. In your case, we chose the mutual fund with the best performance out of each different type.

We recommend taking the remaining portion of your discretionary income, which would be 54%, and invest it just as we did for your son's education. Mutual funds that are properly diversified will have investment dollars spread equally among four different classes of financial assets. We invested the remaining portion of your discretionary income into the same four mutual funds that were used for your college savings. We chose to invest in an international mutual fund, the New World Fund, which has a 9.55% rate of return.

We also chose an aggressive growth mutual fund, the SMALLCAP World Fund, which has a 9.62% rate of return. Thirdly, we invested in a growth mutual fund with a 13.63% rate of return, known as the Growth Fund of America. And lastly, we chose a Growth and Income mutual fund, the Capital World Growth and Income Fund, with has an 11.17% rate of return. When diversifying the money in which you would like to invest, the smartest

decision that you could make would be to invest in the four mutual funds that I just stated or funds that fit into each of the four different classes.

This helps to reduce risk, such as if a couple securities in the mutual fund lose value and that loss could compensate for other securities that appreciate in value. When reaching the retirement age you can then transfer your gained revenue from all four of your mutual funds and place it into a bond fund. Bond mutual funds are designed mostly to provide investors with a steady stream of income versus capital gains. These funds are debt securities, or IOUs, which are issued with a promise of repayment on a certain date at a specified rate of interest.

For your financial plan, all of your gained revenue was placed into a bond mutual fund as soon as you retired, therefore liquidating your riskier assets. Using this bond fund, you are earning a 5% interest every year. For example, the first year of retirement, after removing your yearly expenses, you will have \$678, 785 to place in your bond fund. At the end of the year, with the 5% interest rate of return on bond fund, you will have profited \$1, 139. 70 throughout the year, even after your expenses.

We recommend that you invest in at least one retirement savings plan, such as a 401k or a Roth IRA, to securely save for retirement. It is a good idea to look into different savings plans, rather than make a hasty decision, because everyone benefits from a different savings plan, depending on their situation. In your case, the Roth IRA or 401k will be the most beneficial. With both of these retirement savings plans there are tax breaks that will benefit you.

These savings plans are greatly used in America to help save for retirement nowadays.

Each savings plan offers different advantages for couples saving for retirement. A 401k is a retirement savings plan for employees in which a desired amount of your check is taken out before tax deductions and placed into your 401k account. We understand that you have a pension plan through work, but your wife does not. This type of savings plan would be a great way to save for retirement. 401k is the favorite plan for corporate America today, due to its many advantages. Many employers will match, up to a certain percentage, the amount in which you place into your 401k.

Invisible savings is one of the biggest advantages to the 401k savings plan. The money saved is taken directly out of your check weekly, even before the income tax is withdrawn. In doing so, this makes the money seem invisible to your eyes, and to your financial pocket book. There are other beneficial savings plans available, which can be used along with the 401k. Roth IRA's are after-tax IRA's. They grow tax free and offer many more choices than the normal IRA. Roth IRA's are a good choice when it comes to saving for retirement.

Even though you contribute after-tax dollars into a Roth IRA, all withdraws are completely tax free if you are over the age of 59 ? and have had the account for 5 years. With Roth IRA's, unlike a tradition IRA or a 401k plan, there are no required minimum distributions. Direct contributions can be withdrawn at any time as well. Roth IRA's can be set up on top of already existing retirement plans; as well the assets can be passed onto beneficiaries

after death, therefore leaving an inheritance for your family. We are sure that we have supplied you with a detailed overview in helping you to be financially secure now and in the future.

In taking the advice that we have given you with these many different investment ideas, you will find yourself more than content financially. We can guarantee that down the road, you will not have to worry about your financial status. Although in actuality, it is important to remember that building wealth takes time. However, the acquisition of your financial contentment will be well worth your time. We hope, here at L&N Financial Planning, that providing you with this letter will give you the financial peace of mind that you and your family deserve.