



CASE STUDY

YOUNG COUPLE

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We sometimes get feedback from advisors saying, "Ok, it's easy to find money for those with higher incomes but what about clients with more average incomes or younger clients with younger children?"

Cash flow planning is for all sorts of clients.

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James is an architect and Anna is a teacher. They have two young children with a third on the way. A few years ago they lucked out and bought a fixer upper in Anna's parent's high-end neighbourhood at a fraction of the price most homes in that area go for. They are feeling strapped every single month and feel like they really need to do something before they get in over their heads.

Here are their details:

- ▶ \$6,200 net average monthly income (gross \$125,000 annual combined)
- ▶ \$7,200 net average monthly expenses (see the problem?)
- ▶ Their home is worth \$500,000
- ▶ Mortgage: \$375,000 (30-year amortization)
- ▶ Student Loans: \$12,000



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The screenshot shows the 'THE MONEY FINDER™ PRO' interface. At the top right, it says 'Welcome Themoneyfinder100' with links for 'Clients' and 'Log off'. The main title is 'YOUNG COUPLE' and the last revision date is '11-04-2013 12:47 PM GMT'. A navigation bar contains icons for INCOME, DEBT, EXPENSE, CURRENT, UNIFICATION, THE GAP, FINAL, and SUMMARY. Below this is a table with three sections: 'YOUNG COUPLE' (Annual Net Pay \$74400.00), 'MRS. YOUNG COUPLE' (Annual Net Pay \$50400.00), and 'OTHER INCOME (MONTHLY)' (Subtotal \$0). Each section has input fields for 'Take Home Pay' and 'Number of Pays Per Year'.

YOUNG COUPLE		Annual Net Pay	\$74400.00
Take Home Pay	<input type="text" value="6200"/>		
Number of Pays Per Year	<input type="text" value="12"/>		
MRS. YOUNG COUPLE		Annual Net Pay	\$50400.00
Take Home Pay	<input type="text" value="4200"/>		
Number of Pays Per Year	<input type="text" value="12"/>		
OTHER INCOME (MONTHLY)		Subtotal	\$0

WE USE OUR SOFTWARE TO GET THE NUMBERS

This couple only had two debts when they moved in to their home. But two maternity leaves, several unplanned expenses, over budget renovations to their fixer, plus two car loans they were "approved" for and their debt has grown by bounds.

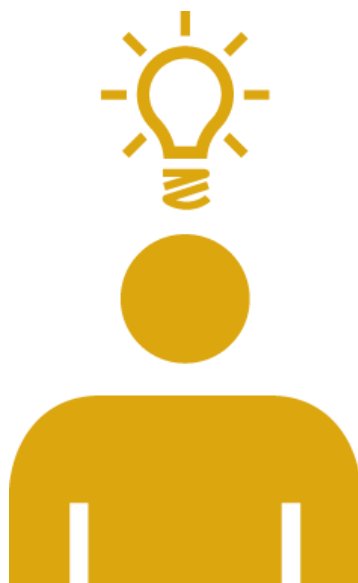


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CREDIT 1	\$5,000
CREDIT 2	\$10,000
CREDIT 3	\$4,000
LINE OF CREDIT	\$9,000
CAR LOAN 1	\$37,000
CAR LOAN 2	\$21,600
TOTAL DEBT	\$473,600

STARTING TO GET THE PICTURE?



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Wondering how two people with a combined gross income of \$125,000 per year managed to borrow almost half a million dollars?

Easy. After they had their mortgage in place they borrowed on credit cards, which they always meant to pay off, and purchased two cars they were convinced they could afford. As you can see, it's a lot more than they can really handle. When they decided to get a Cash Flow Plan over \$3,400 a month of their income was going towards debt repayment.

This could happen to anyone.

TOTAL DEBT	\$469600.00
TOTAL DEBT WITHOUT MORTGAGE	\$94600.00
TOTAL MONTHLY PAYMENT	\$1550.00

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When it came down to it, even though the clients had gotten an amazing deal on their fixer upper, they were still in a home they really couldn't afford. So here's what we did.

“UNIFY THEIR DEBT! UNIFICATION IS KEY.”

- ▶ They sold their home for \$500,000 after coming to terms with that they had bitten off way more than they could chew.
- ▶ They paid off all debts but their car loans, leaving \$65,000 to start over with.
- ▶ They used \$30,000 to put 10% down on a home they could afford (priced at \$275,000, financed over 25 years), they set up an emergency savings account with \$30,000 and had \$5,000 for moving and other expenses.
- ▶ Thanks to the changes in their debt and my cash flow planning formula we were able to get their total expenses down to \$4,700/month, leaving \$1,400 per month for planning.

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GETS YOU AHEAD

\$420,000

In the next 10 years

SHORT TERM GOALS

We know you need a balance of living for today and saving for tomorrow to keep you motivated. Below are your short term goals your Financial Independence Gap will give you:

Payment to Saving \$12480.00 per year

ACTIVE WEEKLY CASH FLOW \$480.00

This is your weekly amount that has to cover all expenses not covered in your working cash flow. Remember **NO** advances, **NO** exceptions and absolutely **NO** EXCUSES.

YOUNG AND MRS. YOUNG, YOU'VE GOT THIS!

While change can be challenging, we know anything worthy requires effort. All recommendations in this plan were made understanding how people behave with money. We've taken into account not what you cannot do, but what you can do. We've made it easy for you to automate all the parts of your plan that will get you ahead, like saving/investing/paying down your debt and **were aware of your need to spend in your own way**. By using your active cash flow, you'll finally be conscious and able to prioritize your spending so you only spend on what truly matters.

ACTION ITEMS

1. Your #1 mission is to use active cash flow exactly as structured.
2. Set up same or sub accounts for short term goals.

The results of these changes also saved the client over \$150,000 in interest and have them on track to be debt free in 25 years rather than a cycle of permanent indebtedness. Over the course of this plan they'll put away over \$270,000 and have \$500 a month to cover their insurance needs.

Meaning a Cash Flow Plan found \$1,400 a month to help these clients fund their plan, but the total found money would be closer to \$420,000.