



Personal Financial Planning Supplemental Databook and  
Document Checklist



## ***Additional Document Checklist*** Comprehensive Financial Planning

Client 1 Name \_\_\_\_\_ SSN \_\_\_\_\_

Client 2 Name \_\_\_\_\_ SSN \_\_\_\_\_

**\*In addition to items in the data book, we also need copies of:**

- Current Paystubs
- Income Tax Returns (including W-2s)
- Gift Tax returns
- Loan agreements (include titling, interest rate, length, payment and current balance)
- Social Security Statements
- Property Tax statement
- Long Term Care Insurance policies
- Employer Benefits
- Most recent Profit Sharing, 401(k), 403(b), 457 or Pension Plan statement (include information on matching) Investment statements (brokerage, mutual funds, IRAs, etc.)
- Annuity contracts and most recent account statement
- Wills
- Trusts
- Pre-nuptial Agreements
- Marital Property Agreements
- Financial Power of Attorney
- Health Care Power of Attorney
- State and/or company Defined Benefit plan annual statement
- Other \_\_\_\_\_

# Risk Analysis

## STEP ONE: Determining your risk capacity

**1) Calculate your ability to pay all your debts with the following calculation.**

(Total savings includes all investments and savings held in taxable and retirement accounts).

$$\frac{\text{Total savings}}{\text{Total debt}} = \text{Debt to Income Ratio}$$

<u>&lt; 30%</u>	<u>30% - 40%</u>	<u>40% - 50%</u>	<u>50% - 60%</u>	<u>60% - 70%</u>	<u>70% - 85%</u>	<u>85% - 100%</u>	<u>100% - 125%</u>	<u>125% - 150%</u>	<u>150+%</u>
1	2	3	4	5	6	7	8	9	10

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

**2) What is the ability for your savings to replace your income?** (Total savings includes all investments and savings held in taxable and retirement accounts and your income is from all incoming sources ).

$$\frac{\text{Total savings}}{\text{Total income}} = \text{Savings to Income Ratio}$$

<u>&gt; 1x</u>	<u>1.5x</u>	<u>2x</u>	<u>3x</u>	<u>5x</u>	<u>7x</u>	<u>10x</u>	<u>13x</u>	<u>16x</u>	<u>&gt; 20x</u>
1	2	3	4	5	6	7	8	9	10

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

**3) Does your monthly income fall short, meet or exceed your monthly expenses?**

<u>Fall Short</u>			<u>Meet</u>				<u>Exceed</u>		
1	2	3	4	5	6	7	8	9	10

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

**4) Over the next five years, do you expect your income from all sources to...**  
 (income from all sources earnings, rental income, pension, social security, trust income, etc.)

<u>Decrease</u>			<u>Stay the Same</u>				<u>Increase</u>		
1	2	3	4	5	6	7	8	9	10

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

**5) When do you expect to begin withdrawing money from your investments?**

<u>1 yr or Less</u>	<u>2 yrs</u>	<u>3 yrs</u>	<u>4 yrs</u>	<u>5 yrs</u>	<u>6 yrs</u>	<u>7 yrs</u>	<u>8 yrs</u>	<u>9 yrs</u>	<u>10+ yrs</u>
1	2	3	4	5	6	7	8	9	10

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

**6) Once you begin withdrawals from your investments, how long do you expect/need the withdrawals to continue?**

<u>1 yr or Less</u>	<u>2 yrs</u>	<u>3 yrs</u>	<u>4 yrs</u>	<u>5 yrs</u>	<u>6 yrs</u>	<u>7 yrs</u>	<u>8 yrs</u>	<u>9 yrs</u>	<u>10+ yrs</u>
1	2	3	4	5	6	7	8	9	10

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

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**Now add your answers from questions 1-6 and write your score below. This is your Risk Capacity**

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

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STEP 2: Determining your risk attitude

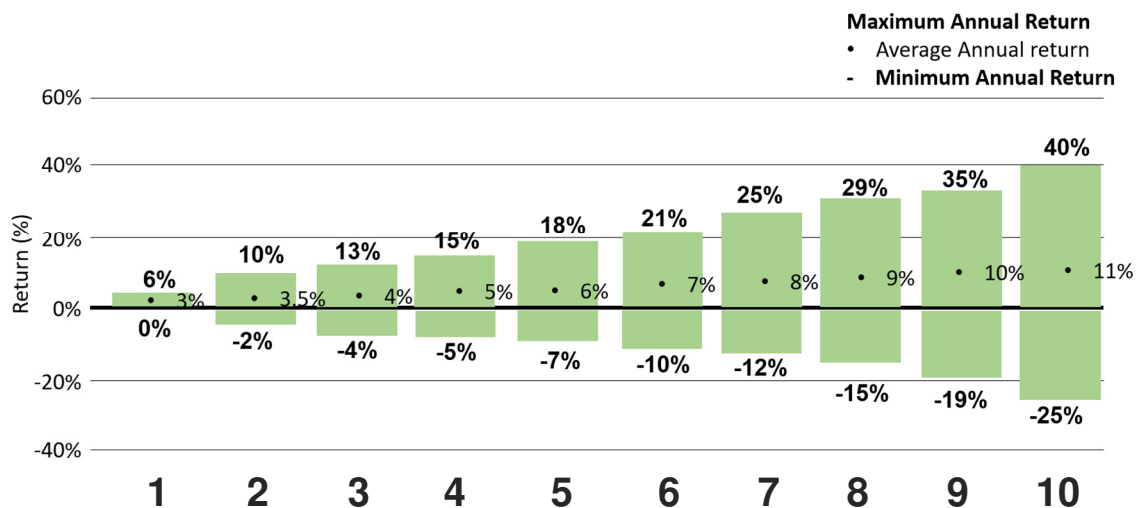
**A) Which of the following best describes your investment objectives?**

Conserve Principal			Moderate				Growth		
1	2	3	4	5	6	7	8	9	10

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

**B) Which return scenario do you find most attractive?**



Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

**C) How would you describe your knowledge of financial markets?**

Limited			Moderate				Extensive		
1	2	3	4	5	6	7	8	9	10

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

**D) How much financial risk are you willing to take?**

<u>Little</u>		<u>Some</u>			<u>Reasonable</u>			<u>What is necessary</u>	
1	2	3	4	5	6	7	8	9	10

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

**E) During the bear market that occurred from late 2007 to the spring of 2009, equities (stocks) fell approximately 50%. During the worst of this unsettling period, did you...**

<u>Sell</u>		<u>Hold</u>			<u>Buy</u>			<u>It was a buying opportunity- for the long term</u>	
1	2	3	4	5	6	7	8	9	10

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

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**Now add your answers from questions A - E and write your score below. This is your risk attitude**

Client 1: \_\_\_\_\_

Client 2: \_\_\_\_\_

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*STEP 3: Determining your risk tolerance profile*

**Using the following graph, locate the risk tolerance associated with your scores.** (Ex. If your risk capacity score is 9 Score and risk attitude score is 23 your Risk Tolerance is Income with Moderate Growth). **This is your Risk Tolerance Profile.**

		Risk Attitude					
		0 - 13	14 - 20	21 - 30	31 - 40	41 - 50	51 - 60
Risk Capacity	0 - 12	Principal Stability	Current Income	Income with Moderate Growth	Balanced	Growth with Moderate Income	Growth with Moderate Income
	13 - 20	Current Income	Current Income	Income with Moderate Growth	Balanced	Growth with Moderate Income	Growth
	21 - 30	Current Income	Income with Moderate Growth	Balanced	Growth with Moderate Income	Growth	Growth
	31 - 40	Income with Moderate Growth	Balanced	Growth with Moderate Income	Growth with Moderate Income	Growth	Aggressive Growth
	41 - 50	Balanced	Growth with Moderate Income	Growth with Moderate Income	Growth	Aggressive Growth	Aggressive Growth

Client 1 \_\_\_\_\_

Client 2 \_\_\_\_\_

*STEP 4: Validating your risk tolerance profile*

**I) Answer the next two questions assuming the following scenario:**

*Fast forward a year from now, assume the market repeated the losses from the Great Recession (November 2007 – February 2009) and you receive a statement with any of the losses listed below. (Note: actual losses during the Great Recession are shown\*).*

- i) **Looking at the corresponding return for the Risk Tolerance Profile you identified above, how would you feel if your statement showed that loss?** (Enter A, B, C, or D to each risk profile)

- A – So worried I wouldn't be able to sleep
- B – Worried, but it won't keep me up at night
- C – Not happy, but okay
- D – I don't know

Risk Tolerance Profile	Returns*	Client 1	Client 2
Principal Security	-4%		
Current Income portfolios	-4%		
Income with Moderate Growth portfolios	-12%		
Balanced portfolios	-19%		
Growth with Moderate Income portfolios	-29%		
Growth portfolios	-39%		
Aggressive Growth portfolios	-50%		

ii) **Continuing this scenario, what would you do if you saw this return on your statement? (Respond with the appropriate letter)**

- A – Sell everything
- B – Sell some of my investments
- C – Hold on- I'm invested for the long term

Client 1 \_\_\_\_\_

Client 2 \_\_\_\_\_

## Definitions

**Principal Stability (10/90)**: *Primary objective is capital preservation while earning a modest income. Growth of income and principal are of minor importance. Risk Tolerance: LOW. Time Horizon: Usually short term. Liquidation and distribution expected in 3 years or less.*

**Current Income (25/75)**: *Primary objective is current income with an emphasis on security of principal. Capital appreciation is of minor importance. Risk Tolerance: LOW to MEDIUM. Time Horizon: Usually short term. Liquidation and distribution expected in 5 years or less.*

**Income with Moderate Growth (40/60)**: *Primary objective is stable current income while achieving some growth of capital. Capital appreciation is of secondary importance. Moderately important to avoid short term loss of principal. Risk Tolerance: MEDIUM. Time horizon: Intermediate. Partial distributions to be begin in 5 years or more.*

**Balanced (50/50)**: *Primary objective is to achieve an equal balance between income and capital appreciation. Moderately important to avoid short term loss of principal. Risk Tolerance: MEDIUM. Time horizon: Intermediate. Partial distributions to be begin in 5 years or more.*

**Growth and Moderate Income (65/35)**: *Primary objective is to achieve a modified balance between capital appreciation and income. Short term loss of principal may occur occasionally. Risk Tolerance: MEDIUM. Time horizon: Intermediate. Partial distributions to be begin in 5 years or more.*

**Growth (80/20)**: *Primary objective is capital appreciation. Income is of secondary importance. Loss of principal is expected at times. Risk Tolerance: MEDIUM to HIGH. Time Horizon: Intermediate to long term. Distributions are not anticipated for 7 or more years.*

**Aggressive Growth (98/2)**: *Primary objective is long-term capital growth with minor emphasis on capital preservation. Stability of principal is of little importance. Risk Tolerance: HIGH. Time Horizon: Long term. Distributions are not anticipated for 10 or more years.*

The model portfolios have been developed as general examples for investors with low (conservative), medium (moderate) or high (aggressive) risk profiles. An investor's own profile selection may vary depending on personal objectives, time horizon and risk tolerance. An asset allocation strategy can help you to accomplish two important goals: first it can help you to ride out the ups and downs of the market by diversifying your investments, and second, it lets you adjust your exposure to risk based on your desired levels of relative fluctuation and potential return on investment. Asset allocation won't guarantee a profit or ensure that you don't have a loss but may help reduce risk and volatility in your portfolio. There is no assurance that by assuming more risk you are guaranteed to achieve better results.

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