

BUDGETING & SAVING FRUGAL FEBRUARY

Warren Wealth Weekly Wisdom
February 21st, 2020

FROM CHRIS:

We have discussed New Year Resolutions a bit over the last month, but we would be remiss if we did not mention a trend among the YouTube world. It seems that several months have cute catch phrases to motivate us and make us healthier and happier - such as Sober October. We thought this month, we would discuss "Frugal February." While it does not quite roll off the tongue as easily, we believe the intention is laudable. At its essence, this term simply means, 'let me tighten my belt' (likely because of all of the weight loss from our previous resolutions) 'and get a handle on my budget.' As humans, it is natural to avoid budgets - they feel restrictive and unpleasant. We see this differently. When we understand exactly where our funds go, it gives us tremendous power to be able to say "no," but, equally important, it gives us the power to say "yes." We regularly discuss the fact with clients that they can spend more! If we don't have at least a basic understanding of our expenses and revenues, it makes it very difficult to make decisions without great trepidation. Please find in the following pages, a PDF with a detailed budget worksheet. We are always happy to review this completed document with you. As always feel free to share this information with friends and family.

FROM SCOTT:

Between the winter holidays and the 'splurge' Valentine's Day can bring, you may be struggling with getting back on track financially. One of my best tips is, try and go an entire credit card cycle without any major purchases. This will hopefully give you some breathing room as we head into tax season. Also, start thinking about potential ways you can save money on your income tax return by making prior year contributions, such as an IRA or HSA. We're happy to discuss should you have any questions.



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RETIREMENT INCOME PLANNING



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CLIENT INFORMATION

Client Name: _____ Nickname: _____ Date of Birth: _____

Home Phone: _____ Business Phone: _____ E-mail: _____

Mailing Address: _____

Best time to call: _____ Best day to call: _____ Best way to contact: _____

Do you have a current will? Y__ N__

Do you have a current living trust? Y__ N__

Do you own life insurance? Y__ N__

Do you own individual stocks? Y__ N__

Do you own mutual funds? Y__ N__

Do you own bonds? Y__ N__

(Planned) Retirement date: _____

Do you own your own business? Y__ N__

Rank the following **products/services** in order of importance to you, with “1” being the most important:

- _____ Estate Planning
- _____ Tax Planning
- _____ College Funding/Educational Planning
- _____ Retirement Planning
- _____ Budgeting
- _____ Debt Management
- _____ Trust Planning
- _____ Socially Responsible Investing
- _____ Accumulation of Wealth
- _____ Life Insurance
- _____ Disability Insurance
- _____ Long-Term Care Insurance
- _____ Nursing Home Expenses
- _____ Alternative Investments (e.g., limited partnerships, REITs, etc.)
- _____ Regular Portfolio Reviews

Continued >

Client Information continued

Rank both of the following lists of **goals** and **features** in order of importance to you, with “1” being the most important:

Rankings		Rankings	
Goals		Desired Investment Features	
	Lower income taxes		Liquidity
	Hedge against inflation		Current income
	Plan for retirement		Growth potential
	Reduce estate taxes		Future income
	Avoid probate fees		Tax advantages
	Reduce insurance premiums		Preservation of capital
	Increase net worth		
	Increase current income		
	Assure proper disposition of assets		
	Organize financial affairs		
	Peace of mind		
	Spend less time doing these activities		
	Other:		
	Other:		

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DEBT RATIOS

Debt ratios measure ability to repay debt. Along with credit scores, they are key determinants used by lenders when offering additional credit. While individual circumstances vary, acceptable total debt-to-income level should be no more than 35 percent and preferably under 25 percent. Consumer debt-to-income level should not exceed 20 percent and preferably under 15 percent.

Monthly Income (take-home after taxes)		Monthly Debt Payments	
Salary		Primary Residence Mortgage Payment	
Social Security Benefits		Second-Mortgage Payment	
Pension/Retirement Income		Home Equity Loan Payments	
Investment Income		Credit Card Payments	
Child Support/Alimony		Student Loans	
Rental Income		Car Loan or Lease Payments	
Business Income (Draw)		Recreational or Boat Payments	
Other		Bank/Credit Union Loan Payments	
Other		Other	
Other		Other	
Total Income:		Total Monthly Debt Payments:	

Total Debt-to-Income Calculation	
Total Monthly Debt	
(divided by)	
Monthly Income	
(equals)	
Debt-to-Income Ratio	

Continued >

Debt Ratios *continued*

Consumer Debt-to-Income Calculation	
Monthly Debt (without mortgages)*	
(divided by)	
Monthly Income	
(equals)	
Consumer Debt-to-Income Ratio	

*Exclude home equity payments if the loan was used to improve the home itself.

SPENDING PLAN

Estimate your monthly expenses below. For expenses that occur less frequently, such as car registration fees, convert the payments to monthly amounts. Then, taking into account your lifestyle, indicate which expenses are essential and cannot be eliminated or reduced.

Monthly Income: _____

Category	Item	Monthly Amount	Percentage of Income	Essential?	Will It Vary?
Saving	Emergency Fund				
	Retirement Fund				
	Investment Fund				
	College Fund				
	Other				
Housing	Mortgage				
	Rent/Condo Fees				
	Property Tax				
	Homeowner's Insurance				
	Home Improvements/Maintenance				
	Other				
Utilities	Heat				
	Electricity				
	Water/Sewer				
	Telephone/Cable/Internet/ Cell Phone				
	Other				
Personal	Groceries				
	Clothing				
	Laundry/Dry Cleaning				
	Personal Care				
	Other				

Continued >

Spending Plan *continued*

Category	Item	Monthly Amount	Percentage of Income	Essential?	Will It Vary?
Health Care and Insurance	Medical Insurance				
	Dental Insurance				
	Life Insurance				
	Long-Term Care Insurance				
	Disability Insurance				
	Deductibles/Co-Pays/ Out-of-Pocket Costs				
	Other				
Family Care	Children/Grandchildren Support				
	Parental Support				
	Child Care/Baby-Sitting				
	Other				
Transportation	Auto Loan/Lease Payment				
	Registration Fees or Excise Tax				
	Gasoline				
	Insurance				
	Routine Maintenance				
	Commuting Expenses				
	Other				
Recreation	Vacations				
	Other Travel				
	Hobbies				
	Club Dues				
	Other				

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Spending Plan *continued*

Category	Item	Monthly Amount	Percentage of Income	Essential?	Will It Vary?
Entertainment	Dining Out/Beverages				
	Event Tickets (e.g., movies, sports, concerts)				
	Other				
Gifts	Gifts				
Charitable Donations	Charitable Donations				
Debt	Credit Card Payments				
	Personal Loan Payments				
	Student Loan Payments				
Miscellaneous	Pocket Money/ATM				
	Other				
Other Expenses (Pet Care/ Unreimbursed Business/ Education Fees)					
Total					

INCOME PLANNING WORKSHEET

Retirement will change your life in profound ways. One of the most basic aspects of retirement is obvious: you will no longer be receiving an annual salary. But just because you're retired does not mean that you will stop receiving monthly paychecks. From social security payments to bond yields, you will be earning regular income. To determine the value of that income, we recommend that you take the time to fill out the worksheet below.

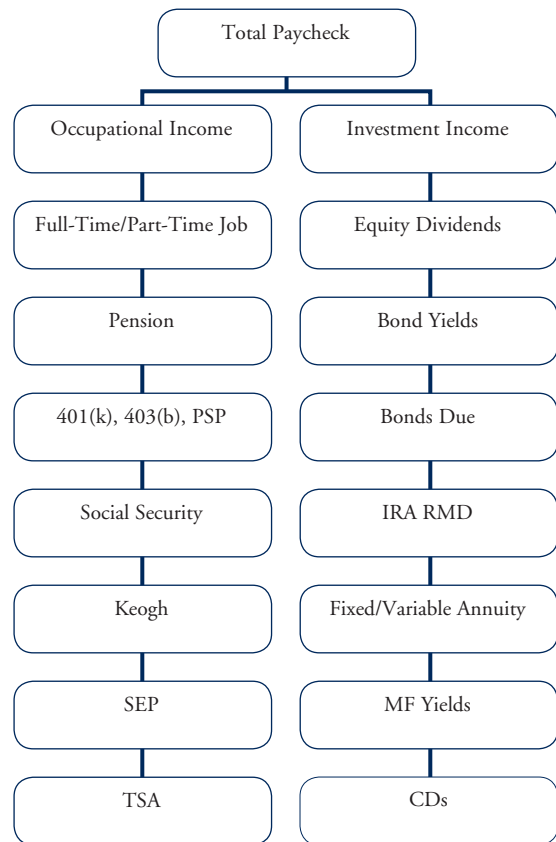
Current Occupational Income:

Salary	_____
Pension	_____
401(k)/403(b)	_____
PSP	_____
Social Security	_____
Keogh	_____
SEP/SIMPLE	_____
TSA	_____
Rental Income	_____
Other	_____
Total	\$ _____

Investment Income:

Equity Dividends	_____
Bond Yields	_____
Bonds Due	_____
Mutual Fund Interest	_____
IRA Req. Min. Dist.	_____
Fixed/Var. Annuity	_____
CDs	_____
Other	_____
Total	\$ _____

Occupational Income + Investment Income = _____



Notes or information that may impact the total income worksheet: _____



THE IDEAL WEEK IN RETIREMENT

When you imagine life after retirement, what do you see? Do you picture yourself on a beach somewhere, relaxing without a care in the world? Do you imagine yourself spending more time with your family? Or pursuing activities you didn't have time for a while you were working?

No matter what you envision yourself doing, keep one thing in mind: There are 24 hours in a day, 7 days in a week, and 52 weeks in a year. That's a lot of time to fill. What will you do that will be as fulfilling as your job once was? Perhaps we can help. We've greatly enjoyed managing your money; please let us help manage your time.

You may find it useful to start thinking about time management in retirement by completing this hypothetical schedule. It may help you gain some perspective on how you will occupy yourself during this next phase of your life.

	Morning	Afternoon	Evening
Sunday			
Monday			
Tuesday			
Wednesday			
Thursday			
Friday			
Saturday			



RETIREMENT VISION QUESTIONNAIRE

Many people find it easy to picture their retirement, a time when every day is a “vacation day.” This may be true for you as well, but we find that some clients do not have a clear vision of what their retirement will be like. In planning for the financial aspects of your retirement, we also strive to help you prepare for other quality of life issues that retirees face.

The following questionnaire will help to get you thinking about your future, and it will help us focus on areas where you will need our assistance:

1. What would your ideal day be like?
2. Is that “ideal” a day you could conceive of every day?
3. How do you spend your leisure time now?
4. Can you/will you continue these same activities post-retirement?
5. What interests do you have that you may not have had the time or opportunity to explore while still working?
6. Will incorporating these new interests/activities be one of your goals?
7. Do you have close ties to your family?
8. Do you have many friendships, or people with whom you will socialize?
9. Do you have strong community involvement? Will this be an outlet for you?

Continued >



Retirement Vision Questionnaire continued

10. Will you want to downsize your residence as you age?
11. Will you consider relocation as you age (e.g., to a warmer climate or one closer to relatives/friends)?
12. Is living with family members a goal/possibility?
13. Do you enjoy traveling? Do you want to increase your travel in retirement?
14. With the extra time afforded to you, will you want to go out to eat more often? Will you want to go to more movies, plays/musicals, or other entertainment events?
15. Do you currently volunteer? Have you considered volunteer work?
16. How will you maintain your health and fitness in retirement? Will you work out at a health club or exercise at home? Do you want to take up fitness activities?
17. Can you conceive of a week without work? Does part-time work appeal to you?
18. Do you want to leave a legacy for your children or grandchildren?
19. Is there a charity or charities to which you wish to leave an endowment?
20. Do you have other legacy or charitable goals (e.g., having a wing of a building at your alma mater named after you)?