

Assets**Question?**

Are there enough assets to meet the cash demands of death and to provide adequate income for your family?

Cash Needed

At death, cash is needed to pay funeral and settlement costs and provide for a college fund.

Assets That Will Produce Income

At Death, most assets lose some value, e.g., the cost of converting an asset to an income producing asset. In addition, some assets, e.g., house and cars, do not produce income.

What's left are "Income Producing Assets".

Jim Dies

Financial Statement Assets: \$ 2,194,994

Life Insurance: \$ 600,000

Total Assets Available: \$ 2,794,994

College Fund

\$ 49,878

Cash needed to pay debts and settlement costs

\$ 566,500

Net Assets After Cash Demands

\$ 2,178,616

Assets that do not produce income

\$ 679,500

Income Producing Assets

\$ 1,499,116

Income Needed & Available

Present Annual Income: \$ 185,000

Assuming that: Jim Dies Now

3 Years later at an inflation rate of 2.5%
and at Spouse's age: 48

17 Years later at an inflation rate of 2.5%
and at Spouse's age: 65

Family Income Needed

\$ 105,000

\$ 102,305

\$ 155,669

Income From All Sources

\$ 93,953

\$ 81,062

\$ 143,116

Income Shortage or Surplus

-\$ 11,047

-\$ 21,242

-\$ 12,552

New Capital Needed Now

To Provide Income for Your Family:

\$ 591,932

Jim Dies Now

Assets

Total Assets from the Financial Statement _____ \$ 2,194,994

Life Insurance:

1. On the Insured and owned by the Insured: _____ \$ 600,000
2. On the Insured but owned by the Spouse: _____ \$ 0
3. In addition to the Financial Statement: _____ \$ 0
4. On the Insured but owned by an Irrevocable Trust: _____ \$ 0

Total Assets And Life Insurance Available: \$ 2,794,994

Debts And Settlement Costs

1. Debts: Total Debts: \$ 445,000 Debts to be paid: _____ \$ 445,000
2. Funeral and Settlement costs: _____ \$ 13,500
3. Income and property taxes due in the year of death: _____ \$ 8,000
4. Charitable bequests: _____ \$ 100,000
5. Cash bequests: _____ \$ 0
6. Federal estate taxes: _____ \$ 0
7. State death taxes: _____ \$ 0

Less Cash Needed To Pay Debts, Taxes, Funeral and Settlement Costs: \$ 566,500

Education

Less Amount of Money To Be Set Aside In An Education Fund \$ 49,878

Net Available Assets After Paying Cash Demands _____ \$ 2,178,616

Non-Income Producing Assets

1. Residence: \$ 325,000 Value of residence deducted: _____ \$ 200,000
2. Life Insurance paid to a beneficiary other than the family: _____ \$ 0
3. Non-Income Producing Assets and Asset Shrinkage: _____ \$ 479,500

Less Assets That Do Not Produce Income: \$ 679,500

Total Assets That Will Produce Income: \$ 1,499,116

Jim Dies Now

Assumptions

Income Needed Now:

With children: \$ 105,000

Without children: \$ 95,000

Rate of Inflation: 2.5%

The income needed by the family is increased in future years by the inflation rate.

Earnings: 3.0%

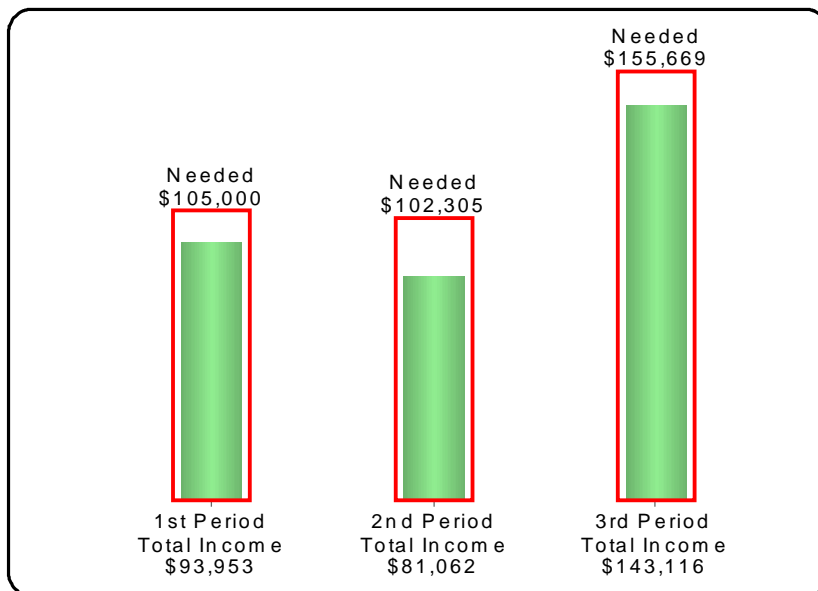
Cash-in-hand, spendable money from income producing assets.

Growth Rate: 5.0%

In addition to earnings, assets may increase, appreciate in value by this rate.

Present Value: 8.0%

The earnings and growth rates are combined when calculating the present value of a future need.



Income Needed / Goals

	First Period	Second Period	Third Period
Present annual income: \$ 185,000	Now	3 Years later Spouse Age: 48	17 Years later Spouse Age: 65
Annual income needed by the family:	\$ 105,000	\$ 102,305	\$ 155,669

Sources of Income

Assets: \$ 1,499,116 at 3.0% Earnings:	\$ 44,973	\$ 52,062	\$ 119,328
Social Security & Other Income:			
Government / Social Security:	\$ 22,980	\$ 0	\$ 22,788
Spouse Working - Net Income:	\$ 25,000	\$ 28,000	\$ 0
Current retirement income from: Jim	\$ 1,000	\$ 1,000	\$ 1,000
Salary Continuation plan:	\$ 0	\$ 0	\$ 0
Other: Spouse Family Trust	\$ 0	\$ 0	\$ 0
Total income from all sources:	\$ 93,953	\$ 81,062	\$ 143,116

Income Shortage / Surplus

Your goal less income from all sources: (Deduct earlier shortages from later periods.)	-\$ 11,047	-\$ 21,242	-\$ 12,552
		\$ 12,788	\$ 48,688
Income shortage/surplus for each period:	-\$ 11,047	-\$ 8,454	\$ 36,135

New Capital Needed

Assets / Capital needed at 3.0% Earnings	\$ 368,218	\$ 281,815	\$ 0
The Present Value of a Future Need At 8.0% interest rate. (Growth + Earnings)		\$ 223,714	\$ 0

New Capital Needed Now to Provide for Your Family: \$ 591,932

Death Non-Income Producing Assets

Financial Data = Actual

At the Death of Jim

Description of Assets	Income Producing Percentage	Current Value of Assets	Income Producing Value	Non-Income Producing Value
Personalty		\$125,000	\$0	\$125,000
Automobiles	0%	\$75,000	\$0	\$75,000
Home Furnishings and Fixtures	0%	\$50,000	\$0	\$50,000
Collectibles		\$400,000	\$322,000	\$78,000
Art Collection	80%	\$390,000	\$312,000	\$78,000
Coin Collection	100%	\$10,000	\$10,000	\$0
Cash		\$150,000	\$150,000	\$0
Credit Union Savings & Checking	100%	\$125,000	\$125,000	\$0
Money Market Savings	100%	\$25,000	\$25,000	\$0
Portfolio		\$289,994	\$289,994	\$0
Schwab Growth	100%	\$191,234	\$191,234	\$0
Schwab Mutual Fund	100%	\$54,340	\$54,340	\$0
TD Waterhouse	100%	\$44,420	\$44,420	\$0
Residence		\$325,000	\$0	\$325,000
1234 Hollady Blvd.	0%	\$325,000	\$0	\$325,000
Real Estate Income		\$300,000	\$230,000	\$70,000
Building Partnership	80%	\$100,000	\$80,000	\$20,000
Duplex II Rental	75%	\$200,000	\$150,000	\$50,000
Real Estate Other		\$200,000	\$100,000	\$100,000
Raw Land, 5 Acres	50%	\$200,000	\$100,000	\$100,000
Business		\$300,000	\$240,000	\$60,000
Aba Dental Inc.	80%	\$150,000	\$120,000	\$30,000
Dental Lab, Inc.	80%	\$150,000	\$120,000	\$30,000
Retirement Plans		\$105,000	\$58,500	\$46,500
Aba Dental 401K Plan	90%	\$65,000	\$58,500	\$6,500
Evan & Sutherland 401-K	0%	\$40,000	\$0	\$40,000
Totals:		\$2,194,994	\$1,390,494	\$804,500
			Less Residence:	-\$325,000
			Adjusted Non-Income Producing Assets:	\$479,500