
pFin[©] - Users Guide Income and Budget

Personal Finance Spreadsheets

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Getting Started

System requirements

Software

Microsoft Excel 2000 or higher

Hardware

- * Pentium III or higher
- * 256mb memory or higher
- * 5mb of free disk space

Prerequisites

Some basic knowledge of Excel is assumed in using this product. See our companion “Excel Basics – Quick Guide”

Pre-use checklist

- * Pay stub – pre raise
- * Pay stub – post raise
- * Last years tax return, if this is not your first working year
- * List of monthly bills and due dates

Maintenance

Renaming the file

It is permissible to rename the file, though we recommend that you leave it named “Pfin-Budget<year>.xls” (for example: “Pfin-Budget2006.xls”)

Backups

Once you have setup your spreadsheet you would be very wise to make periodic backups of the file “Pfin-Budget<year>.xls”.

Recommendations for first time use

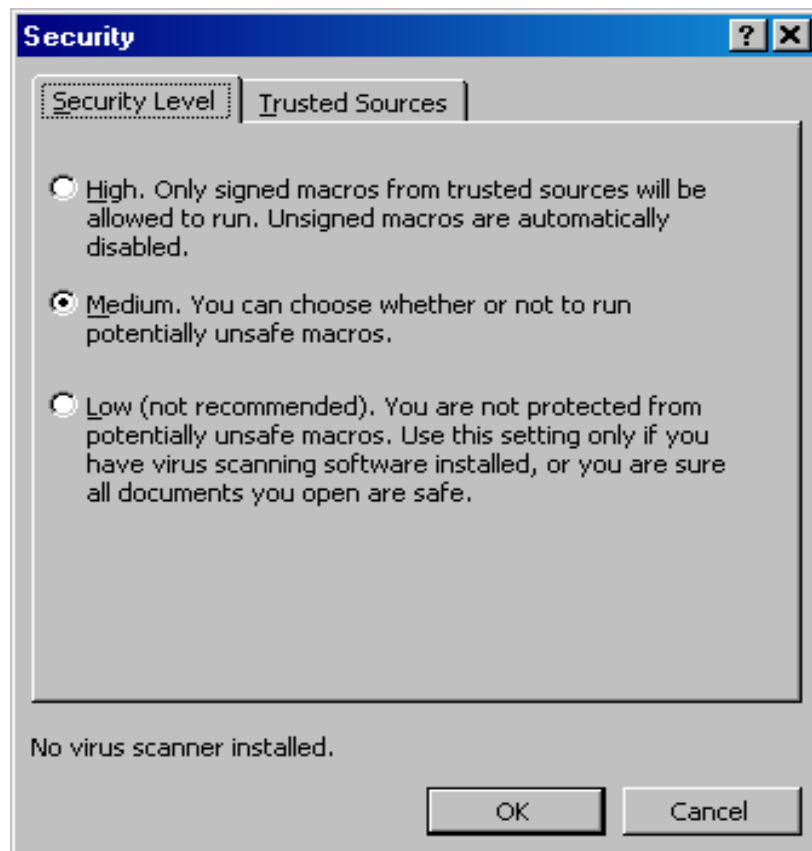
- * If this is your first time using pFin it may be helpful to follow the guide A-Z in setting up you budget. While pFin is very robust and allows for many different budget scenarios we have kept this quick start guide pretty straight-forward and have tried to minimize the blab.
- * Any cell in the program that is light blue is editable by you.
- * Cells in white are not editable by you.

Starting

Ensure Excel is configured to allow Macros

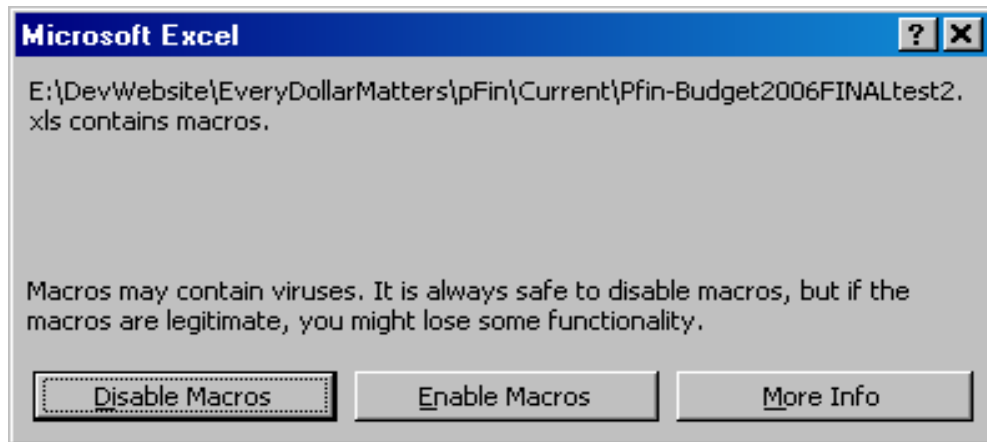
pFin uses macros and a great deal of VBA code. As such, before starting pFin for the first time you will need to ensure that the security settings are such that you can enable macros.

From the Excel top menu select “Tools” - “Macro” – “Security”



Starting pFin with security set to medium

When starting pFin you will be prompted to enable macros. You must choose “Enable Macros” of pFin will not work properly.



Settings

Misc. Settings

Settings

| | | |
|--------------------|--------------|---------------|
| Personal Exemption | \$ 3,200.00 | \$ 107,025.00 |
| FICA % | 6.20% | |
| Max FICA | \$90,000.00 | |
| Medicare % | 1.45% | |
| State Tax % | 0.00% | |
| Max 401k | \$ 14,000.00 | |
| FITW % | 10.00% | |

Personal Exemptions This is set to the current year deduction per exemption, and the maximum adjusted gross income you can make and still use the maximum exemption. These values should already be set to the correct values. If not you may modify them.

FICA This is the % for social security to deduct from your paycheck.

Max FICA This is the maximum income that social security gets deducted from your paycheck. Note that this value is not currently utilized by pFin.

Medicare % This is the % for medicare to deduct from your paycheck.

State Tax % If you live in a state with an income tax this is the estimated percentage.

Max 401k This is the maximum amount that you can save for a 401k per annum (does not include the catch-up amount if you are over 50). Note that this amount is not used in any calculations by pFin. It is merely here for informational purposes.

FITW % This is the estimated federal income tax withholding percentage. It can be used by pFin in generating your annual income from your pay stub. This percentage can also be overridden. A suggestion is to estimate this percentage by dividing last years income and the federal tax amount that you paid.

Number of exemptions

| # Exemption | | | | 1040 line# |
|-------------|---|----------------------------------|---|------------|
| | 1 | Self | 1 | 6a |
| | | Spouse | 0 | 6b |
| | | # Children lived with you | 0 | 6c |
| | | # Children did not live with you | 0 | 6c |
| | | Other dependents | 0 | 6c |

Enter the number of exemptions that you can claim.

Other

There is an area on this sheet where you can create your own custom settings. This is provided for the Excel “power users” that are using this program and want to add new custom functionality.

Income

pFin allows you to track various types of income. This flexibility is one of the many features that sets it apart from the competition. You can track up to three paychecks. Additionally, it has two additional worksheets that can be used to track 1099 income, and another worksheet to track any other type of personal income.

Paychecks

You can enter up to three pay stubs per family. You can utilize these paystubs to deal with a variety of scenarios. For example, you might switch employers during the year. You can use two of the paystubs to track these two incomes. Another scenario could be you work two jobs, and your significant other works one. That covers the three stubs.

IMPORTANT NOTE! A common mistake made is to enter your deductions as positive numbers. You must enter all deductions in this worksheet as negative numbers.

IMPORTANT NOTE! You still need to enter data in all the “post raise” cells even if you have not yet received your raise. If you do not wish to estimate your raise amount just leave it at 0%. You will always be able to modify the data on the income sheet later. However, for tax estimating purposes it is a good idea to plug in a “ball park” raise percentage if you anticipate getting a raise.

Paystub(s)

All three pay stubs get filled out using the same procedure. Hence, this will only show how for pay stub #1. Before getting started make sure you have access to your paystubs. Preferably you will want to use a pay stub that best reflect a typical pay check you receive. In other words, avoid stubs that include bonuses or vacation pay.

| 1st pay period | 2nd pay period |
|----------------|----------------|
| 1/13/006 | 1/27/2006 |
| Annual | \$ - |
| Raise% | 0.00% |
| Hrs Yr | 2080 |
| #pay periods | 26 |

- * Enter the first and second pay period dates. It is important that you enter both dates in order for pFin to correctly calculate your pay dates for the income worksheet. Typically you would enter the date for the month of January. But, if you started your job in another month and your first pay period is on 4/21 and you are paid every two weeks you would enter the 1st pay period date as 4/21/2006 and the second pay period as 5/5/2006.

- * Enter your annual pay. If you are paid an hourly rate you will need to calculate your annual pay by multiplying your hourly rate time the number of hours you work in a year.
- * If you received a raise or anticipate receiving a raise, enter the percentage of the raise you anticipate receiving or have received.
- * Enter the hours you will work in a year. The default 2080 is based upon a 40 hour work week times 53 weeks. If you only work 20 hours per week, 50 weeks a year, and take two weeks vacation for which you are not paid you would enter 1000 hours.
- * Select the number of paychecks you receive. Your choices are 12, 24, 26, 52.

Keep in mind that you can modify/edit any of the data that gets generated to the income worksheets. You should be as accurate as you can for your annual pay and pay period dates.

Once you have entered this data. You will next enter the data below.

| FITW | <i>use</i> | <i>calculated</i> | <i>override val</i> |
|------------|--------------|-------------------|---------------------|
| Pre raise | O16 | \$ - | \$ - |
| | <i>use</i> | <i>calculated</i> | <i>override val</i> |
| Post raise | O18 | \$ - | \$ - |
| | | | |
| Social Sec | <i>use</i> | <i>calculated</i> | <i>override val</i> |
| Pre raise | O21 | \$ - | \$ - |
| | <i>use</i> | <i>calculated</i> | <i>override val</i> |
| Post raise | O23 | \$ - | \$ - |
| | | | |
| Medicare | <i>use</i> | <i>calculated</i> | <i>override val</i> |
| Pre raise | O26 | \$ - | \$ - |
| | <i>use</i> | <i>calculated</i> | <i>override val</i> |
| Post raise | O28 | \$ - | \$ - |
| | | | |
| State Tax | <i>use</i> | <i>calculated</i> | <i>override val</i> |
| Pre raise | P31 | \$ - | \$ - |
| | <i>use</i> | <i>calculated</i> | <i>override val</i> |
| Post raise | P33 | \$ - | \$ - |
| | | | |
| 401k | <i>use</i> | <i>calculated</i> | <i>override val</i> |
| Pre raise | O36 | \$ - | \$ - |
| | <i>% pre</i> | <i>0.00%</i> | <i>0.00%</i> |
| Post raise | O38 | \$ - | \$ - |

For any of the entries above you can choose between the calculated value *Onn* or the override value *Pnn*. It really depends on your situation which one you select. If your paystub is pretty consistent with what you receive/pay each period then it probably is best to use the override value (which will be the amount listed on your pay stub). The calculated selection is figured out using the data that is recorded on the "Settings": worksheet.

For the 401k entry, the amount is typically going to be a pre/post raise tax percentage that you have withheld from your paycheck. pFin automatically assumes that this amount is pre-tax. If this is not true then you can override this by not entering the 401k amount here. If your 401k is not declared as pre-tax income you will need to enter it in the “Other” section of the pay stub. Keep in mind if you are not declaring your 401k as pre-tax income you are giving away a wad of cash!!!

- * Enter the FITW amount from your paystub, pre-raise and post raise in the “override val” column. Select *Pnn/Pnn* under the “use” column to select the override value. You can use the value from the “calculated” column, though this will not be as accurate as entering the withholding from your paystub.
- * Enter the Social Security amount from your paystub, pre-raise and post raise in the “override val” column. Select *Pnn/Pnn* under the “use” column to select the override value. You can use the value from the “calculated” column, though this will not be as accurate as entering the withholding from your paystub.
- * Enter the Medicare amount from your paystub, pre-raise and post raise in the “override val” column. Select *Pnn/Pnn* under the “use” column to select the override value. You can use the value from the “calculated” column, though this will not be as accurate as entering the withholding from your paystub.
- * If you live in a state that has an income tax enter the amount from your paystub, pre-raise and post raise in the “override val” column. Select *Pnn/Pnn* under the “use” column to select the override value. You can use the value from the “calculated” column, though this will not be as accurate as entering the withholding from your paystub.
- * You can enter the 401k amount from your paystub, pre-raise and post raise in the “override val” column. Or, typically you allocate a percentage of your gross income (pre-tax) for your 401k. If this is the case, and the amount calculated matches your paystub you can use the calculated value. Important note: If your 401k is not pre-taxable then you want to leave this area blank. You can enter the 401k amount in the “Other” section of the paystub if it is not pre-tax. If you have the ability to do your 401k contributions as pre-tax and choose not to you really need to go have your head examined!

Next you need to enter the effective raise date>

| | | | | | |
|----------------|-----------|----------------|---------|--------|-------|
| Payee: | | | | | |
| # pay periods | 26 | | | | |
| 1st pay period | 1/13/06 | | | | |
| 2nd pay period | 1/27/2006 | | | | |
| Pre raise | | Post raise | | % | 0.00% |
| Annual | \$ - | Annual | \$ - | Amount | \$ - |
| Hourly rate | \$ - | Hourly rate | \$ - | | |
| Effective date | 1/1/06 | Effective date | 4/12/06 | | |

- * Enter the effective date of your raise. If you are entering this information prior to receiving your raise, you can estimate the amount and the date. You always have the ability to override and change values in the “Income” worksheets.

Note: The pre-raise “Effective date” is not currently used.

Next, enter any additional taxes from your paystub. You will not that the values you entered for FITW, etc... are already entered.

| Taxes | Pre raise | | Post raise |
|--------------|-----------|--------------------|------------|
| | \$ - | Total Taxes | \$ - |
| | \$ - | FITW | \$ - |
| | \$ - | Social Sec | \$ - |
| | \$ - | Medicare | \$ - |
| | \$ - | State | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |

* You can add up to 4 additional taxes from your paystub.

Next, enter any additional pre-tax items, other than 401k, which has already been entered.

| Pre-Tax Deduc | Pre raise | | Post raise |
|----------------------|-----------|---------------------|------------|
| | \$ - | Total Pretax | \$ - |
| | \$ - | 401k | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |

* Enter all other non 401k pretax contributions. Your paystub should identify all pretax contributions for you. Typical deductions like “bus passes” and health and dependent care savings account can be pre-tax.

Important note: If you have child care or elderly care expenses and have the benefit of creating a “Dependent Care Account” you should do so as this is really a great means of saving tax dollars.

Next, enter any other deductions from your pay stub below.

| Other | Pre raise | | Post raise |
|--------------|-----------|--------------------|------------|
| | \$ - | Total Other | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |
| | \$ - | | \$ - |

* Enter all other deductions from your paystub.

Once you have entered everything you should go back and double check all your figures.

- * Are all your figures accurate?
- * Do then calculated “Adjusted Gross” and “Net Pay” amounts match what is on your paystub. If they do not re-check your figures.
- * Are all your deductions entered as negative amounts?

| | | |
|--------------------------|----------------|---------------|
| Create pay checks | | <i>Enable</i> |
| | | No |
| 1st pay period | 2nd pay period | |
| 1/13/006 | 1/27/2006 | |
| Annual | \$ - | |
| Raise% | 0.00% | |
| Hrs Yr | 2080 | |
| #pay periods | 26 | |

- * Set the “Enable” cell to “Yes”.
- * Click “Create pay checks” button.

You repeat this same process for pay stubs 2 and 3.

Income worksheets

| | A | B | C | D | E | F | G |
|----|-----|--------|-----------|-------------|--------|------------|--------|
| 1 | TOC | 1 | Totals | \$ - | \$ - | \$ - | \$ - |
| 2 | | | | | | | |
| 3 | | | | INCOME | | | |
| 4 | | Check# | Date | Total Gross | Gross | Bonus/Tips | Net Pa |
| 5 | | 1 | 1/13/2006 | \$0.00 | \$0.00 | | |
| 6 | | 2 | 1/27/2006 | \$0.00 | \$0.00 | | |
| 7 | | 3 | 2/10/2006 | \$0.00 | \$0.00 | | |
| 8 | | 4 | 2/24/2006 | \$0.00 | \$0.00 | | |
| 9 | | 5 | 3/10/2006 | \$0.00 | \$0.00 | | |
| 10 | | 6 | 3/24/2006 | \$0.00 | \$0.00 | | |
| 11 | | 7 | 4/7/2006 | \$0.00 | \$0.00 | | |

You will use the “Income” worksheet(s) to track your annual income. As with any worksheet in pFin any blue cell is editable by you. Typically you will not want to edit the “Date” cells. If the dates are off, it is likely because you entered incorrect dates on the “Pay stubs” worksheet. It may be easier to go back to the “Pay stubs” worksheet, make the changes and re-generate this worksheet.

As you can see above, pFin is quite flexible and allows you to modify data for pay periods that are different from the norm. It even has a column to add additional income (“Bonus/Tips”).

pFin also track the totals for each of the categories. Each month, or once a quarter you may want to spend some time ensuring this data is up to date.

Tracking 1099 Income

| | A | B | C | D | E | F | G |
|----|--------------------|---|---|--------|------|---|-------------|
| 1 | 1099 Income | | | \$ - | \$ - | | |
| 2 | | | | | | | |
| 3 | Income | | | Amount | FITW | | Description |
| 4 | | | | \$ - | \$ - | | |
| 5 | | | | \$ - | \$ - | | |
| 6 | | | | \$ - | \$ - | | |
| 7 | | | | \$ - | \$ - | | |
| 8 | | | | \$ - | \$ - | | |
| 9 | | | | \$ - | \$ - | | |
| 10 | | | | \$ - | \$ - | | |

If you are self-employed or generate 1099 income pFin offers a worksheet with 52 rows to track this type of income.

Tracking 1099 Securities Incomes

| | A | B | C | D | E | F | G | H | I | J | K | L |
|----|---------------------------------|--------|---------------|----------|--------|-----------|----------|------|--------|-------------|-------------|---|
| 1 | 1099 Income - Securities | | | | | | | | | | | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | Purchase | | | Sale | | | Total | | |
| 5 | Security | Symbol | Purchase Date | PPS | Amount | Date Sold | Qty sold | PPS | Amount | Gain/(Loss) | Months Held | |
| 6 | | | | \$ - | \$ - | | | \$ - | \$ - | \$ - | | |
| 7 | | | | \$ - | \$ - | | | \$ - | \$ - | \$ - | | |
| 8 | | | | \$ - | \$ - | | | \$ - | \$ - | \$ - | | |
| 9 | | | | \$ - | \$ - | | | \$ - | \$ - | \$ - | | |
| 10 | | | | \$ - | \$ - | | | \$ - | \$ - | \$ - | | |
| 11 | | | | \$ - | \$ - | | | \$ - | \$ - | \$ - | | |

If you generate 1099 income from securities, pFin offer you a worksheet for this. Since taxation on this type of income is dependent on how long you have held the security, pFin offers a column that will calculate how many months you have held a security.

Tracking all other income

pFin offers a final worksheet to track any other income that is not 1099 or income derived from a paycheck.

Closing Information

All income entered is automatically used by the “Tax Estimator” and budgeting aspects of pFin.

Tax Estimator

One of the coolest aspects of pFin is its ability to let you look at your income and easily create different scenarios to see if you can further reduce your taxes. This is an area where pFin blows the competition away.

As taxes are an area that give most people a headache, and can be quite confusing we are going to take a little bit a different tact in this section of the manual.

Note: The estimator uses the previous years tax tables as the current year tax tables are not available.

Estimating your taxes

The tax estimator can be helpful in determining if you are paying the correct amount of withholding for federal income tax.

pFin carries forward all of the income from the various sources. It also allows you to add income directly on this worksheet (though this is not something you would really need to do)

| | A | B |
|----|------------------------------------|---------------------|
| 1 | Tax Planning and Estimation | |
| 2 | | |
| 3 | INCOME | Actual (Paychk) |
| 4 | Paycheck1 Gross | \$ 31,500.04 |
| 5 | Paycheck2 Gross | \$ 28,035.50 |
| 6 | Paycheck3 Gross | \$ - |
| 7 | 1099 Work Income | \$ - |
| 8 | 1099 Securities Income | \$ - |
| 9 | | \$ - |
| 10 | | \$ - |
| 11 | | \$ - |
| 12 | | \$ - |
| 13 | | \$ - |
| 14 | Gross income | \$ 59,535.54 |

Additionally pFin carries forward all of your federal income tax withhold from the various income worksheets. There are two additional rows to make additions, though this should not be necessary and if any changes to FITW need to be made, they should be made on the various income worksheets.

| | | |
|----|------------------|----------------------|
| 45 | FITW Paid | \$ (7,021.90) |
| 46 | FITW Paycheck 1 | \$ (3,149.90) |
| 47 | FITW Paycheck 2 | \$ (3,872.00) |
| 48 | FITW Paycheck 3 | \$ - |
| 49 | FITW Other | \$ - |
| 50 | FITW 1099 Income | \$ - |
| 51 | | \$ - |
| 52 | | \$ - |

The next area of this spreadsheet is where you will add any deductions you anticipate. Keep in mind this is a tax “estimator”. It is only meant to give you a ballpark figure as to if you are paying the right amount of federal income tax.

If your current income and tax liability is similar to last years you can use last years return as a point for estimating this years anticipated taxes. As you can see below the personal exemption is already calculated for you. This calculation is the number of exemptions you entered on the “Settings” worksheet times the “Personal Exemption” amount also on that worksheet. If you need to make any changes you will need to go back and make them on that worksheet.

Also calculated for you are 401k, State Income Tax, and all non 401k pretaxable income. These represent the total value from the “Income 1 though 3” worksheets. If these values are in error you will need to go and make the corrections on the applicable “Income” worksheet. If you itemize you can enter any additional deductions here. If you do not use the long form you can enter your standard deduction here.

| | A | B |
|----|---------------------------|---------------|
| 16 | TAX DEDUCTIONS | \$ 7,633.88 |
| 17 | | |
| 18 | Personal Exemption | \$ 3,200.00 |
| 19 | Mortgage interest | \$ - |
| 20 | Property taxes | \$ - |
| 21 | Charity | \$ - |
| 22 | 401k | \$ 4,433.88 |
| 23 | State Income Tax | \$ - |
| 24 | Pretax paycheck less 401k | \$ - |
| 25 | | \$ - |
| 26 | | \$ - |
| 27 | | \$ - |
| 28 | | \$ - |
| 29 | | \$ - |
| 30 | | \$ - |
| 31 | | \$ - |
| 32 | | \$ - |
| 33 | | \$ - |
| 34 | | \$ - |
| 35 | | \$ - |
| 36 | | \$ - |
| 37 | Filing Status? | Married-Joint |
| 38 | TAXABLE INCOME | \$ 51,901.66 |

Make sure you choose the correct filing status (row 37) as there are big differences in withholding based upon your filing status.. Your total taxable income is calculated on row 38.

To see you tax liability click on the “Calc Tax” button and pFin will read the tax table for your income and filing status, return the projected amount you will owe to row 39. Additionally it will subtract this value from what you have paid (or anticipate paying) and report back to you if you are over paying or under paying.

| | | |
|----|-----------------|---------------|
| 37 | Filing Status? | Married-Joint |
| 38 | TAXABLE INCOME | \$ 51,901.66 |
| 39 | FITW Owed | \$ 6,849.00 |
| 40 | | |
| 41 | | Calc Tax |
| 42 | | |
| 43 | Difference | \$ 172.90 |
| 44 | | Overpaid |
| 45 | FITW Paid | \$ (7,021.90) |
| 46 | FITW Paycheck 1 | \$ (3,149.90) |

Again, you need to keep in mind that this is just an estimator. If your gross income is too high you may have to pay AMT (Alternative Minimum Tax). As taxes can get complicated, especially for higher incomes you should see a qualified tax counselor or CPA for advice.

Scenarios for reducing your taxes

What really makes the tax estimator shine is the ability to quickly do side by side comparisons to help you make decisions like:

What is the real cost if we increase our 401k?

Should we buy a home or continue to rent?

There is really no limit to the types of scenarios you can create. So many people do not realize that there are certain things they can do with their income that will actually reduce the amount of taxes they have to pay. Of course there is going to be a tradeoff with your budget, cash-flow and these techniques.

We are going to offer two scenarios to give you an idea of the types of things you can do with the tax estimator.

Scenario: What if we increase our 401k?

Note: There are limitations to the amount that you can allocate for your 401k. Our website and many others can provide you with this information.

| | A | B | C | D | E |
|-----------|---------------------------|---------------------|---------------------|---------------------|---------------------|
| 2 | | | | | |
| 3 | INCOME | Actual (Paychk) | What If #1 | What If #2 | What If #2 |
| 4 | Paycheck1 Gross | \$ 31,500.04 | \$ 31,500.04 | \$ 31,500.04 | \$ 31,500.04 |
| 5 | Paycheck2 Gross | \$ 28,035.50 | \$ 28,035.50 | \$ 28,035.50 | \$ 28,035.50 |
| 6 | Paycheck3 Gross | \$ - | \$ - | \$ - | \$ - |
| 7 | 1099 Work Income | \$ - | \$ - | \$ - | \$ - |
| 8 | 1099 Securities Income | \$ - | \$ - | \$ - | \$ - |
| 9 | | \$ - | \$ - | \$ - | \$ - |
| 10 | | \$ - | \$ - | \$ - | \$ - |
| 11 | | \$ - | \$ - | \$ - | \$ - |
| 12 | | \$ - | \$ - | \$ - | \$ - |
| 13 | | \$ - | \$ - | \$ - | \$ - |
| 14 | Gross income | \$ 59,535.54 | \$ 59,535.54 | \$ 59,535.54 | \$ 59,535.54 |
| 15 | | | | | |
| 16 | TAX DEDUCTIONS | \$ 10,833.88 | \$ 12,400.00 | \$ 13,400.00 | \$ - |
| 17 | | | | | |
| 18 | Personal Exemption | \$ 6,400.00 | \$ 6,400.00 | \$ 6,400.00 | \$ 6,400.00 |
| 19 | Mortgage interest | \$ - | \$ - | \$ - | \$ - |
| 20 | Property taxes | \$ - | \$ - | \$ - | \$ - |
| 21 | Charity | \$ - | \$ - | \$ - | \$ - |
| 22 | 401k | \$ 4,433.88 | \$ 6,000.00 | \$ 7,000.00 | \$ - |
| 23 | State Income Tax | \$ - | \$ - | \$ - | \$ - |
| 24 | Pretax paycheck less 401k | \$ - | \$ - | \$ - | \$ - |
| 25 | | \$ - | \$ - | \$ - | \$ - |
| 26 | | \$ - | \$ - | \$ - | \$ - |
| 27 | | \$ - | \$ - | \$ - | \$ - |
| 28 | | \$ - | \$ - | \$ - | \$ - |
| 29 | | \$ - | \$ - | \$ - | \$ - |
| 30 | | \$ - | \$ - | \$ - | \$ - |
| 31 | | \$ - | \$ - | \$ - | \$ - |
| 32 | | \$ - | \$ - | \$ - | \$ - |
| 33 | | \$ - | \$ - | \$ - | \$ - |
| 34 | | \$ - | \$ - | \$ - | \$ - |
| 35 | | \$ - | \$ - | \$ - | \$ - |
| 36 | | \$ - | \$ - | \$ - | \$ - |
| 37 | Filing Status? | Married-Joint | Married-Joint | Married-Joint | Married-Joint |
| 38 | TAXABLE INCOME | \$ 48,701.66 | \$ 47,135.54 | \$ 46,135.54 | \$ 59,535.54 |
| 39 | FITW Owed | \$ 6,579.00 | \$ 6,339.00 | \$ 6,189.00 | \$ 8,211.00 |

In this scenario, we have left everything else the same but increased our 401k pre-tax contributions by about \$1566 and \$2566 per year. The tax saving that would result in doing

this would be \$240 and \$368 dollars respectively. We could also look at this increase in the following way. By increasing our 401k contribution by \$1566, because of the tax savings the increase really is only costing us \$1326. We could even look at it as without making a dime on our 401k investment we are making 18% profit on the increase. In other words, the fact that adding \$1566 but only having to pay \$1326 due to the tax savings is netting us an inherent gain of 18%!

Scenario: Using Dependent Care Assistance Plan for Child Care

| 3 | INCOME | Actual (Paychk) | What If #1 |
|----|---------------------------|-----------------|---------------|
| 4 | Paycheck1 Gross | \$ 43,000.10 | \$ 43,000.10 |
| 5 | Paycheck2 Gross | \$ 28,035.50 | \$ 28,035.50 |
| 6 | Paycheck3 Gross | \$ - | \$ - |
| 7 | 1099 Work Income | \$ - | \$ - |
| 8 | 1099 Securities Income | \$ - | \$ - |
| 9 | | \$ - | \$ - |
| 10 | | \$ - | \$ - |
| 11 | | \$ - | \$ - |
| 12 | | \$ - | \$ - |
| 13 | | \$ - | \$ - |
| 14 | Gross income | \$ 71,035.60 | \$ 71,035.60 |
| 15 | | | |
| 16 | TAX DEDUCTIONS | \$ 14,142.38 | \$ 19,142.38 |
| 17 | | | |
| 18 | Personal Exemption | \$ 9,600.00 | \$ 9,600.00 |
| 19 | Mortgage interest | \$ - | \$ - |
| 20 | Property taxes | \$ - | \$ - |
| 21 | Charity | \$ - | \$ - |
| 22 | 401k | \$ 4,542.38 | \$ 4,542.38 |
| 23 | State Income Tax | \$ - | \$ - |
| 24 | Pretax paycheck less 401k | \$ - | \$ - |
| 25 | Dependent Care (DCAP) | \$ - | \$ 5,000.00 |
| 26 | | \$ - | \$ - |
| 27 | | \$ - | \$ - |
| 28 | | \$ - | \$ - |
| 29 | | \$ - | \$ - |
| 30 | | \$ - | \$ - |
| 31 | | \$ - | \$ - |
| 32 | | \$ - | \$ - |
| 33 | | \$ - | \$ - |
| 34 | | \$ - | \$ - |
| 35 | | \$ - | \$ - |
| 36 | | \$ - | \$ - |
| 37 | Filing Status? | Married-Joint | Married-Joint |
| 38 | TAXABLE INCOME | \$ 56,893.22 | \$ 51,893.22 |
| 39 | FITW Owed | \$ 7,801.00 | \$ 7,051.00 |

If you have child care expenses and you job offers you to defer dependent care expenses then you will likely be kicking yourself after you see this if you are not doing so. As you can see ther tax savings for using the dependent care assistance program for \$5000 in day care expenses results in an annual tax savings of \$750 for a married couple in the income bracket depicted in this scenario. That is a big chunk of change.

Many companies also have similar accounts that can be used for medical expenses. So, if you know you spend \$2000 a year for medications and other medical expenses you might want to consider this type of plan as well.

These type of plans have maximum amounts that you can elect. And, these plans are “use the money or lose it!”. In other words you do not want to allocate \$5000 for annual dependent care expenses if your annual amount is only \$3000 as you will lose \$2000 dollars, which is well more than the tax savings you gained. In other words, you only want to allocate amounts for these type of plans that you know you will use.

There are many other types of scenarios you can use the tax estimator for.

Budget

Finally we have made it to the budget portion of pFin. The budget segment of pFin offers enormous flexibility but strives to minimize the amount of redundant data entry that you have to do. Essentially, all you really need to do is setup one or two monthly budgets that you use as templates for the other months. Also, pFin allows you to setup and reuse up to 5 different monthly budget scenarios.

Budgeting in pFin consists of a three step process.

1. Fill out the “Budget Planner” worksheet
2. Create your first monthly budget
3. Template subsequent monthly budgets

Fill out the “Budget Planner”

Determining Budget Income

The first place to start on the “Budget Planner” worksheet is the bottom where you will select the income. Typically you will select your pre-raise income (Template 1) for the “Main” scenario, and the post-raise income (Template 2) for “Scenario 1”.

| | A | B | C | D | E | F |
|----|-----------------------|-------------------|-------------|-----------------|-------------|-------------|
| 1 | Budget Planner | | Income Left | \$ (0.00) | \$ 13.10 | \$ - |
| 2 | | | Due Date | Main | Scenario 1 | Scenario 2 |
| 71 | | NET INCOME | | \$ 3,584.37 | \$ 3,732.37 | \$ - |
| 72 | | | | Template 1 | Template 2 | None |
| 76 | | Income Sources | | | | |
| 77 | | | TOTAL | Template 1 | TOTAL | Template 2 |
| 78 | | | \$ 3,584.37 | | \$ 3,732.37 | |
| 79 | | | | | | Period |
| 80 | | Pre-raise 1 | \$ 2,057.54 | Post-raise 1 | \$ 2,057.54 | 26 |
| 81 | | 2 | \$ 1,526.83 | 2 | \$ 1,674.83 | 52 |
| 82 | | 3 | \$ - | 3 | \$ - | 26 |
| 83 | | | | | | Paycheck |
| 84 | | 1099 Income | \$ - | 1099 Income | \$ - | Paycheck |
| 85 | | 1099 Income-Sec | \$ - | 1099 Income-Sec | \$ - | \$ 1,028.77 |
| 86 | | Income-Other | \$ - | Income-Other | \$ - | \$ 381.71 |
| 87 | | | | | | \$ - |
| 88 | | | | Template 3 | \$ 1,775.79 | override |

Income Templates

| | |
|------------|---|
| Template 1 | Pre-raise income from the income worksheets. |
| Template 2 | Post-raise income for the income worksheets. |
| Template 3 | Enter income manually. This would need to be used if you are using two of the paycheck incomes for a single person, to track two separate jobs they have had during the year. For example you use paystub 1 to track Mary's income for a job she had from Jan-Apr. Mary then switched jobs and you are using paystub 3 to track her income for the new job she started in May. |

Determining Budget Expenses

Once you have selected the income, you then need to enter your monthly expenses within the specified categories. Typically you will only need to enter your pre-raise budget expenses under the “Main” column, and your post-raise expenses under the “Scenario 1” column. Also, be sure and enter the due dates for applicable expenses under the “Due Date” column.

| | A | B | C | D | E | F |
|----|-----------------------|------------|-------------|-------------|-------------|------------|
| 1 | Budget Planner | | Income Left | \$ 1,663.89 | \$ 146.30 | \$ - |
| 2 | | | Due Date | Main | Scenario 1 | Scenario 2 |
| 3 | Housing | Rent | 1st | \$ (750.00) | \$ (750.00) | \$ - |
| 4 | | | | | | |
| 5 | Utilities | Electric | 10th | \$ (35.00) | \$ (40.00) | \$ - |
| 6 | | Gas | 10th | \$ (25.00) | \$ (25.00) | \$ - |
| 7 | | Water | 10th | \$ (25.00) | \$ (25.00) | \$ - |
| 8 | | Cell Phone | 23rd | \$ (69.00) | \$ (145.00) | \$ - |
| 9 | | Garbage | 1st | \$ (7.00) | \$ (7.00) | \$ - |
| 10 | | | | \$ - | \$ - | \$ - |
| 11 | | | | \$ - | \$ - | \$ - |

“Scenario 2” is provided and can be used to model a “what if” budget scenario that you can actually decide to use.

Note that the “Budget Planner” keeps a convenient running total of the income you have left so that you can create a 0 based budget without needing a calculator!

| | A | B | C | D | E |
|----|----------------------------|---------|-------------|-------------|-------------|
| 1 | Budget Planner | | Income Left | \$ 1,663.89 | \$ 146.30 |
| 32 | Savings/Investments | Savings | | \$ (75.48) | \$ (801.90) |
| 33 | | Roth | | \$ (50.00) | \$ (75.00) |
| 34 | | | | | \$ - |
| 35 | | | | \$ - | \$ - |

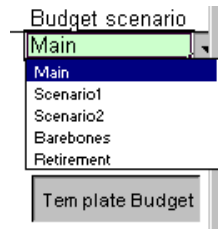
Create Your First Monthly Budget

It is not necessary to start with January. We realize that people start budgets at different times throughout the year. For the sake of this document we are going to start on January.

4 Easy Steps

Step 1 – Select budget scenario from the planner

Select the “Budget scenario” to template from (the default value is “Main”). If this is the first monthly budget you are creating you can ignore the “Select month” setting. Just leave it as the default. After you have made your selection click the “Template Budget” button.



Step 2 – Make any adjustments to income

Due to the complexity and variations in how companies pay employees pFin gets the income from the “Pay Stubs” worksheet. As such it cannot figure out on its own the months where you might receive an extra paycheck (those of you that are paid weekly or 26 times a year). As such, you have to enter this income manually. Also, if you receive a bonus or less/more pay for one of the pay periods you will need to make the appropriate adjustments here.

| | |
|--------------|------|
| Other Income | \$ - |
| | \$ - |
| | \$ - |
| | \$ - |
| | \$ - |
| | \$ - |
| | \$ - |
| | \$ - |
| | \$ - |
| | \$ - |

Enter any extra paychecks, or any adjustments to your normal pay (enter either positive or negative values) in any of the blue cells, and pFin will recalculate the income available for this months budget.

Step 3 – Allocate income

Go to the “Net Income” row and distribute the income across up to four columns.

| | | | | | | |
|----|------------|-------------|------|------|------|------|
| 71 | NET INCOME | \$ 3,584.37 | \$ - | \$ - | \$ - | \$ - |
| 72 | | | | | | |

| | | | | | |
|------------|-------------|-------------|-------------|------|------|
| Difference | \$ 1,321.96 | \$ 1,792.18 | \$ 1,792.19 | \$ - | \$ - |
| NET INCOME | \$ 3,584.37 | \$ 1,792.18 | \$ 1,792.19 | \$ - | \$ - |

Note: pFin is quite flexible as to how you disperse your income and pay your bills each month. You can choose 1-4 monthly periods for you budget. Typically, most of you will only need to the first two columns, but pFin will support the following other scenarios. For example, if you have two incomes and each pay twice a month you allocate one column for each paycheck.. Or, you can use the extra columns to manage income for the months where you get an extra paycheck or bonus.

IMPORTANT NOTE: A common mistake pFin users make is forgetting to do this step

Step 4 – Distribute expenses

Finally, distribute you expenses across the periods you have designated. Note, that pFin helps you by...

- * Telling you how much income you have left, so you can do 0 based budgeting.
- * Keeps a running total for each row, so if you split an expense across periods you can see that you have done so correctly (See the “Rent” row for an example).

| | B | C | D | E | F | G | H | I | J |
|-----------|----------|------------|-------------|-------------|-------------|------|------|---|-------------|
| | | | Income left | \$ 1,392.18 | \$ 1,432.19 | \$ - | \$ - | | TOC |
| | | | Due Date | Period #1 | Period #2 | | | | |
| Housing | Rent | (\$750.00) | 1st | \$ (400.00) | \$ (300.00) | \$ - | \$ - | | \$ (700.00) |
| Utilities | Electric | (\$35.00) | 10th | \$ - | \$ (35.00) | \$ - | \$ - | | \$ (35.00) |
| | Gas | (\$25.00) | 10th | \$ - | \$ (25.00) | \$ - | \$ - | | \$ (25.00) |
| | Water | (\$25.00) | 10th | \$ - | \$ - | \$ - | \$ - | | \$ - |

Template Subsequent Monthly Budgets

You can template from any monthly budget scenario and any month. Typically all that is needed on you part is to create a monthly budget for your pre-raise income and one for you post-raise income and then template all the other months from these. pFin will copy all of the data from both the budget planner and the monthly budget you have chosen .

Budget scenario

 Select Month

 Template Budget

| | A | B | C | D | E | F | |
|----|------------------------|-------------------------------|-------------|----------|-------------|-------------|------|
| 1 | June | | | | Income left | \$ - | \$ - |
| 2 | | | | Due Date | Period #1 | Period #2 | |
| 3 | Housing | Rent | (\$750.00) | 1st | \$ (400.00) | \$ (300.00) | \$ |
| 4 | | | | | | | |
| 5 | Utilites | Electric | (\$40.00) | 10th | \$ - | \$ (35.00) | \$ |
| 6 | | Gas | (\$25.00) | 10th | \$ - | \$ (25.00) | \$ |
| 7 | | Water | (\$25.00) | 10th | \$ - | \$ (25.00) | \$ |
| 8 | | Cell Phone | (\$145.00) | 23rd | \$ (69.00) | \$ - | \$ |
| 9 | | Garbage | (\$7.00) | 1st | \$ - | \$ (7.00) | \$ |
| 10 | | | \$0.00 | | \$ - | \$ - | \$ |
| 11 | | | \$0.00 | | \$ - | \$ - | \$ |
| 12 | | | \$0.00 | | \$ - | \$ - | \$ |
| 13 | | <i>Utilities Subtotal</i> | \$ (242.00) | | | | |
| 14 | Housing - Other | | \$0.00 | | \$ - | \$ - | \$ |
| 15 | | | \$0.00 | | \$ - | \$ - | \$ |
| 16 | | <i>Housing Other Subtotal</i> | \$ - | | | | |
| 17 | | | | | | | |
| 18 | Transportation | Bus Pass | (\$102.00) | 1st | \$ - | \$ (72.00) | \$ |
| 19 | | | \$0.00 | | \$ - | \$ - | \$ |
| 20 | | | \$0.00 | | \$ - | \$ - | \$ |

IMPORTANT NOTE: Always verify the net income, to see that it is correct disbursed. This is a common mistake users make.

After you have templated the budget for the desired month you are free to make any changes.

Using the Retirement Planner

What it is

The retirement planner is a worksheet that allows you to plan for retirement. It is tied to the “Retirement” column of the “Budget Planner” worksheet. You will want to make sure and fill this out prior to filling out this worksheet.

How to use

Enter vital information

- * Enter your current age. If you are married you will need to decide which age to enter. To be conservative you can enter the older age.
- * Enter the present value of all of your retirement investments (401k, IRA, Roth IRA). If you are married enter them for you and your spouse.
- * Enter your estimated annual contributions in row 4. If married, include both retirement amounts. Also include any matching amounts by your employer.
- * Enter two prospective ages you can retire in rows 6 and 7.
- * Enter estimated percentages you anticipate earning on your investments in row 5.

| Retirement Planner | | | | | | | | |
|--------------------|------------------|----|--------------|--------------|----------------|----------------|----------------|-------|
| 2 | Age | 48 | | | | | | |
| 3 | PV | \$ | 235,000.00 | | | | | |
| 4 | Yrly Avg Contrib | \$ | 10,000.00 | | | | | |
| 5 | Age to Retire | | | 5.00% | 6.00% | 6.50% | 7.00% | 8.00% |
| 6 | 62 | 14 | \$674,709.42 | \$761,795.41 | \$809,803.75 | \$861,064.18 | \$974,254.18 | |
| 7 | 65 | 17 | \$815,950.70 | \$944,405.81 | \$1,016,672.04 | \$1,094,903.14 | \$1,271,313.39 | |
| 8 | | | | | | | | |

Determining your income needs

- * Select which retirement age you would like to calculate the monthly percentage for. Do this for all columns in row 10.
- * Enter your estimated social security benefit in rows 13 and 14. If you also are anticipating a pension from an employer you can add this value to the anticipated social security amount.

| | | | | | | |
|----|---------------------------------------|---|---------------|-----------------|-----------------|-----------------|
| 9 | How much will you need at retirement? | | | | | |
| 10 | | C7 | D7 | E7 | F7 | G7 |
| 11 | | \$ 815,950.70 | \$ 944,406.81 | \$ 1,016,672.04 | \$ 1,094,903.14 | \$ 1,271,313.39 |
| 12 | Monthly at % | \$ 3,399.79 | \$ 4,722.03 | \$ 5,506.97 | \$ 6,386.93 | \$ 8,475.42 |
| 13 | Current Soc Security 1 | \$ 1,800.00 | \$ 1,800.00 | \$ 1,800.00 | \$ 1,800.00 | \$ 1,800.00 |
| 14 | Other or Soc Security 2 | \$ 1,400.00 | \$ 1,400.00 | \$ 1,400.00 | \$ 1,400.00 | \$ 1,400.00 |
| 15 | Tot Monthly income | \$ 6,599.79 | \$ 7,922.03 | \$ 8,706.97 | \$ 9,586.93 | \$ 11,675.42 |
| 16 | | | | | | |
| 17 | Difference | \$ 3,194.79 | \$ 4,517.03 | \$ 5,301.97 | \$ 6,181.93 | \$ 8,270.42 |
| 18 | | | | | | |
| 19 | Budget Amount | (\$ 3,405.00) From Budget-Planner (J67) | | | | |

If you notice the budget amount entered above is from the “Budget Planner”. Also, pFin conservatively allows you to select the income % as a source of income. This means that you will leave the principle intact. If you wish to see the amount you can draw on your annuity, both interest and principle, you can do the following.

- * In the amount cell enter one of the values from rows 6 or 7.
- * Enter the number of years you expect to live from the time you retire (it is best to be conservative).
- * Enter the anticipated interest rate you expect to get from your investment.

Retirement savings to \$0

| | |
|------------|-------------------|
| Amount | \$805,512.00 |
| Years to 0 | 20 |
| Interest % | 6.00% |
| | \$5,770.94 amount |

Below enter the following:

- * Average anticipated cost of living percentage.
- * Average inflation percentage.

| | | | | | | |
|----|------------------------------------|--------------|-------------|-------------|-------------|--------------|
| 21 | | | | | | |
| 22 | Adjusted for Inflation | | | | | |
| 23 | Social Sec Benefit COLA Adj | \$ 2,995.62 | \$ 2,995.62 | \$ 2,995.62 | \$ 2,995.62 | \$ 2,995.62 |
| 24 | | | | | | |
| 25 | Tot Monthly income (Inflation Adj) | \$ 6,395.41 | \$ 7,717.65 | \$ 8,502.59 | \$ 9,382.55 | \$ 11,471.04 |
| 26 | | | | | | |
| 27 | Difference | \$ 728.70 | \$ 2,050.94 | \$ 2,835.88 | \$ 3,715.84 | \$ 5,804.33 |
| 28 | | | | | | |
| 29 | Budget Amount (Inflation Adj) | (\$5,666.71) | | | | |
| 30 | | | | | | |
| 31 | Soc Sec COLA Avg | 3.00% | | | | |
| 32 | Avg inflation rate? | 3.00% | | | | |
| 33 | year to retire? | 17 | | | | |
| 34 | | E7 Select | | | | |

- * Select the retirement year (row 6 or 7)

Users Guide

This portion of the worksheet will adjust your expenses and your social security benefit to account for inflation.

Disaster Planning

This worksheet is here so that you have a place to calculate your unemployment benefit. Not much to it other than this.