

HOW AM I DOING?

A Rough Calculation....See your advisor for more precision....Use a financial calculator

Step 1: Calculate Effective Rate of Return

(a) Gross rate of return you expect in the long run (eg 8%)	_____ %
(b) Marginal long run Federal + State Tax Bracket (eg 40%)	_____ %
(c) (a) x (b)	_____ %
(d) (a) – (c) After tax return	_____ %
(e) Expected rate of inflation in long run (eg 3%)	_____ %
(f) (d) – (e) Effective rate of return after tax & inflation	_____ %

Step 2: Calculate Nest Egg at the Point of Financial Independence (today's \$)

(g) Current investment net worth (exclude home & mortgage)	\$ _____
(h) Annual net savings (incl. 401k, etc.)	\$ _____
(i) Years to Financial Independence (eg to age 65)	_____
(j) Nest egg: Future Value of: $pv=(g)$ $pmt=(h)$ $n=(i)$ $i=(f)$	\$ _____
(k) Number of years you expect to live after this point	_____
(l) Minimum estate to leave to your heirs, charities, etc.	\$ _____

Step 3: Calculate Your Monthly Income during Financial Independence (today's \$) (Is this adequate??)

either (m) Regardless of how long you may live: $1/12 \times (j) \times (f)$	\$ _____
or (n) Living (k) years after financial independence: calculate “pmt”, if: $fv=(j)$ $n=(k)$ $i=(f)$	\$ _____

Step 4: Correct deficiencies, if necessary

<u>#</u>	<u>Action</u>	<u>By Whom?</u>	<u>By When?</u>
1			
2			
3			

Office of Selwyn Miller, CFP®, ChFC. 805-494-4868. selwyn@millerfp.net

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