

## Your Personal Financial Planning Diagnostic. How well do you think you're doing?

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### General

- Do you have an emergency reserve? Is it enough?
- Is your cash management under control?
- Credit Cards – do you run balances?
- Are you spending too much?
- Are you saving enough?
- Are there special needs that you'll need to fund? Children? Other family?
- Parents – Will you need to support? Do you think there might be an Inheritance coming your way?
- Are your parent's estate plans complete? Do you know where to look for their estate documents when they pass away?
- At work, are you taking maximum advantage of your flexible spending accounts?
- Do you need to refinance your mortgage to get a lower rate? Should you be planning to accelerate the principal reduction so you'll have no mortgage at retirement?
- You have a great many options, how do you decide where to save? (or did you?) IRA/Roth/401k/529/Education IRA/Spouse/Ed Savings Bond/UGMA

### Retirement Plan

- Is your 401K maxed out? If not, do you contribute at least enough to get a full employer match?
- Are you on track for a secure retirement?
- Do you know when you might be able to retire?
- Do you know how much money you'll need accumulated at retirement?
- Do you need help determining how much you'll need for retirement?
- Have you decided on a retirement life style? People who retire to nothing report a boring existence. Those that either work part time or retire to some other activity seem to be the happiest.
  - Move to another place?
  - Travel?
  - Part time work?
  - Hobbies and other activities?
  - Boat?

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### College & other savings needs

- Do you have enough saved for college? Private school?
- Do you need help determining how much you'll need?
- Are you planning for public or private college?
- How should debt be used in your college savings strategy? There are some interesting techniques that can convert non deductible into deductible interest. Even if you don't have to borrow to fund college!
- Are there any large expenses coming up?
- What about Weddings – they might not be cheap.

### Property / Casualty Insurance

- Have you recently reviewed your home owners and other casualty insurance with a good insurance agent?
- Have you planned how you'll document a loss if you must file a claim? Consider videotaping your household contents.
- Do you have sufficient personal liability coverage?
- What about an umbrella policy?
- Do you have replacement cost coverage on contents and dwelling?
- Do you need or can you get insurance for other risks?
- Have you used all the discounts and cost-saving deductibles you can?
- Do you need special coverage for office equipment at home?

### Disability / Long Term Care Insurance

- Do you have an estimate of the disability insurance you'd need if you or your spouse become disabled?
- Has your individual coverage been coordinated with group and social security benefits?
- Does your policy cover you for "your own occupation"?
- Is there a provision for inflation adjustments?
- Is your waiting period appropriate?
- Are you covered for as long as you need to be?
- Do you have enough coverage for your spouse?
- You should at least consider long term care insurance. It's surprising how many people that though they don't need it then decide they want it after having to deal with the care of a parent.
- For life, disability and long term care you really do need to consider insurability. I know, the life insurance industry has beaten that one to death. But the fact of the matter really is that you may not be able to get coverage in the future.

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### **LIFE INSURANCE:**

- Do you know how large a pool of funds you'd need for your family if either husband or wife died? You'll likely need to consider education, living expenses, your home mortgage, estate tax and administration, other emergency needs, payment of other debt, etc...
- There are so many kinds of insurance: term, whole life, second to die – what's best for you?
- Do you know what a life insurance trust is? Do you need one? There can be significant income AND estate tax planning opportunities here!

### **ESTATE PLANNING:**

- When was your will last updated?
- Does it take advantage of a tax-free federal estate on the first death of either husband or wife?
- What about the 3 million dollars that can pass free of federal estate tax by husband and wife?
- What about an insurance trust to exclude life insurance proceeds from both federal and State estate tax? (Some professionals believe this "loop-hole" may be repealed in future tax legislation.)
- Have you chosen or do you need to update executors, trustees, guardians or beneficiaries? Have you chosen back-ups for each position?
- Are there other family matters that need to be addressed such as loans, gifts, illness, support requirements, marriage, or divorce?
- What about a durable power of attorney?
- Do you have a health care proxy?

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### Investments

- Do you have an Investment Policy Statement? That is, do you have a guiding principle governing how you invest and where? This is often the only lifeboat you have in a down market – clear decisions about how much risk to take and why?
- For all the many types of accounts and investments available to you have you considered which to use first? Some account types may be better for you than others.
- What about tax considerations in your investment decisions?
  - Are the right investments made in the different accounts you have?  
That is Regular taxable account vs. Roth IRA vs. 401k.
- Does your investment mix match you risk tolerance?
- What is your risk tolerance?
- Even if you think you can take the risk, should you?
- Can you really afford (or wait out) the down side?
- Do you balance your portfolio as to style of equities (Value V. Growth)
- Are your college savings invested differently from your retirement accounts? They probably should be.
- Is a Section 529 College savings plan right for you? It really isn't a no-brainer in all cases.
- Do you review your portfolio at least once each year?
  - This means more than looking at the total value on your statements. You need to consider each position and how it's performed. That means using the right benchmarks. It also means you need an investment policy to compare to.

### WHAT ABOUT YOUR BUSINESS:

- If you have partners, do you have a partnership agreement, or a buy/sell agreement? If no partners, do you have a succession plan?
- Do you need to "fund" the buy/sell price? (That is, how would you pay your partners' estate in the event you purchased its interest?)
- Does your buy/sell address disability?
- How much is your business worth, anyway? Do you need a valuation?
- Do you need to annually update the value of your business for your buy/sell agreement?
- What about key-person life insurance?
- Will the estate tax payable on your business interests be a burden?

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### **YOUR LIFE PLAN:**

- Have you had any changes in your life? (Marriage, new job, divorce, birth of kids, inheritance, home purchase, retirement, etc.) All these things can redraw your financial picture, requiring financial planning.

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