



# THE ONE DAY FINANCIAL AUDIT FOR SENIORS

Emergency Field Guide Series | by Steve & Carmen Glovsky

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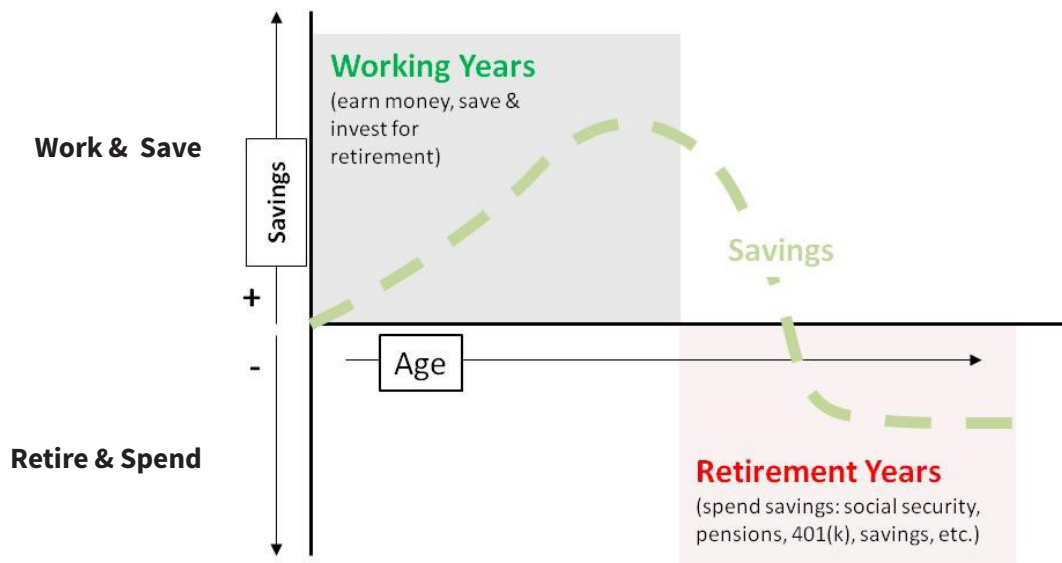
# Budgeting For Seniors

## INTRODUCTION

Budgeting is easy and fun. It is something you can master, even if you have never been very good at it in the past. It exercises your mind. It gives you a sense of control.

The most challenging thing for most seniors is moving from a time in life where most income came from wages to a time in life where income will come from savings.

In other words, when you're working and earning wages, you save some of those wages for retirement. Those retirement savings are usually in the form of social security, pensions, 401(k) plans and other types of investments. As we age, we also accumulate things we call tangible assets. These assets are things like homes, cars, art and jewelry. In retirement, we spend savings and often convert tangible assets into cash that can be used to support us in our retirement.



In an ideal world, we can determine how much we have saved in our working years and then determine how much we can spend in our retirement years.

**The One Day Financial Audit For Seniors focuses on quickly determining the three most important financial issues of the moment : (1) how much you have, (2) how much you're spending and (3) how long your money will last.**

<sup>1</sup>This is a quick way of creating a general assessment of where the senior(s) is. It is not a substitute for financial planning, legal services or professional medical evaluation.

## TOTAL TIME

One Day (with some preparation)

## WHAT YOU'LL NEED:

### Minimum

I. This Guide	II. Clear Plastic Containers	III. Yellow Pad & Pencil
		

### IV. Your Financial Documents

1. Transaction related:
  - Monthly bills, credit card statements
  - Year-end summaries
2. Checking & savings account related:
  - Monthly statements
  - Check registers
  - Canceled checks
  - Certificates of deposit
3. Investments (stocks, bonds, annuities, etc.):
  - Quarterly/monthly statements
  - Year-end summaries
4. Tax-related information:
  - Tax filings (last two years)
  - Latest 1099 forms (W2 Forms)
5. Insurance:
  - Policies (cover sheets)



6. Life Insurance:
  - Complete policies
7. Trust related:
  - Trust documents

#### Helpful hint:

1. Obtain online access to accounts if available
2. OBTAIN A FULL CREDIT REPORT

### Also helps if you have,

#### Labels

(For the containers)



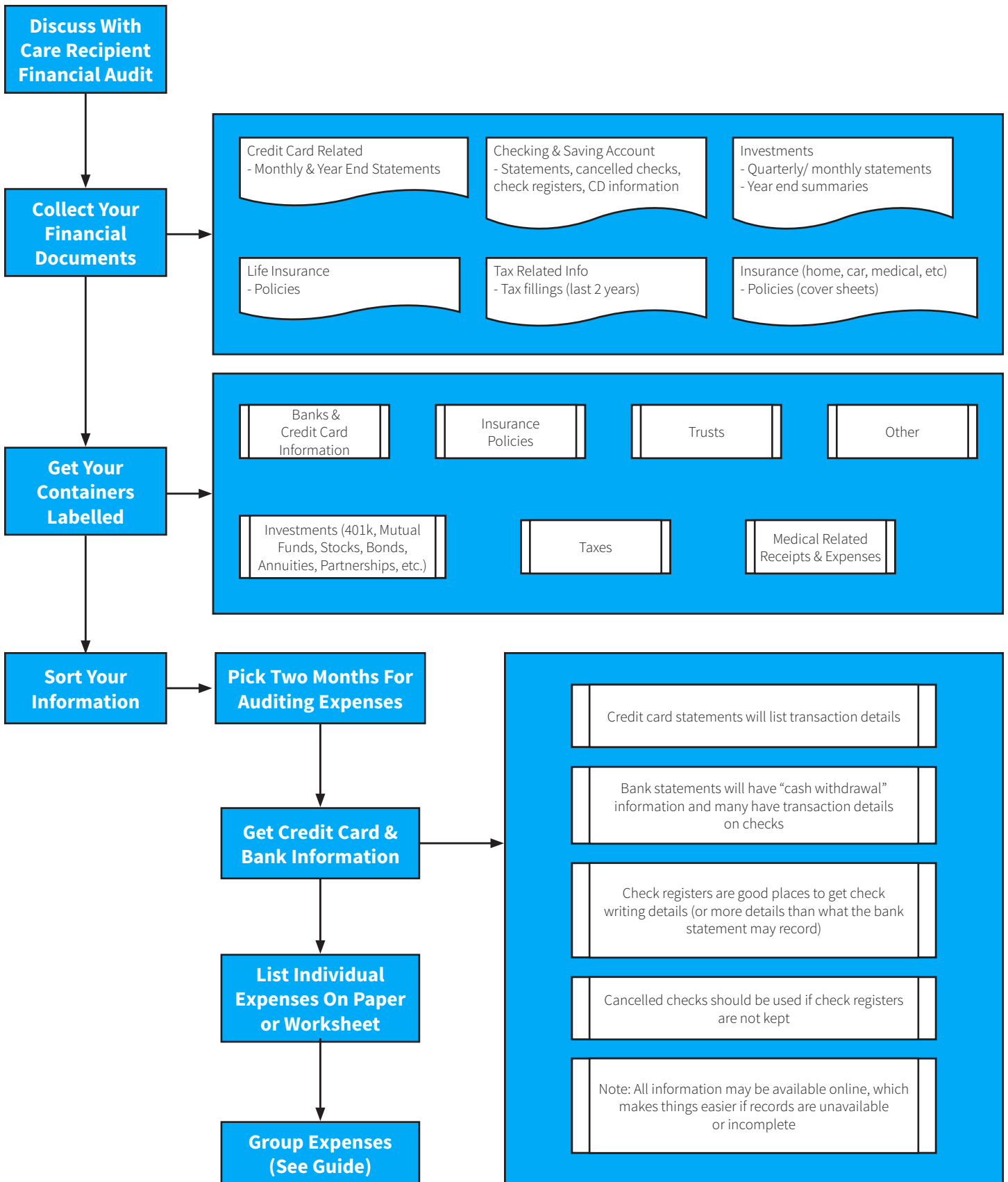
#### Computer or Calculator

(for adding and tracking numbers)



# FLOW CHART

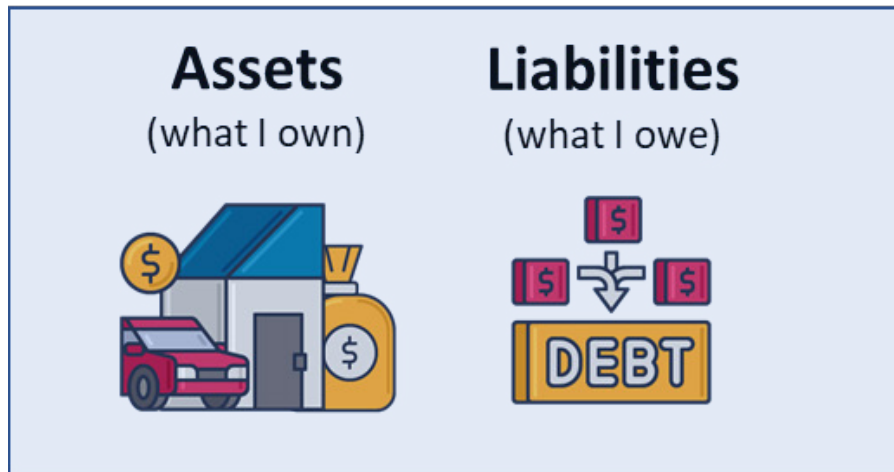
This is what you'll need to gather up for the one day audit. Retrieve as much as you can, but if you can't get everything, we'll make do with what you get.



## INTRODUCTION

In an emergency household audit, the big concerns are (1) what do I have, (2) what am I spending (includes what I owe), and (3) how long will my money last. To answer these three questions, we need to identify:

- things you own (assets)
- what you owe others (liabilities)
- your income
- your expenses



### Household Balance Sheet



### Household P&L

No accounting knowledge is necessary. Carmen and I will walk you through the process. It's more about identifying things and placing them in tables.

## ASSETS & LIABILITIES

An example of an asset and a liability is your home or car. If you own your car debt-free, you simply determine its market value, and that's the value of that asset. If you owe a bank (or another lender) money on your car, you need to subtract that debt from the current market value to determine its value. This value is what the asset is worth. If you ran out of money and income, you could sell the asset to create income. We spend time on what you owe because towards the end of your life, these assets are often sold or borrowed against to create income. In a business, accounting for assets and liabilities is called a "balance sheet." For a household, it's easiest to think of your assets minus your liabilities as your "net worth."

## CASH FLOW

Most of us understand the concept of cash flow. We have money coming in (income) and money going out (expense). This is often called income and expenses. In our work auditing seniors, Carmen and I learned that seniors in their seventies understood the concept of income and expenses, but often lost track of their expenses or the consequences of their purchases. For example, we worked with seniors that accumulated multiple credit cards (which led to recurring fees and misused cards), continued to buy cars (and even farm equipment) that were unnecessary, and indulged in hobby expenses (e.g., buying expensive dolls, coins, watches, and sports memorabilia).

## WHAT DO I HAVE?

We'll determine how much you have by looking at what you own and owe.

These are called assets and liabilities. Don't worry; we're not doing any complicated accounting.

You own things like stocks, bonds, annuities, homes and cars. You owe things like the loans for your home and car; and credit card debt.

Assets are highlighted in grey . Liabilities are highlighted in red .

We want a general value of your assets. This will give you some idea of what you have to work with for your retirement planning and budget.

What do I need to track?

- Market value
- Loan amount
- Equity value
- Basis (for homes and investments; the amount paid plus additional expenses that change the basis)
- Loan information (if acquisition involved borrowing)

Most people only have a few of what we're going to create a space for, so don't feel weird if you only have a few assets. We'll divide assets into homes, cars, checking accounts, savings accounts, brokerage accounts, annuities, trusts, partnerships and other assets.

Let's get started.



## WHAT DO I OWN?

### Assets

**Home(s):** For most people, if they own a home, it's their largest asset. The market value minus any loans represent the equity in your home. Basis is used to calculate a tax liability on the sale of your home. Basis is the amount you spent to buy your home plus the capital costs of any improvements. (There are lifetime exemptions that eliminate taxes paid on gains from homes). If you don't really understand basis, take a guess at any structural improvements you've made over the years. A tax accountant can help you determine these costs.

Home(s)	Description	Home owner	Market Value	Loan	Equity Value Value - Loans	Date Value Determined	Basis (Actual/Est)	Payment (monthly)	Lender   Servicer   Provider	Acct #	Phone	Notes
<b>Totals</b>												

<i>Sample</i>												
Primary	21 Main St, Franklin	Dan & Mary Smith	250,000	100,000	150,000	12/15/2010	100,000	550	Bank of America	245-8090	800-222-2222	Market value at Zillow.com

### Car(s):

Car(s)	Description	Car Owner	Market Value	Loan	Equity Value Value - Loans	Date Value Determined	Basis (Actual/Est)	Payment (monthly)	Lender   Servicer	Acct #	Phone	Notes
<b>Totals</b>												

<i>Sample</i>												
Dan's car	Infinity G35 2007	Dan & Mary Smith	19,000	6,500	12,500	12/20/2010	28,000	441	Wells Fargo	2019000	800-333-4444	Value from Edmunds.com

**BASIC BANK ACCOUNTS:**

These are checking and saving accounts kept at your bank. Sometimes the savings account may consist of a long term savings instrument like a certificate of deposit (CD). Some people also now bank through brokerage services (e.g., Charles Schwab, TD Ameritrade, Fidelity, Merrill Lynch, etc.). If you do, put those accounts in the Brokerage Accounts section below.

**Checking Accounts**

Checking Account(s) Description	Account Value	Interest Paying (Y/N)	Interest Rate as %
<b>Totals</b>			
<i>Sample</i>			
Household Checking Acct	19,000	No	

**Savings Account**

Savings Account(s) Description	Account Value	Interest Paying (Y/N)	Interest Rate as %
<b>Totals</b>			
<i>Sample</i>			
2 Yr CD Primary savings	25,000	Yes	1.50

# Sample Only

## See Premium Content Section For Full Version

Name   In Acct	Account Type (if known)	Notes
Mary Smith	Joint	

Name   In Acct	Account Type (if known)	Notes
Mary Smith	Joint	