

FUNDAMENTALS OF FINANCIAL PLANNING, 7TH ED.

TABLE OF CONTENTS

Chapter 1 | Introduction to Financial Planning

Learning Objectives	2
Introduction.....	2
Personal Financial Planning	3
Contents of the Financial Plan.....	4
Establish and Define the Client Relationship.....	5
Understanding the Client’s Personal and Financial Circumstances (Gather Client Data).....	10
Identifying and Selecting Goals.....	14
Analyzing, Developing, Presenting, Implementing and Monitoring	15
Financial Planning Profession	18
The Benefits from Financial Planning	18
Why Use a Professional Financial Planner.....	18
The Practice of Financial Planning	19
Recognized Certifications in Financial Planning	19
Job Satisfaction	20
Employment and Job Outlook.....	20
The Business of Financial Planning.....	21
The Role of Fiduciaries in Financial Planning	23
Discussion Questions	27
Multiple-Choice Problems	28
Quick Quiz Explanations	30

Chapter 2 | Interpersonal Communication, Behavioral Finance & Client Psychology

Learning Objectives	32
Introduction.....	33
Learning Objectives	33
Communication with Clients from a Counseling Perspective: Counseling Theories & Schools of Thought.	34
The “Developmental” School of Thought.....	35
The “Humanistic” School of Thought	35
The “Cognitive-Behavioral” School of Thought.....	36
Communication Tools and Techniques for Financial Counselors.....	38
Elements of Communication	38
Nonverbal Behavior or “Body Language”	39
Active Listening Versus Passive Listening	40
Using Open and Closed Questions	42
Clarifying or Restating a Client’s Statement.....	44
Client Data Collection	46
Developing a Relationship of Trust with the Client.....	48

Concepts and Theories Behind Behavioral Finance	49
Introduction to Behavioral Finance	49
Assumptions and Building Blocks of Traditional Finance.....	49
Behavioral Finance.....	52
What Makes Investors Normal Instead of Rational: Cognitive Biases, Errors and Being Human	55
Managing Biases	65
Conclusion About Behavioral Finance	66
Client Psychology	67
Introduction	67
Socialization and Client and Planner Values, Attitudes, and Beliefs	68
Impact of Client Background, Risk Tolerance and Loss Aversion, and Preferred Learning Style on Client Goals and the Financial Planning Process.....	71
Psychological Barriers to a Successful Financial Planning Engagement	75
Introduction	75
Money Beliefs.....	76
Money Disorders and Sources of Money Conflict.....	79
Undue Influence, Control, and Abuse	86
Importance of Agreeing on Financial Goals and Objectives with the Spouse and/or Family Members.....	87
Conflict Resolution.....	88
Motivation and Decision Making	89
Identifying the Client’s Financial Goals and Motivation for Achieving Those Goals	89
Positive Psychology.....	93
Choice Architecture.....	94
Managing and Mitigating Crisis Events with Severe Consequences	99
Emergency Fund Planning	100
Insurance Planning	101
Investments Planning	101
Estate Planning	101
Client Psychology and the Financial Planning Process	102
Conclusion	103
Discussion Questions	104
Multiple-Choice Problems	105
Quick Quiz Explanations	106

Chapter 3 | Financial Planning Approaches: Analysis and Recommendations

Learning Objectives	110
Introduction	110
Reasonable Assumptions	111
The Analysis	111
The Approaches to Financial Planning Analysis and Recommendations	112
The Life Cycle Approach	115
The Pie Chart Approach	117
Income Statement Pie Chart.....	117
Balance Sheet Pie Chart	120
Summary Regarding the Life Cycle and Pie Chart Approaches.....	122

The Financial Statement and Ratio Analysis Approach123
 Liquidity Ratios..... 123
 Debt Ratios..... 125
 Ratios for Financial Security Goals 127
 Performance Ratios..... 133
 Guide for Calculating Financial Ratios 136

Hess Case Example of Applying the Pie Chart, Financial Statement, and Ratio Analysis Approach138
 Financial Statements: Statement of Income and Expenses 139
 Financial Statements: Projected Balance Sheet (12/31/20X2) 140
 Pie Chart Analysis for Hess Case 141
 Financial Ratios for Hess Case..... 142

The Two-Step / Three-Panel / Metrics Approach144
 Two-Step Approach..... 144
 Three-Panel Approach..... 144
 Metrics Approach..... 146
 Risk Tolerance and Asset Allocation..... 148

The Present Value of All Goals Approach151
Presentation of the Present Value of all Goals Approach.....156

The Cash Flow Approach.....158
 Risk Management..... 159
 Debt Management 160
 Savings and Investing Management 165

The Strategic Approach167
 Mission Statement (An Enduring Long-Term Statement) 168
 Goals (Broadly Conceived Goals) 168
 Objectives (Narrow Measurable Objectives)..... 168
 Investment Analysis 168

Discussion Questions169
Multiple-Choice Problems170
Quick Quiz Explanations172

Chapter 4 | Personal Financial Statements: Preparation and Analysis

Learning Objectives174
Introduction.....174

Balance Sheet (Statement of Financial Position)175
 Cash and Cash Equivalents..... 176
 Investment Assets 176
 Personal Use Assets..... 177
 Liabilities..... 178
 Valuing Assets and Liabilities 180
 Net Worth 180
 Sources of Information..... 183
 Account Ownership..... 183
 Footnotes to the Financial Statements..... 184

Statement of Income and Expenses185
 Income 185
 Savings Contributions 185
 Expenses 185

Net Discretionary Cash Flows	187
Sources of Information	189
Projected Income Statements	189
Statement of Net Worth	190
Cash Flow Statement	190
Forecasting	191
Importance of Budgeting	192
Financial Statement Analysis	196
Comparative Financial Statement Tools	196
Ratio Analysis	201
Financial Statement Analysis - The Bowdens	202
Brandon and Jill Bowden	202
Categories of Financial Ratios	206
Liquidity Ratios	206
Ratios for Financial Security Goals	215
Performance Ratios	218
Limitations of Financial Statement Analysis	223
Discussion Questions	225
Multiple-Choice Problems	226
Quick Quiz Explanations	227

Chapter 5 | Risk Management for the Individual Client

Learning Objectives	230
Introduction	230
The Personal Risk Management Process	230
Causes of and Contributors to Losses	234
Perils	234
Hazards	234
Insurable Losses	235
Requisites for an Insurable Risk	235
Insurance as a Legal Contract	235
Elements of a Valid Contract	235
Insurance on the Person	236
Life Insurance	236
Types of Life Insurance	242
Health Insurance	244
Long-Term Disability	245
Long-Term Care Insurance	247
Homeowners and Renters Insurance	248
Automobile Insurance	250
Exclusions	250
Rates	250
Personal Liability Insurance	252
Conclusion	252
Discussion Questions	253

Multiple-Choice Problems 254
 Quick Quiz Explanations 256

Chapter 6 | John and Mary Burke Case and Case Analysis

Learning Objectives 258
John and Mary Burke Case 258
 Mike Mitchell’s Preliminary Conclusions Regarding the Burkes: 261
 (using the life cycle approach) 261
 Engagement Letter 264
Personal Background and Information Collected 265
 The Family 265
External Information 265
 Economic Information 265
 Bank Lending Rates 266
 Expected Investment Returns 266
Internal Information 267
 Insurance Information 267
 Investment Information 268
 Financial Statements 270
 Income Tax Information 272
 Retirement Information 272
 Gifts, Estates, Trusts, and Will Information 272
Information Regarding Assets and Liabilities 272
 Automobile 272
 Financial Goals 272
Case Analysis 273
 Mike Mitchell’s Preliminary Conclusions Regarding the Burkes: 273
 (using the life cycle approach) 273
 Applying Financial Planning Approaches 274
Pie Chart Approach 274
 Introduction 274
 Data for Pie Chart Approach - Balance Sheet 1/1/20X2 275
 Data for Pie Chart Approach - Income Statement 1/1/20X2 276
 Financial Statement Analysis - Ratio Analysis Approach 277
The Two-Step / Three-Panel / Metrics Approach 279
 Introduction 279
 Home Purchase Analysis - Schedule A 281
 Savings Schedule - Schedule B 282
 Payment Schedule - Schedule C 282
 Auto Interest - Schedule D 282
 Comments on Three-Panel / Metrics Approach Analysis 283
 Risk Tolerance and Asset Allocation 284
 The Present Value of all Goals Approach 286
 Summary of the Present Value of All Goals 287
The Cash Flow Approach 288
 Burke Cash Flow Approach with Recommendations 288
 Assets Sold to Pay Off Credit Cards - Schedule A 289

Strategic Approach	289
Introduction	289
Mission Statement (An Enduring Long-Term Statement)	289
Goals (Broadly Conceived Goals)	289
Objectives (Narrow Measurable Objectives)	289
Comments on Strategic Approach	290
Presentation to John and Mary Burke	290
Projected Financial Statements and Ratios	290
Schedule A - Analysis of John's 401(k) Plan	290
Schedule B - Analysis of Mary's 401(k) Plan	291
Schedule C - Combined Savings Rate After Recommendations (including tax overwithheld)	291
Schedule D - Income Tax Analysis	291
Projected Statement of Financial Position	293
Schedule E - Reconciliation of Year-End Net Worth	294
Projected Statement of Income and Expenses	295
Selected Ratios	296
Schedule F - Current and Projected Ratios	296
Summary	296
Closing Engagement Letter	297

Chapter 7 | Time Value of Money

Learning Objectives	300
Introduction	300
Approach for Solving Time Value of Money Calculations	301
Step One: Start with a Timeline	302
Step Two: Write Down the TVM Variables	303
Step Three: Clear all Registers in the Financial Calculator	304
Step Four: Populate the TVM Variables in the Calculator	304
Time Value of Money Concepts	304
Present Value of \$1	304
Future Value of \$1	305
Periods of Compounding Other than Annual	305
Annuities	308
Present Value of an Ordinary Annuity of \$1 (Even Cash Flows)	310
Present Value of an Annuity Due of \$1 (Even Cash Flows)	311
Future Value of an Ordinary Annuity of \$1 (Even Cash Flows)	312
Future Value of an Annuity Due of \$1 (Even Cash Flows)	312
Future Value of an Ordinary Annuity vs Annuity Due Comparison	313
Ordinary Annuity Payments from a Lump-Sum Deposit	314
Annuity Due Payments from a Lump-Sum Deposit	315
Solving for Term (N)	315
Solving for Interest Rate (i)	317
Uneven Cash Flows	317
Net Present Value	318
Internal Rate of Return (IRR)	321
Inflation Adjusted Rate of Return	323
Serial Payments	325
Debt Repayments	328
Amortization Schedule	330

Other Practical Applications 331
 Cash Rebate or Zero Percent Financing..... 331
 Payment of Points on a Mortgage 332
 Lottery Winnings - Lump Sum or Annuity 333
 Mortgage Reduction Techniques 334
 Buy vs. Lease/Rent 335
Conclusion 337
Discussion Questions 338
Multiple-Choice Problems 339

Chapter 8 | Education and Education Funding

Learning Objectives 342
Introduction 342
 Current Education Costs 342
 Other Costs Besides Tuition 345
 Future Tuition Costs 346
 Financial Aid 347
Financial Aid Process 347
 Regular Formula: Income and Assets 348
 Simplified Method 348
 Automatically Assessed Formula 349
 The FAFSA Simplification Act of 2020 350
 Additional Information To Assist With College Selection 350
Types of Financial Aid 351
 Grants 351
 Financial Aid - Loans 353
 Consequences of Defaulting on Student Loans 364
 Financial Aid - Federal Work-Study 365
 Tax Deferred Savings, Deductions, Credits or Other Education Planning Benefits 366
 Qualified Tuition Plans 366
 Coverdell Education Savings Account 373
 U.S. Government Savings Bonds 374
Tax Implications 375
 Tax Deductions for Education Expenses 375
 Student Loan Interest Deduction 375
 Loan Forgiveness 376
 Tax Credits for Education-Related Expenses 377
 The American Opportunity Tax Credit (Formerly the Hope Scholarship Credit) 377
 Lifetime Learning Credit 378
Other Sources of Education Funding 382
 Scholarships and Fellowships 382
 IRA Distributions 383
 Uniform Gift to Minors Act (UGMA) & Uniform Transfer to Minors Act (UTMA) Custodial Accounts 385
 Employer-Provided Education Assistance 386
 Life Insurance 387
 Private Student Loans 387
 Home Equity Loans 388
 401(k) Loans 388
Coordinating College Savings with Financial Aid 389

Education Funding Needs Analysis	391
Uneven Cash Flow Method	392
Traditional Method	397
Summary of Savings Options	398
Account Balance Method	400
Comparison of the Account Balance Method to the Traditional Method	401
Hybrid Approach	402
Conclusion	404
Discussion Questions	405
Multiple-Choice Problems	406
Quick Quiz Explanations	407

Chapter 9 | Investments

Learning Objectives	410
Introduction	410
Investment Planning	411
Risk Tolerance - Capacity (Ability to Handle Risk)	411
Risk Tolerance Questionnaire (Willingness to Take on Risk)	411
The Investment Planning Process	414
Investment Policy Statement	414
Measuring Investment Returns	417
The Holding Period Return (HPR)	417
The Arithmetic (Average) Return (AR) or Arithmetic Mean	418
The Geometric Return (GR)	419
Effective Annual Rate (EAR)	420
The Weighted Average (Expected) Return (WAR)	421
The Internal Rate of Return (IRR)	421
Dollar-Weighted and Time-Weighted Returns	422
Investment Risks	423
Types of Investment Risks	423
Systematic Risks	423
Unsystematic Risks	424
Measuring Investment Risks	426
Risk-Adjusted Return Measures	431
Modern Portfolio Theory	432
Results of the Efficient Frontier	432
Capital Market Line	434
Portfolio (MPT) Statistics	435
Investment Alternatives	439
Equity Securities	439
Debt Securities	443
Real Estate and Tangible Investments	447
Derivative Securities	447
Investment Companies	448
Unit Investment Trusts	448
Exchange Traded Funds	449
Open-End Investment Companies	450
Closed-End Investment Companies	453
Types of Mutual Funds	453

Performance Measures	457
Jensen’s Alpha	458
Sharpe Ratio	459
Treynor Ratio	460
Information Ratio (IR)	461
Asset Allocation	462
Investment Analysis for an Individual Client	463
Discussion Questions	464
Multiple-Choice Problems	465
Quick Quiz Explanations	466
Chapter 10 David and Amy Rudolph Case & Case Analysis Part 1	
Learning Objectives	468
David & Amy Rudolph Case - Internal Data	468
The Family (January 1, 20X2)	468
Personal and Financial Objectives	469
Summary of Initial Data Collected - Life Cycle Approach	469
Preliminary Conclusions Regarding the Rudolphs (Life Cycle Approach)	469
Rudolph Case File - Additional Data	470
External Information	470
Additional Internal Information	471
Insurance Information	471
Investment Information	477
Income Tax and Social Security Tax Information	480
Retirement Information	480
Estate Information	481
Other Information Regarding Assets and Liabilities	481
Pie Chart Approach	482
Introduction	482
Data for Pie Chart Approach - Income Statement	482
Data for Pie Chart Approach - Balance Sheet	483
Financial Statement Analysis - Ratio Analysis Approach	484
Introduction	484
The Two-Step/Three-Panel/Metrics Approach	487
Introduction	487
Risk Management Data - Schedule A	487
Short-Term Savings and Investments - Schedule B	488
Long-Term Savings and Investments - Schedule C	489
The Cash Flow Approach	490
Cash Flow Approach with Recommendations - Schedule D	491
Debt Management - Schedule E	492
Strategic Approach	492
Mission Statement	492
Goals	492
Personal and Financial Objectives of the Rudolphs	493
Personal and Financial Objectives Recommended by the Financial Planner	493

Presentation to David and Amy Rudolph - Financial Statements and Ratios Post Recommendations . . .	494
New Emergency Fund Ratio	494
New Savings Rate (EE = employee, ER = employer)	494
Housing Ratios	495
Investment Analysis	495
Investment Portfolio Analysis	496
Change in Net Worth - Reconciliation	499
Retirement Goal	499
Education Goal	500
Summary	501
Strengths	501
Weaknesses	501
Recommendations - Implemented	502
Unmet Goals	502

Chapter 11 | Retirement Planning Accumulations and Distributions

Learning Objectives	504
Introduction	504
Factors Affecting Retirement Planning	504
Remaining Work Life Expectancy (RWLE)	505
Retirement Life Expectancy (RLE)	507
Savings and Investment Issues	509
Retirement Needs Analysis	521
Wage Replacement Ratio (WRR)	522
Sources of Retirement Income	527
Retirement Funding (Capital Needs Analysis)	530
Accurate Assumptions	531
Annuity Method (4-Step Approach)	532
Uneven Cash Flow Method of Retirement Funding	535
Capital Preservation Model	536
Purchasing Power Preservation Model	537
Capitalization of Earnings Model	538
The Serial Payment Approach	540
Range Estimates, Sensitivity Analysis, Simulations, and Monte Carlo Analysis	542
Alternatives to Compensate for Projected Cash-Flow Shortfalls	546
Implications of Capital Needs Analysis	549
Other Considerations	549
Managing Retirement Distributions	550
4 Percent of Capital Balance Approach	551
Multiple Portfolio Approach (Bucket Approach)	552
Discussion Questions	553
Multiple Choice Problems	555
Quick Quiz Explanations	557

Chapter 12 | Income Tax Planning

Learning Objectives560

Income Taxes and the IRS.....560

 The Three Tax Systems 560

 Three Types of Income..... 561

 Three Types of Tax Accounting 561

 Three Key Tax Principles 562

 Sources of Tax Law 562

 Interest and Penalties for Noncompliance 564

 Preparer Penalties..... 565

Tax Formula for Individual Taxpayers566

 Income 567

 Gross Income 567

 Exclusions..... 567

 Deductions 568

 Deductions for AGI (Above-the-Line)..... 569

 Itemized Deductions (Below-the-Line) 569

 Which Type of Deduction is Better – Above or Below-the-Line Deductions? 570

 Adjusted Gross Income (AGI) 570

 Standard Deduction..... 571

 Calculation of the Standard Deduction for a Dependent 572

 Claiming Dependents 572

 Tax on Taxable Income 572

 Filing Status 574

 Payment of Taxes Through Withholdings..... 576

 Tax Credits 577

 Tax Credits vs. Tax Deductions 579

 Tax Credit Requirements 579

Introduction to Basis580

 Uses of Basis..... 580

 Determining Basis 580

 Adjustments to Basis 581

 Realization and Recognition 581

Capital Gain Holding Periods and Tax Rates.....581

 Holding Periods 581

 Capital Gains Tax Rates 582

Sale of Personal Residence (Section 121)583

Discussion Questions584

Multiple-Choice Problems585

Quick Quiz Explanations586

Chapter 13 | Business Entity Selection and Taxation

Learning Objectives588

Introduction.....588

 Ease and Cost of Formation 588

 Complexity of Management and Governance 588

 Transferability and Dissolution 589

 Liability Protection for Owners’ Personal Assets..... 589

 Reporting Requirements and Taxation 589

Sole Proprietorships	590
Formation	590
Interest, Disposal of Interest, and Dissolution	591
Capital	591
Liability	591
Management/Operations	591
Income Taxation and Payroll (Social Security) Taxes	591
General Partnerships	600
Formation	600
Interest, Disposal of Interest, and Dissolution	600
Capital	600
Liability	601
Management/Operations	601
Income Taxation and Payroll (Social Security) Taxation	601
Partners' Basis in a Partnership	602
Limited Partnerships (LP)	607
Formation	607
Interest, Disposal of Interest, and Dissolution	607
Capital	607
Liability	607
Management/Operations	607
Income Taxation and Payroll (Social Security) Taxes	608
Limited Liability Partnerships (LLP)	608
Formation	608
Interest, Disposal of Interest, and Dissolution	608
Capital	609
Liability	609
Management/Operations	609
Income Taxation and Payroll (Social Security) Taxes	609
Family Limited Partnerships (FLP)	610
Formation	610
Interest, Disposal of Interest, and Dissolution	611
Capital	611
Liability	612
Taxation	612
Limited Liability Companies (LLC)	613
Formation	613
Interest, Disposal of Interest, and Dissolution	613
Capital	613
Liability	614
Management/Operations	614
Income Taxation and Payroll (Social Security) Taxes	614
C Corporations	616
Formation	616
Interest, Disposal of Interest, and Dissolution	616
Capital	616
Liability	616
Management/Operations	616
Income Taxation and Payroll (Social Security) Taxes	617
S Corporations	620

Interest, Disposal of Interest, and Dissolution	620
Capital	620
Liability	620
Management/Operations	620
Income Taxation and Payroll (Social Security) Taxes	620
S Corporation Owners' Basis	621
Comparison of S Corporations and LLCs	624
The Qualified Business Income (QBI, or Sec. 199A) Deduction	626
Introduction	626
Qualified Business Income	626
The QBI Deduction General Rule	627
Planning Applications	628
Tax Analysis: C Corporation versus Pass-Through Entity with QBI Deduction	628
Protecting Owners from Each Other	629
Protecting Minority Shareholders/Members	629
Elements of Shareholder/Partnership Agreements	629
Issues Regarding Additional Capital Required	630
Discussion Questions	631
Multiple Choice Problems	632
Quick Quiz Explanations	633
Chapter 14 Estate Planning	
Learning Objectives	636
Introduction	636
Estate Planning Defined	637
Goals, Objectives, and Risks of Estate Planning	637
The Estate Planning Process	638
The Seven Basic Steps	638
Establish the Client/Planner Relationship	638
Collecting Client Information and Defining Transfer Objectives	639
Basic Documents Included in an Estate Plan	640
Wills	640
Side Instruction Letter	641
Powers of Attorney and Powers of Appointment	641
Directives Regarding Health Care	644
Types of Property Interest	646
Ownership and Transfer of Property	646
Sole Ownership - Fee Simple	646
Tenancy in Common (TIC)	647
Joint Tenancy with Right of Survivorship (JTWROS)	648
Tenancy by the Entirety (TE)	648
Community Property and Separate Property in Community Regimes	649
The Probate Process Defined	650
Testate vs. Intestate Succession	650
Advantages of Probate	650
Disadvantages of the Probate Process	651
Property Passing Through Probate	651
Property Passing Outside of the Probate Process	651

Trust Property	652
Parties	653
Why Use a Trust?	653
Federal Estate and Gift Taxes	654
The Gift Tax System	655
Historical Background and Purpose	655
Introduction to Gifts	655
Characteristics of a Gift	655
Valuation of a Gift	656
Exclusions and Exemptions	656
Estate Tax	656
Estate Planning Limits	658
Update for Estate, Gifts, and GST Tax	658
Discussion Questions	659
Multiple-Choice Problems	660
Quick Quiz Explanations	661

Chapter 15 | Economics and the External Environment

Learning Objectives	664
Introduction	665
Macroeconomics	667
Economic Output	667
Inflation	668
Interest Rates	670
Unemployment	671
Business Cycle	672
Economic Indicators	674
Monetary Policy	675
Fiscal Policy	680
Microeconomics	681
Demand	681
Supply	685
Opportunity Costs and Diminishing Returns	687
The External Legal Environment	689
Consumer Protection	689
Other Consumer Protection Laws and Agencies	693
Investor Protection	700
Dodd-Frank Wall Street Reform and Consumer Protection Act	710
Worker Protection	713
Conclusion	715
Discussion Questions	716
Multiple-Choice Problems	717
Quick Quiz Explanations	719

Chapter 16 | Ethics & Standards of Conduct

Learning Objectives722

Introduction.....722

Code of Ethics724

Standards of Conduct.....725

 Section A: Duties Owed to Clients 728

 Section B: Financial Planning and Application of the Practice Standards..... 737

 Section C: Practice Standards for the Financial Planning Process..... 740

 Section D: Duties Owed to Firms and Subordinates 746

 Section E: Duties Owed to CFP Board..... 747

 Section F: Prohibition on Circumvention 752

 Summary of Standards of Conduct 752

 Comparison of the SEC’s Regulation BI and CFP Board’s Code and Standards..... 753

Procedural Rules755

 Investigation 755

 Hearing Process 758

 Categories of Sanction 760

 Cooperation With Investigation 764

 Sanction Guidelines for Bankruptcies 766

Fitness Standards for Candidates and Professionals Eligible for Reinstatement (PER)768

 Categories of Adverse Conduct 768

 Petitions for Fitness Determination 769

Anonymous Case Histories.....772

 Anonymous Case History # 30358 - [Misrepresentation of Source of Email]..... 772

 Anonymous Case History # 29131 - [Suitability Violation] 773

 Anonymous Case History # 30309 - [Revocation of FINRA License] 773

 Anonymous Case History # 30894 - [Termination from Employment for Cause]..... 774

 Anonymous Case History # 23408 - [Ethics Violation on Ethics CE Course]..... 774

 Anonymous Case History # 22586 - [Conduct Reflecting Adversely on the Profession] 775

 Anonymous Case History # 14547 - [Tax Fraud]..... 775

 Anonymous Case History # 31074 - [DUI] 775

 Anonymous Case History # 28173 - [Revocation of Life Insurance License] 776

Summary.....776

Discussion Questions777

Multiple-Choice Problems778

Quick Quiz Explanations.....779

Chapter 17 | Planning for Special Circumstances

Learning Objectives782

Introduction.....783

 Financial Planning in Relation to Special Circumstances 784

Planning for a Dependent with Special Needs785

 Special Needs Planning in Relation to Major Financial Planning Areas..... 786

 Typical Federal, State, and Other Benefits 789

 Non-Profit Organizations 789

 What Should a Caregiver Do 790

 Special Needs Trusts..... 791

Achieving a Better Life Experience (ABLE) Accounts	793
Letter of Intent	795
Planning for Divorce	797
Divorce Planning in Relation to Major Financial Planning Areas	798
Financial Planning Recommendations for Divorcing Couples	800
Common Mistakes in Divorce	801
Planning for Terminal Illness	801
Preparing for Care	802
Financial Planning Recommendations for Terminal Illness Planning	803
Planning for Non-Traditional Households	804
Civil Unions and Registered Partners	805
Planning for Non-Traditional Families in Relation to Major Financial Planning Areas	805
Property Transfers at Death	807
Planning for Job Loss or Job Change	807
Cash Flows	808
Age as a Factor	809
Health Insurance	809
Financial Planning Advice	809
Planning for a Financial Windfall	810
Planning for Financial Windfalls in Relation to Major Financial Planning Areas	811
Financial Planning Recommendations for a Financial Windfall Recipient	812
Discussion Questions	813
Multiple-Choice Problems	814
Quick Quiz Explanations	815

Chapter 18 | David and Amy Rudolph Case & Case Analysis Part 2

Learning Objectives	818
Introduction	818
January 1, 20X3	818
David & Amy Rudolph Case - Internal Data	818
The Family	818
Personal and Financial Objectives (Achieved Within the Last Year)	819
Personal and Financial Objectives (Current)	819
Updated Summary of Initial Data Collected - Life Cycle Approach	820
External Data	821
Economic Information	821
Updated Internal Information (1/1/20X3)	822
Insurance Information	822
Financial Statements	825
Change in Net Worth - Reconciliation (From 1/20X2 to 1/20X3)	828
Investment Assets	828
Personal Use Assets	830
Other Financial Profile Information	831
Financial Statement Analysis - Ratio Analysis Approach	832
Introduction	832
Liquidity and Debt Ratios 1/1/20X3 - Schedule A	834
Long-Term Savings and Investments - Schedule B	835

Immediate and Long-Term Objectives and Analysis836

 Personal and Financial Objectives (Current)..... 836

 Objective 1: Education Funding - 529 Savings Plan 2 for Trevor Jr..... 837

 Objective 2: Sale of DRI 838

 Objective 3: Retirement Capital Needs Analysis..... 838

 Objective 4: Estate Planning..... 842

 Objective 5: Business Entity Change for Amy’s Sole Proprietorship 842

 Objective 6: Investment Analysis..... 843

 Investment Portfolio Analysis..... 844

 Objective 7: Long-Term Care Insurance 850

 Tax Analysis..... 851

 Implementation 851

The Cash Flow Approach.....852

Restated Financial Statements.....853

Summary.....854

 Strengths..... 854

 Weaknesses (and Responses)..... 854

 Recommendations - Implemented..... 855

 Unmet Goals..... 855

Appendices

Glossary.....857

Index.....883