# Financial Clarity

*Modeling Your Lifestyle Choices and Retirement*

BETTERINVESTING™
Empowering Investors Since 1951

Sanjib Saha

Investor Education Conference
2025

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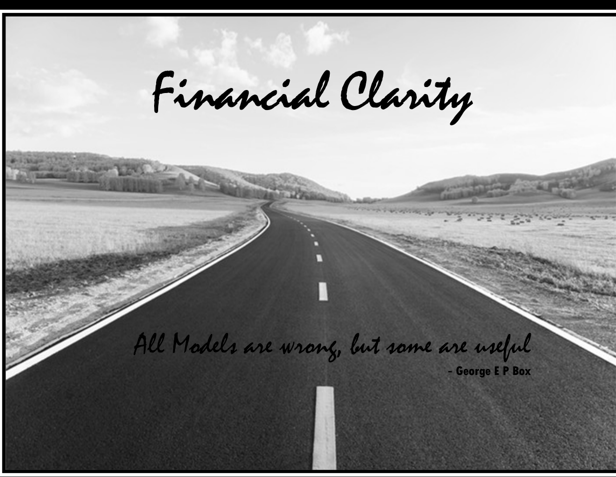


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## All Work and No Play?

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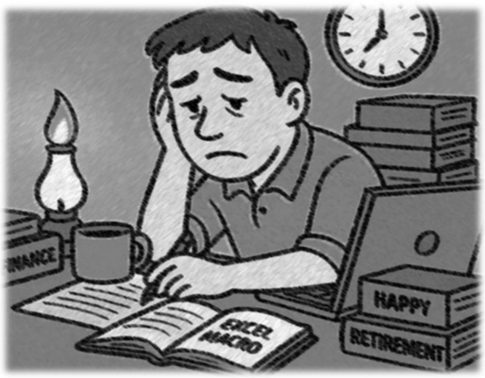
## Is there a way out?

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## Voilà!

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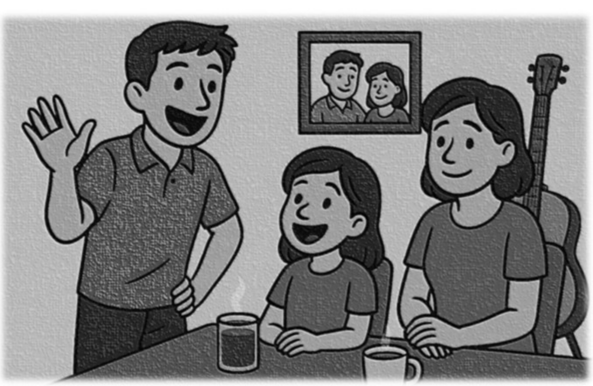
## HOW TO: Make Life Great Again!



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## Life is Great Again!

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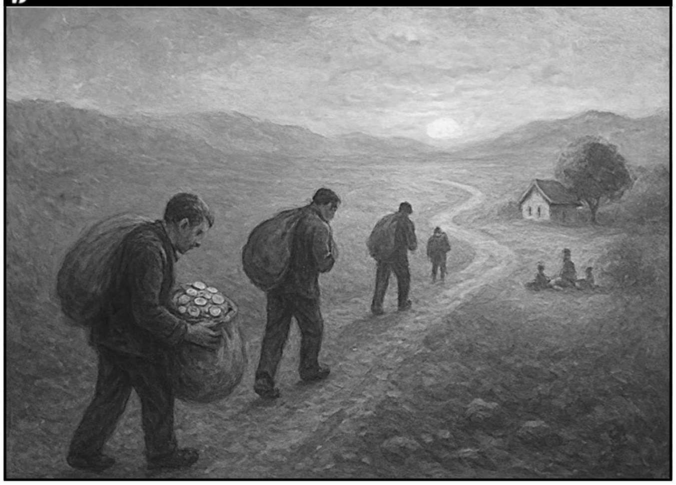

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## I must toil full-steam until…

- ❖I have a million dollars
- ❖I'm 65
- ❖My kids are in college
- ❖My pension starts
- ❖My savings produce 80% of my salary

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## I must spend carefully because…

- ❖We might run out of money
- ❖We maybe overspending
- ❖We can't give away money
- ❖We can't afford care or assisted living

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## Methodology

**Income and Spending for each year ahead is known in advance**

Ending Balance of Any Future Year =
(Ending Balance of the Previous Year)
– (Annual Expense)
+ (Annual Income)
+ (Annual Investment Growth)

**Financial Security = Solvent until age 100 (+/- 5 years)**

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## Meet Lisa

- Single working woman at 50
- Modest lifestyle
- No financial obligations except mortgage for 20 years

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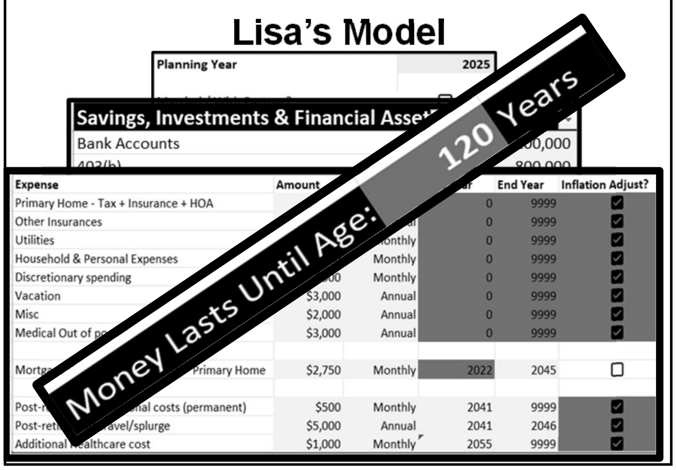
## Lisa's Model

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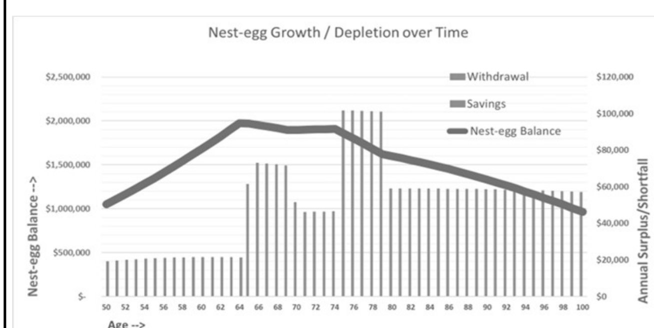
## Lisa is doing great

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# John, Mary and the Kids

- Working couple in mid-30s
- YOLO lifestyle
- Negligible savings left after buying a house

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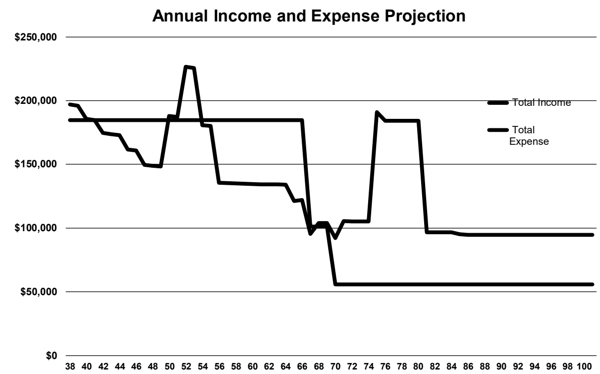
# Buy Now Think Later

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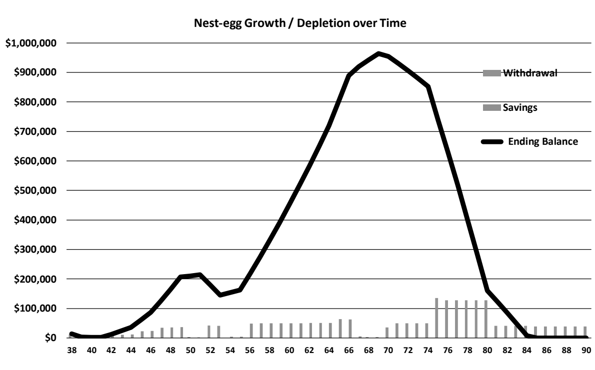
# Eyes Wide Shut

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# Our Nest-egg


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## Money Stream

- A money-stream represents a **recurring** annual income or expense
  - Increases or depletes our money pot
- In any year, we have multiple money-streams
  - Most recur from last year, but new ones appear too
- Typically lasts multiple years
  - Most end at a future year, but some last forever

***Our financial life has tens of separate, independent money streams that we can estimate beforehand with reasonable accuracy***

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## Money Stream Characteristics

- Either incoming (income) or outgoing (expense)
- Has a life-time (start-year and end-year: both optional)
  - Applies now and continues indefinitely
  - Applies now but ends on a future year
  - Starts on a future year and continues indefinitely
  - Starts on a future year and ends on a future year
- The annual amount is fixed either in inflation-adjusted terms or in nominal terms

A money-stream is ***immutable***

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## Example: Incoming

| Income | Start | End | Inflation-adjusted? |
|---|---|---|---|
| Salary / Earned Income | - | <Retirement> | Y |
| Temporary 2nd Job | - | Custom | Y |
| Rental Property | - | - | Y |
| Alimony | - | Custom | N |
| Child Support | - | Kid at 18-year | N |
| Social Security | <Retirement> | - | Y |
| Pension | <Retirement> | - | N |
| Post-retirement Parttime Job | Custom | <Start +5> | Y |

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## Example: Outgoing

| Expense | Start | End | Inflation-adjusted? |
|---|---|---|---|
| House related (permanent) | - | - | Y |
| House financing costs | - | <Loan-end> | N |
| Personal / Student Loan | - | <Loan-end> | N |
| Living cost (permanent) | - | - | Y |
| Set-aside fund for future major expenses (house, car) | - | - | Y |
| Daycare | - | Kid at 6-year | Y |
| College Education | Kid at 18-year | Start + 4 years | Y |
| Post-retirement travels | <Retirement> | Custom | Y |
| Workplace Medical Premium | - | <Retirement> | Y |
| Medicare Premium | 65 | - | Y |
| Old age healthcare needs | 75 | - | Y |

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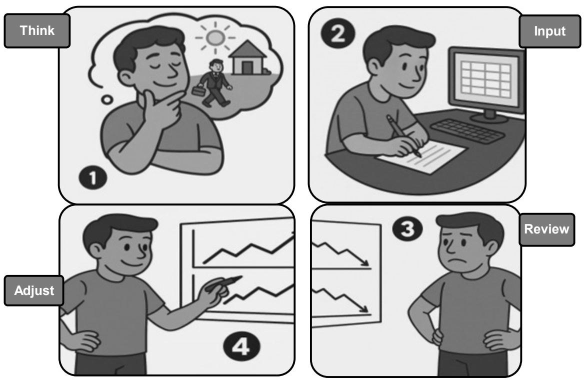
# The Process

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| | | |
|---|---|---|
| **Planning Year** | **2025** | |
| Married / With Partner? | ☑ | |
| **Personal Information:** | **Self** | **Spouse** |
| Year of Birth | 1987 | 1990 |
| **Pre-retirement Income:** | | |
| PreRetirementIncome-Annual | $125,000 | $75,000.00 |
| RetirementAge | 67 | 67 |
| Annual Gross Income from Rental Property | $0 | |
| Annual Gross Income from other Investment Prop | $0 | |
| Additional Temporary Annual Income 1 | $0 | |
| Temporary Income 1 End Year | 2025 | |
| Additional Temporary Annual Income 2 | $0 | |
| Temporary Income 2 End Year | 2025 | |
| Additional Temporary Annual Income 3 | $0 | |
| Temporary Income 3 End Year | 2025 | |
| **Social Security Details** | | |
| Social-Security at Full Age (Annual) | $32,000 | $24,000.00 |
| Claim Social Security at Age: | 67 | 67 |
| **Optional Post-retirement Income** | | |
| Gap Years Before Post-retirement Job | 3 | 3 |
| PostRetirementJobIncome-Annual | $0 | $0.00 |
| PostRetirementJobDurationInYears | 5 | 5 |
| Pension - Annual | $0 | $0.00 |
| Pension Start Age | 65 | 0 |
| **Money Lasts Until Age:** | **81** | **Years** |

SAMPLE

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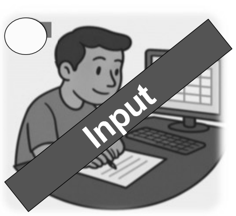


| Basic Info | |
|---|---|
| • Reference Year<br>• Solo / Combined<br>• Year of Birth<br>• *Various Assumptions* | |

| Income | Financial Assets |
|---|---|
| • Gross Income, Retirement Year<br>• SS, *Claim Year*<br>• *Temporary Incomes* | • Aggregate Balances<br>• *Asset Allocation*<br>• **No double-counting** |

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# A few notes about Expenses

*****Very important** to get this approximately right***

This isn't a budgeting exercise: No need to categorize every single spending

Start with your present annual spending to identify individual Money Streams **(https://dollarmentor.org/how-much-do-you-spend/)**

Ensure that:

- Most Expense Money-streams are accounted for
- Amount and lifetime for each is about 90% accurate
- Payroll and Federal Taxes are built-in. Do not enter separately.
- Break-up a single payment to multiple money-streams if necessary
- Account for Ghost Expenses, Post-retirement lifestyle expenses

Many expense money streams are auto-generated

- Medical Insurance if retiring prior to 65
- Medicare premiums
- Long-term care costs (optional)

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# Final Thoughts

It's a binocular, not a microscope

- Simplifications and assumptions introduce errors. Built-in buffers err on the side of caution
- Use it for major directional decisions, not everyday accounting

Do not ignore flashing warning signs in the initial setup

- Check inputs for data-entry errors
- Adjust your plan accordingly

Review/Adjust Parameters if needed

- Tweak defaults configurations if yours is different (E.g., State Tax)
- Avoid updating any existing formula/macro

Refresh periodically

- Refresh ref year, income, account balance, expense, as needed
- Do not overreact if you are suddenly off the target

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# Thank You

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# Extra

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# Taxes

- Enter GROSS numbers for incomes
- FICA: Model reduces Earned Income
- Model adds investment tax liability based on portfolio size
- Model computes Federal Income Tax based on all Income, plus Investment Tax Liability
- **State Tax is not accounted for**
  - Adjust Tax-related parameters to account for State Tax

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