**4 Areas of Planning to focus on as your start your Financial Plan:**

1. Protect Your Income
2. Debt Reduction
3. Savings
4. Retirement

**1. Protect Your Income**

Emergency Fund:3 to 6 months Fixed Expenses in Savings at all times

Short-Term Disability Insurance

Long-Term Disability Insurance

* Your Greatest Asset= The Ability to Earn an Income
* Own occupation clause
* Begins after 91 Days (3 Months)
* Pays to the age of 67/70

Life Insurance

* DIME Theory: Debt, Income Replacement, Mortgage & Education
* Yes, Mortgage is a form of debt but if we took out mortgage then it would be the DIE Theory
* Term Life Insurance- Renting
* Permanent Life Insurance- Owning
* Universal Life Insurance-Term with cash value

**2. Debt Reduction**

Balance Sheet/Net Worth Statement

* Review every 6 months

Budget

* Are there places in my budget that I can cut back on?
* Am I living beyond my means?

Monthly Cash Flows Statement

* Monthly Cash Flow Statement (Example)

After-Tax Income: $6,000

Monthly Expenses: $4,500

Discretionary Income: $1,500

* Now What?
* Prioritize Discretionary Income: Does it make sense for me to focus solely on debt or should I be saving at the same time?
* General Rule: If you can pay off all debt (student loans, credit cards) in 3 years or less, then it makes financial sense to do that and not save/invest for the future until debt is paid off.
* If you cannot pay debt off in 3 years, then you most likely need to choose a longer pay off period and begin also saving/investing for the future (Opportunity Cost of losing compound interest)

**3. Savings**

* Emergency Fund
* Short Term Sickness/Disability (3 months)
* To access in retirement when the market is down when we shouldn’t be taking from our Qualified Accounts
* Can keep us at a lower tax bracket in retirement

**4. Retirement**

* Start as soon as possible
* Participate in your Employer Plan (Get the match!)
* Difference in Traditional / Roth
* Investor Profile
* Compound Interest: How much do I need to save now (monthly) to have $1 Million at age 65?

Age Monthly $ Amount

25 381

30 555

35 820

1. 1,235

50 3,155

\*Assuming 7% Annual ROR

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