

Financial Planning Benchmarks

Cash Flow

Liquidity

Emergency Fund - 3-6 months of non discretionary expenses in a savings account

Emergency Funds are important to have in place to give you a cushion when trouble knocks at the door.

Savings

15% of your gross pay saved in retirement accounts (includes employer match)

Starting at age 25 to 67. You will need to generate about 45% of your retirement income (before taxes) from savings. If you start at 30 you should be saving 18%. If you start at 35, You should be saving 23%.

Debt Levels

Benchmark ← 36% (Principal + Interest + Taxes + Insurance + Other Debt Payments/Gross Pay)

Lenders use this parameter as an underwriting benchmark when deciding to extend credit. There is a similar benchmark of no more than 28% of your income being spent on housing.

Retirement Planning

Retirement Account Balance by Age

25 - 0.2x your income

30 - 1x your income

35 - 2x your income

40 - 3x your income

45 - 4x your income

50 - 6x your income

55 - 7x your income

60 - 8x your income

62 - 67 - 10x your income

Wage Replacement Ratio

80% of your pre-retirement salary (include social security and other income)

Withdrawal Rate

Withdraw 4% of your account balance in your first year and adjust that amount upward for inflation annually.

Risk Management

- Life Insurance - Policy amount 12-16x annual salary
- Long-term disability Insurance - 60% of gross pay
- Umbrella Insurance - At least \$1MM
- Property Insurance - 80% of FMV

Estate Planning

- Last will & testament
- Advance medical directive
- Durable POA for health care