

Personal budget balance sheet



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The purpose of this memorandum is to evaluate my client's financial outlook, their personal budget, balance sheet, and cash flow statement and provide recommendations for improvement of their financial situation. My client, Chauncey Latham is 51 years old and a police officer. He is married and has one dependent. Kyle Latham, Chauncey's wife is 47 years old and is currently not working. Prior to her unemployment, Kyle annual earnings were \$96, 000 a year. They live in a nice 4-bedroom house, in a great community with a sought after school district.

The family has a comfortable looking life, though their financial outlook is pretty grim. Together Chauncey and Kyle earn \$85, 000 a year, which includes Chauncey's off duty work and Kyle's unemployment benefit. Their life savings have dwindled down the emergency fund is very low, and their credit card debt is high. The balance sheets show my clients assets and liabilities and verify their net worth. Any property including jewelry or saleable items is considered assets and can produce income. The asset value should have a fair market value, which means the amount of money they would have today if sold.

Total household assets \$ 303, 000 Investment assets Individual retirement accounts \$ 150, 000 College certificate \$ 10, 000 Total investment assets \$ 160, 000 Total assets \$ 733, 000 Liabilities Current Liabilities Credit card balances \$ 20, 000 Car loan \$ 16, 000 Student loans \$ 120, 000 Personal loan \$ 15, 000 Mortgage \$ 201, 000 Total Liabilities \$ 372, 000 Net worth (assets minus liabilities) \$ 361, 000 To improve my client's understanding of their finances, I am recommending that a cash flow statement be created.

This will allow them to have the proper foundation to establish strong financial understanding, develop strong money management skills that will pave the way long time financial security. Hence, I will determine their monthly income and show expenses to determine where modifications need to take place.

| Income | Actual Amt. | Percentage | Proj Amount |
|--------------------|-------------|------------|-------------|
| Salary | \$7,083 | | \$7,083 |
| Expenses | | | |
| Mortgage | \$1,400 | | \$1,400 |
| Property Tax | \$250 | | \$250 |
| Car Loan Payment | \$565 | 3% | \$548 |
| Student Loan | \$485 | 4% | \$465 |
| CC Payment | \$600 | 10% | \$540 |
| House/Car/Life Ins | \$250 | | \$250 |
| Power | \$200 | 2% | \$192 |
| Water | \$70 | | \$70 |
| Telephone | \$265 | 10% | \$239 |

| | | | |
|--------------------|-------|-----|---------|
| Gas/Transportation | \$400 | | \$400 |
| Food | \$800 | 10% | \$720 |
| Clothing | \$100 | 50% | \$50 |
| Med Exp. | \$150 | | \$150 |
| Entertainment | \$100 | 50% | \$50 |
| Gift/Donation | \$300 | 30% | \$210 |
| Saving/Emergency | \$500 | | \$1,000 |
| Savings Goal | \$300 | | \$600 |

Based on the data, there is room for financial improvement. I would advise my clients to request lower interest rates on both their credit cards and car loan, and request student loan consolidation. Also, reducing the power usage in the home, change telephone plans to something more cost effective, and attempt to use coupons for grocery shopping when at all possible.

Lastly reduce any spending on gifts, entertainment, and clothing would help in improving the overall financial outlook. If the plan is followed, the Latham's, would be able to increase the money deposited into the saving goal and emergency saving accounts. After a while, the money could be used to reduce the other debt. Having a personal budget is the blueprint for managing and spending finances. Use of the personal budget, gives you control over timely bill paying, monthly expenses, and provide an overall financial picture, so you know where you are each month.