

YOUR FINANCIAL PLAN FOR FINANCIAL INDEPENDENCE



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for
FINANCIAL
INDEPENDENCE

"Almost any man knows how to earn money, but not one in a million
knows how to spend it"

Henry David Thoreau



PREFACE

Thank you for undertaking TTD International's financial coaching. This booklet is an instruction manual on how to use the Lotus 1-2-3 spreadsheets designed to help you become financially independent. By itself this booklet is not complete and you will need additional resources:

- PREREQUISITES -

This booklet constitutes one of three components you will need during the coaching process:

- This booklet.
- Lotus 1-2-3 templates.
- The assistance of your coach.

Your coach will guide you through each of the templates, tailoring them specifically to your individual needs for financial independence. If you have not already done so please store a copy of the templates in a safe location in the instance you accidentally erase important data.

If you do not have the skills to use the Lotus 1-2-3 software your coach will guide you through each template.

If however you do not have the software to run Lotus 1-2-3 programs your coach will use financial information you provide during the coaching sessions to complete the templates on your behalf. A copy of the templates appears within this booklet and you will receive a soft copy of the completed plan.

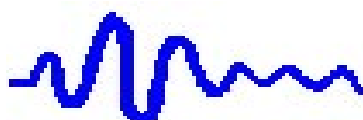
Rest assured your coach is already financially independent so you have a priceless opportunity to ask whatever questions you may have on this topic.

To gain maximum benefits from the coaching please complete the exercise and questionnaire within topic 1 prior to your first coaching session.



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1: INTRODUCTION

Defining Financial Independence

Financial independence is defined as the ability to live for the remainder of your life without the need to work.

Whilst the objective is clear why are so few ever able to achieve this goal?

By the time individuals reach age 65 statistics for a typical western country reveal:

- 24% are already dead, usually from lifestyle related illnesses.
- 54% end up on government pensions.
- 16% are still working, usually because they have to.
- 5% are financially independent though still need to watch expenditure on luxuries, holidays etc.
- 1% are able to retire wealthy and do as they please, 0.25% of whom are millionaires.

The purpose of this booklet is to ensure you end up within the top 5% who have attained a level of income above basic requirements, or better still within the top 1% who are able to live in style.

How to achieve financial independence however in the face of high taxation and high cost of living?

The heart of this program lies in your financial plan.

Most do not plan to fail, they fail to plan. If you do not plan for financial independence it will not happen by itself.

Financial independence is obtained through a consistent savings and investment program which is covered in step by step detail in topic 2.

One of the outcomes from the coaching process will be an investment portfolio able to generate the income you need to support your lifestyle needs once financially independent.

To get maximum bang for bucks it is recommended your investments be offshore and tax free. Few financial consultants based in high tax countries have this as their outcome and invariably you end up with a portfolio subject to tax.

You will be miles ahead of the herd with this approach but before you can take the first step you must define what financial independence means to you. Try the following exercise.





Imagine for a moment you are already financially independent. What would your lifestyle look like? Where would you live? What would you do on a daily basis? Where do you go when you travel? What do you intend to do once financially independent that would give life a sense of completeness? Remember once financially independent there are no "shoulds" or "musts" or time schedules other than those self imposed. You are free to do whatever you please, live wherever you choose. Life is about living not money so whether it is work, study, leisure, travel or whatever it is important you become clear about where you are heading. Once you have clarified your life style once financially independent you can begin to consider how much income you will need to sustain it. Think of financial independence not in terms of a lump sum amount but rather in terms of the income you will need to support this lifestyle. How much are you going to need on a daily, monthly or weekly basis? Try and estimate your costs under each of the categories below. Do not fret if your costs are not deadly accurate at this stage for you can always return later to replace them with more accurate figures at a later date. For the time being however they serve as the starting point for the financial planning you will undertake in topic 2. If you have access to the Lotus 1-2-3 templates that accompany this booklet the exercise below is titled "Definition" on the tab. If you do not have the software use the spare form in the appendix. For all templates you are to complete the entries in blue. Figures in black are calculated by the spreadsheet.



An example of a completed template is given below with instructions on how to complete it given on the following page.

<u>Income Required for Financial Independence</u>	
Essential Living Expenses:	Amount per month
<u>Groceries</u>	<u>\$700</u>
<u>Shelter</u>	<u>\$490</u>
<u>Utilities</u>	<u>\$100</u>
<u>Health</u>	<u>\$70</u>
<u>Education</u>	<u>\$75</u>
<u>Transport</u>	<u>\$110</u>
<u>Other</u>	<u>\$0</u>
	<u>\$1,545</u>
Plus Discretionary Expenses:	
<u>Allowance</u>	<u>\$1,200</u>
<u>Entertainment</u>	<u>\$100</u>
<u>Eating out</u>	<u>\$100</u>
<u>Card expenses</u>	<u>\$70</u>
<u>Other</u>	<u>\$0</u>
	<u>\$1,470</u>
	<u>\$3,015</u>
Less Income from Other Sources	
<u>Pension</u>	<u>\$800</u>
<u>Annuity</u>	<u>\$0</u>
<u>Retirement A/C</u>	<u>\$0</u>
<u>Other</u>	<u>\$0</u>
	<u>\$800</u>
	<u>\$2,215</u>
Plus Average % Tax on income	<u>20%</u>
Is income from other sources tax-free?	<u>n</u>
	<u>\$763</u>
Total Monthly Income for Financial Independence	\$2,978



2: YOUR FINANCIAL PLAN

Armed with the amount of income from topic 1 that defines what financial independence means to you it is time to put into action a plan for achieving the capital required to generate the desired income.

There are a total of seven templates that form the heart of your financial plan of action. Specifically they are:

1. **Annuity Template** – a spreadsheet for calculating the amount of cash you will need to generate the income you desire for financial independence in topic 1. This spreadsheet also tabulates the yearly income you can draw down throughout the expected duration of the annuity. At the end of the annuity all your cash diminishes to zero and you then pop your clogs! Do not mistake this with annuities offered by insurance companies and the like. Here annuity refers to the strategy of drawing down to zero both capital and interest to provide the income you desire over a fixed period of time.
2. **Portfolio Template** - this spreadsheet offers an alternative approach to the annuity and allows you to construct a balanced portfolio of cash, bonds, property and stocks that will generate the income you desire for financial independence. The capital remains in tact to pass onto your heirs after your demise and in the meantime you live off the income derived there from, indexed to inflation if you choose.
3. **Net Worth Template** – having decided on either the annuity or portfolio approach for generating the income required for financial independence you will need capital to fund either approach. How close to this capital are you at present? The net worth spreadsheet will answer this question. In it you will determine the capital you presently have available after all liabilities are taken into consideration.



4. **Budget Template** – if after completing the net worth template you now find you have sufficient capital to realize your goal of financial independence then congratulations. If however you find your present capital is short of the amount required you now use the budget template to determine the amount of income you are presently saving per month.
5. **Savings Template** – armed with the amount of capital you presently have available from the net worth template together with your monthly savings from the budget template you use the savings template to determine how long it will take you to accumulate the amount of capital required for financial independence.
6. **Property Template** - if the savings spreadsheet sees you taking ten years or more to realize your goal of financial independence you need to consider investments that pace inflation throughout your patient quest to generate the capital required. This translates into either stocks or property. If growth stocks are your preferred choice you can use the investment section of the savings template to make all your projections. If property is your choice and you do not need to take out a loan you once again use the investment section within the savings template for your property projections. If however you must take out a mortgage then you must now use the property template instead. This template can also be used for any investment involving leverage. The property template will also determine your cash flow to ensure you can pay all your expenses and mortgage obligations on time and determines the internal rate of return on your investment from the intricate cash flows that characterize property investments.
7. **Cash Flow Template** – if you have invested in property this template summarizes and tracks month by month your incomings and outgoings from your property investments. In fact this spreadsheet can be used to track any cash flow situation on a yearly basis such as extending your monthly budget spreadsheet over the entire year. It can also be used for prediction rather than just past record keeping.



FIXED TERM GRADUATED ANNUITY eg. Retirement

	Date	APR (after tax)		Annual Income Required	Term of Annuity	Inflation (%)	Current Investments	PV of Lump Sum	Annuity Details		
		Before Annuity	During Annuity						Payments at End (y or n)	Income Required	Lump Sum Needed
Today	Jan-09	4.0%	2.0%	\$35,736	20	3.0%	\$100,000	\$748,312	n	\$41,431	\$910,534
Start of Annuity	Jan-14						Annual Payments Required (\$145,556)	Year	Date	Payments	Balance
								1	Jan-14	\$41,431	\$869,103
								2	Jan-15	\$42,674	\$701,648
								3	Jan-16	\$43,954	\$816,733
								4	Jan-17	\$45,273	\$787,795
								5	Jan-18	\$46,631	\$756,919
								6	Jan-19	\$48,030	\$625,893
								7	Jan-20	\$49,471	\$689,037
								8	Jan-21	\$50,955	\$651,863
								9	Jan-22	\$52,484	\$612,416
								10	Jan-23	\$54,058	\$570,606
								11	Jan-24	\$55,680	\$526,339
								12	Jan-25	\$57,350	\$479,515
								13	Jan-26	\$59,071	\$430,034
								14	Jan-27	\$60,843	\$377,792
								15	Jan-28	\$62,668	\$322,679
								16	Jan-29	\$64,548	\$264,585
								17	Jan-30	\$66,485	\$203,391
								18	Jan-31	\$68,479	\$138,980
								19	Jan-32	\$70,534	\$71,226
								20	Jan-33	\$72,650	\$0

How Long Will I Live?		
My Age Now	Male	Female
59	77.9	81.4
60	78.2	81.7
61	78.5	82.0
62	78.9	82.3
63	79.2	82.6
64	79.6	82.9
65	80.0	83.2
66	80.4	83.5
67	80.8	83.9
68	81.2	84.2
69	81.6	84.6
70	82.1	85.0



INVESTMENT PORTFOLIO - Income

	%	Investment	Cur	Initial Funding	Initial Charges	Amount US\$	i%	TER	Tax	Income
Cash:	<u>5%</u>									
		Bank A - Savings account	US\$	\$1,000	\$0	\$1,000	2.5%	0.0%	0%	\$25
		Bank B - Fixed deposit	US\$	\$3,000	\$0	\$3,000	3.0%	0.0%	0%	\$90
		Bank C - Fixed deposit	Euro	800	0	\$1,000	4.0%	0.0%	0%	\$40
						\$5,000	3.1%	0.0%	0.00%	\$155
Bonds:	<u>45%</u>									
		Government	US\$	\$10,000	\$44	\$9,956	3.8%	0.15%	30%	\$261
		Corporate	US\$	\$10,000	\$100	\$9,900	4.8%	0.85%	0%	\$475
		Government & Corporate	US\$	\$15,000	\$150	\$14,850	5.4%	0.95%	0%	\$802
		Inflation Protected	US\$	\$0	\$0	\$0	3.7%	0.20%	0%	\$0
		High Yield	US\$	\$10,000	\$44	\$9,956	8.6%	1.12%	30%	\$599
						\$44,662	5.5%	0.79%	0.83%	\$2,138
Property:	<u>25%</u>									
		Real Estate	US\$	\$0		\$0	7.0%	1.50%	0%	\$0
		Property shares	US\$	\$10,000	\$44	\$9,956	6.0%	0.00%	0%	\$597
		Property Funds	US\$	\$10,000	\$44	\$9,956	4.2%	0.35%	30%	\$293
		High Yield Funds	US\$	\$5,000	\$35	\$4,965	8.0%	0.85%	30%	\$278
						\$24,877	5.5%	0.31%	0.98%	\$1,168
Equities:	<u>25%</u>									
		Company Stocks	US\$	\$10,000	\$44	\$9,956	6.5%	0.00%	0%	\$647
		Equity Funds	US\$	\$10,000	\$44	\$9,956	3.2%	0.40%	30%	\$223
		High Yield Funds	US\$	\$5,000	\$35	\$4,965	6.5%	0.83%	30%	\$226
						\$24,877	4.4%	0.33%	0.77%	\$1,096
		Less: Custody Fees						0.00%		\$0
Total				\$100,000		\$99,416	4.6%			\$4,557
Total capital required for financial independence (ignoring fees)						\$779,626				Income required = \$35,736
Expenses: p. yr		Management Expenses as % of [income] total funds invested				(11.2%)		0.51%		\$510
		Tax as % of (income) total funds invested				(17.7%)		0.81%		\$806
		Custody Fees as % of (income) total funds invested				(0.00%)		0.00%		\$0
One dollar in expenses (+ tax) (+ custody) for every		Initial		\$8.9	(\$3.5)	(\$3.5)				\$1,316
		Initial expenses as % total funds invested						0.59%		\$584
										1Euro = US\$ 1.25



NET WORTH STATEMENT

ASSETS		%		LIABILITIES		%	
CURRENT ASSETS				CURRENT LIABILITIES			
CASH				UNPAID BILLS			
Checking				Mortgage Payment	\$390		
Account 1	\$1,200			Utilities	\$45		
Savings				Telecom	\$20		
Account 1	\$4,600			Rates	\$90		
Account 2	\$1,000			Charge account	\$200		
Other	\$0			Insurance premium	\$45		
Total Cash		\$6,800	3%	Tax	\$3,400		
LOANS RECEIVABLE							
Utility deposit	\$400						
Uncle Albert	\$100						
Other	\$0						
Total Loans Receivable		\$500	0%				
INVESTMENTS				Total Unpaid Bills		\$4,190	11%
Term Deposit	\$50,000			PERSONAL LOANS			
XYZ Shares	\$20,000			(less than 1 year)			
Government Bond	\$10,000			Credit Card	\$120		
Mutual Fund	\$6,000			Overdraft	\$1,200		
Other	\$0						
Total Investments		\$86,000	37%	Total Personal Loans		\$1,320	
Total Liquid Assets		\$93,300	41%	Total Current Liabilities		\$5,510	14%
FIXED ASSETS				LONG TERM LIABILITIES			
LONG TERM ASSETS				PERSONAL LOANS			
Home	\$100,000			(more than 1 year)			
Life Insurance	\$10,000			House	\$32,000		
Other	\$0			Car	\$500		
				Total Personal Loans		\$32,500	
				INVESTMENT LOANS			
Total Long Term Assets		\$110,000	48%	Total Investment Loans		\$0	
HOUSEHOLD POSSESSIONS				Total Long Term Liabilities		\$32,500	86%
Car	\$5,300			TOTAL LIABILITIES			
Electronic	\$4,090					\$38,010	
Electrical	\$1,610			NET WORTH			
Furnishings	\$970			(Total Assets minus Total Liabilities)			
Clothing	\$1,780					\$191,330	
Linen	\$60			LIFETIME EARNINGS TO DATE			
Kitchen	\$540						
Personal Effects	\$11,430						
Other	\$260						
Total Personal Assets		\$26,040	11%				
Total Fixed Assets		\$136,040	59%				
TOTAL ASSETS		\$229,340					



SAVING & INVESTMENT PLAN

Date: Jan-09

SAVINGS:

	Regular Payment	Curr of A/c	Amount of PMT's	Current Balance	APR after tax	Comp Rate	PMT's per Year	PMT's Bgn?	PMT's Finish	Future Value in Currency of						
										US\$				1	2	3
Account 1		US\$	0	4,600	2.0%	365						4,693	4,788	4,884	4,983	5,084
Account 2	652	US\$	652	1,000	2.0%	365	12	y	Jan-30			8,930	17,019	25,272	33,692	42,282
Term Deposit		US\$	0	50,000	3.5%	365						51,718	53,625	55,535	57,513	59,562
Foreign a/c		EUR	0	1,000	4.0%	365						1,249	1,300	1,353	1,408	1,466
			0									0	0	0	0	0
	LUMP Sum	Cur. of A/c	Amount of L.Sum	Current Balance	APR after tax	Comp Rate	Payment Date									
Life Insurance	10,000	US\$	10,000	0	2.0%	365	Jan-13					0	0	0	10,000	10,202
			0									0	0	0	0	0
Total Savings											66,652	76,732	87,045	107,597	118,596	

INVESTMENTS

	Regular Payment	Cur. of Inv.	Amount of PMT's	Up Front Fees	Capital Yield	PMT's per yr.	Current Mkt. Value	PMT's Bgn?	Income Yield	Inc. Reinv?	Selling Fees	Future Value in Currency of				
												US\$				1
Mutual Fund	1,000	US\$	1,000	0	3.0%	12	6000	y	2.0%	y	0.0%	18,630	31,906	45,861	60,529	75,947
Gov. Bond		US\$	0		0.0%		10000		4.0%	n	0.0%	10,000	10,000	10,000	10,000	10,000
XYZ Shares		US\$	0		6.0%		20000		0.0%	y	0.0%	21,200	22,472	23,820	25,250	26,765
	Lump Sum	Cur. of Inv.	Amount of L.Sum	Up Front Fees	Capital Yield	Inc Reiv?	Payment Date	Inc. Yield	Current Mkt. Value	Selling Fees						
	0	US\$	0	0	0.0%	y	Jan-13	0.0%	0	0.0%		0	0	0	0	0
			0									0	0	0	0	0
Total Investments											49,830	64,378	79,681	95,778	112,712	

Total Investments and Savings

\$116,482	\$141,110	\$166,726	\$203,375	\$231,307
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Total Investments and Savings

Inflation adjusted @ 3%

\$113,090	\$133,010	\$152,578	\$180,696	\$199,528
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PROPERTY INVESTMENT ANALYSIS

ASSUMPTIONS

Capital Growth :	7.0%	Resident for Tax Purposes? (Y or N)	Y
Inflation:	3.0%		

BUYING

	Jan-09	2009	2010	2011	2012	2013	2014
Purchase price	\$700,000						
Purchase Costs	\$3,000						
Deposit	\$70,000						
LOAN DETAILS:							
Compounding Rate	12						
Number of Payments Periods per Year	12						
Annual Percentage Rate	7.00%						
Number of Years of the Loan	20						
Loan Balance	\$630,000	\$615,013	\$598,942	\$581,709	\$563,231	\$543,417	\$522,170
Period Payments	\$4,884						

ONGOING

Income:	Weekly Rent (Expected)	\$1,200							
	Annual Rent (Occupancy)	50	\$60,000	\$60,000	\$61,800	\$63,654	\$65,563	\$67,529	
Expenses:	Property Expenses (%)	40%	\$24,000	\$24,000	\$24,720	\$25,462	\$26,225	\$27,012	
	Interest		\$43,626	\$42,542	\$41,380	\$40,134	\$38,798	\$37,366	
	Non-Cash Deductions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	Loan Costs	\$2,000	\$2,000	\$0					
Profits/Losses:			(\$9,626)	(\$6,542)	(\$4,300)	(\$1,942)	\$539	\$3,151	
Incomings:	Annual Rent		\$60,000	\$60,000	\$61,800	\$63,654	\$65,563	\$67,529	
Outgoings:	Annual Payments		\$58,613	\$58,613	\$58,613	\$58,613	\$58,613	\$58,613	
	Property Expenses		\$24,000	\$24,000	\$24,720	\$25,462	\$26,225	\$27,012	
Cash Flow: Before Tax			(\$22,613)	(\$22,613)	(\$21,533)	(\$20,420)	(\$19,275)	(\$18,095)	
	Tax Credit/Debit(Mar.Rate):	30%	\$2,888	\$1,963	\$1,290	\$583	(\$162)	(\$945)	
Cash Flow: After Tax			(\$75,000)	(\$19,725)	(\$20,650)	(\$20,243)	(\$19,838)	(\$19,437)	(\$19,041)

SELLING

Selling Price at beginning of year	\$700,000	\$749,000	\$801,430	\$857,530	\$917,557	\$981,785	\$1,050,509
Selling Costs (%)	3.00%	\$22,470	\$24,042	\$25,725	\$27,526	\$29,453	\$31,515
Capital Gains Tax	15%	\$3,530	\$11,158	\$19,321	\$28,055	\$37,400	\$47,399

PROJECTIONS

Equity	\$49,000	\$107,988	\$167,288	\$230,775	\$298,745	\$371,515	\$449,425
Equity in Present Day Dollars	\$49,000	\$104,843	\$157,685	\$211,192	\$265,431	\$320,472	\$376,386
IRR	-34.7%	17.7%	27.3%	26.7%	25.0%	23.2%	21.7%
Real IRR after inflation	-36.6%	14.3%	23.6%	23.0%	21.3%	19.6%	18.1%
Net Present Value of Cash Flow (Bnk %)	4.5%	(\$89,833)	(\$107,929)	(\$124,903)	(\$140,822)	(\$155,747)	(\$169,739)
Net Return	5.3%						
Up Front Fees	0.7%						
Year		2009	2010	2011	2012	2013	2014



PROPERTY INCOME & EXPENSES:

	January	February	March	April	May	June	July	August	September	October	November	December	Total		
INCOMING															
Rent	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$57,600.00	
Total	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$4,800.00	\$57,600.00	
OUTGOING															
Management Body corp.	\$480.00	\$480.00	\$480.00	\$480.00	\$480.00	\$480.00	\$480.00	\$480.00	\$480.00	\$480.00	\$480.00	\$480.00	\$480.00	\$5,760.00	10%
Rates	\$1,500.00	\$0.00	\$0.00	\$1,500.00	\$0.00	\$0.00	\$1,500.00	\$0.00	\$0.00	\$1,500.00	\$0.00	\$0.00	\$0.00	\$6,000.00	10%
Maintenance	\$0.00	\$0.00	\$2,220.00	\$0.00	\$0.00	\$2,220.00	\$0.00	\$0.00	\$2,220.00	\$0.00	\$0.00	\$2,220.00	\$8,880.00	15%	
Insurance				\$300.00				\$300.00			\$300.00		\$900.00	2%	
						\$1,000.00							\$1,000.00	2%	
													\$0.00	0%	
													\$0.00	0%	
													\$0.00	0%	
Total	\$1,980.00	\$480.00	\$2,700.00	\$2,280.00	\$480.00	\$3,700.00	\$1,980.00	\$780.00	\$2,700.00	\$1,980.00	\$780.00	\$2,700.00	\$22,540.00	39%	
Profit/Loss	\$2,820.00	\$4,320.00	\$2,100.00	\$2,520.00	\$4,320.00	\$1,100.00	\$2,820.00	\$4,020.00	\$2,100.00	\$2,820.00	\$4,020.00	\$2,100.00	\$35,060.00		
PERIOD PAYMENTS															
Principle	\$1,249.00	\$1,249.00	\$1,249.00	\$1,249.00	\$1,249.00	\$1,249.00	\$1,249.00	\$1,249.00	\$1,249.00	\$1,249.00	\$1,249.00	\$1,249.00	\$1,249.00	\$14,988.00	
Interest	\$4,285.00	\$4,185.00	\$4,085.00	\$3,985.00	\$3,885.00	\$3,785.00	\$3,485.00	\$3,385.00	\$3,285.00	\$3,185.00	\$3,085.00	\$2,985.00	\$43,620.00		
Total	\$5,534.00	\$5,434.00	\$5,334.00	\$5,234.00	\$5,134.00	\$5,034.00	\$4,734.00	\$4,634.00	\$4,534.00	\$4,434.00	\$4,334.00	\$4,234.00	\$58,608.00		
Cash Flow	(\$2,714.00)	(\$1,114.00)	(\$3,234.00)	(\$2,714.00)	(\$814.00)	(\$3,934.00)	(\$1,914.00)	(\$614.00)	(\$2,434.00)	(\$1,614.00)	(\$314.00)	(\$2,134.00)	(\$23,548.00)		

