

Audiobook Companion Document

Pillars of Wealth

Book 1

Personal Finance Essentials for Doctors

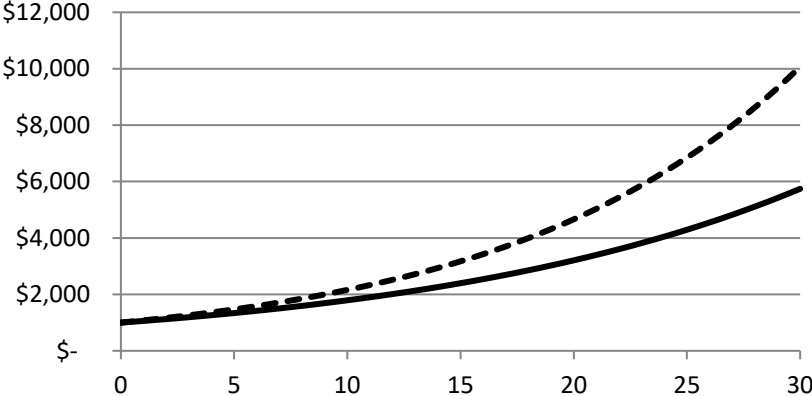
By

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In this document you will find the figures mentioned in the Pillars of Wealth Book I Audiobook recordings. All this information, along with useful links and templates, is available online in e-Book format. Online you also have an opportunity to ask questions and receive answers on any e-Book topic of interest.

Chapter 2: Formulate a financial Plan

**Figure 1: \$1,000
Compounded at 6% and 8%**



Chapter 3: Know Your Net Worth

**Figure 2: Personal Balance Sheet for: Dr. John Q. Public
On December 31, 20XX**

ASSETS (owned)	LIABILITIES (owed)
<p>SHORT-TERM ASSETS</p> <ul style="list-style-type: none"> -cash -checking account balances -savings account balances -money market account balances -certificates of deposit (maturity less than one year) -other current assets <p>LONG-TERM ASSETS</p> <ul style="list-style-type: none"> -primary residence -other real estate owned -car(s) -furniture -jewelry -electronic equipment -artwork -other personal property -brokerage/trading accounts -retirement account balances -certificates of deposit (maturity greater than 1 year) -direct business ownership -life insurance cash value -other long-term investments 	<p>SHORT-TERM LIABILITIES</p> <ul style="list-style-type: none"> -credit card balances -bank line of credit balances -other current liabilities <p>LONG-TERM LIABILITIES</p> <ul style="list-style-type: none"> -residence mortgage principal -other mortgage principal -car loan(s) outstanding -home improvement loans -student loan balance -other long-term liabilities
NET WORTH = TOTAL ASSETS – TOTAL LIABILITIES	

Figure 3: Multi-Year Personal Balance Sheet for:

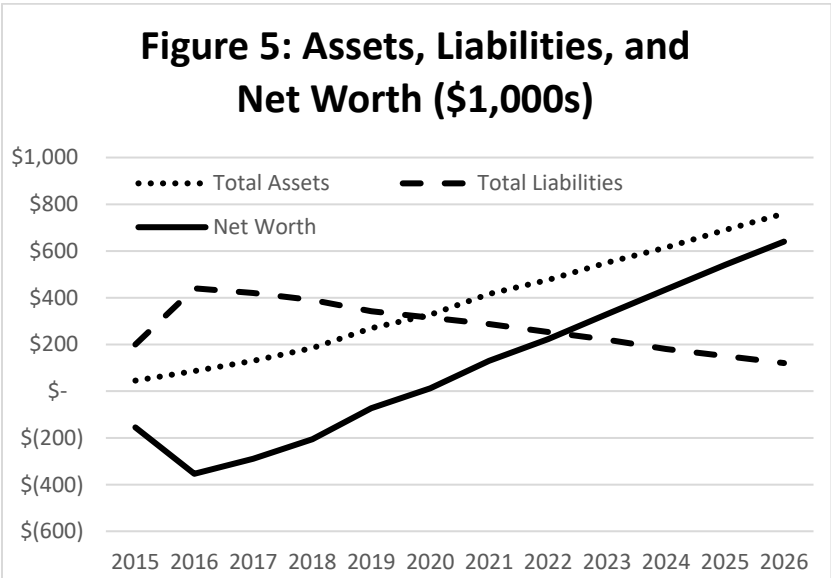
Dr. John Q. Public (in thousands of dollars, at year-ends)

	2018	2019	2020
ASSETS (what you own)			
SHORT-TERM ASSETS			
-cash	\$2	\$4	\$5
-checking account balances	1	3	3
-savings account balances	0	3	5
-money market account balances	0	0	2
-certificates of deposit (maturity less than 1 year)	0	5	10
-other current assets	0	0	3
LONG-TERM ASSETS			
-primary residence	350	360	375
-other real estate owned	0	0	110
-car(s)	21	19	17
-furniture	13	14	15
-jewelry	0	2	2
-electronic equipment	2	2	2
-artwork	0	0	0
-other personal property	0	0	0
-brokerage/trading accounts	0	0	2
-retirement accounts (IRA, 401(k))	45	56	68
-certificates of deposit (maturity greater than 1 year)	0	5	10
LONG-TERM ASSETS			
-direct business ownership	0	0	0
-life insurance cash value	17	21	25
-other long-term investments	0	0	0
TOTAL ASSETS (TA)	\$451	\$493	\$654
LIABILITIES (what you owe)			
SHORT-TERM LIABILITIES			
-credit card balances	4	3	2
-bank line of credit balances	10	4	1
-other current liabilities	0	0	0

LONG-TERM LIABILITIES			
-residence mortgage principal	280	260	240
-other mortgage principal	0	0	0
-car loan(s) outstanding	12	11	10
-home improvement loans	0	0	0
-student loan balance	65	55	45
-other long-term liabilities	0	0	0
TOTAL LIABILITIES (TL)	\$371	\$333	\$298
NET WORTH (TA-TL)	\$80	\$160	\$356

Figure 4: Hypothetical Assets, Liabilities, and Net Worth
(in thousands of dollars)

Year	Total Assets	Total Liabilities	Net Worth
2015	\$ 45	\$ 200	\$ (155)
2016	\$ 86	\$ 440	\$ (354)
2017	\$ 130	\$ 420	\$ (290)
2018	\$ 184	\$ 390	\$ (206)
2019	\$ 269	\$ 342	\$ (73)
2020	\$ 327	\$ 315	\$ 12
2021	\$ 416	\$ 287	\$ 129
2022	\$ 476	\$ 253	\$ 223
2023	\$ 550	\$ 220	\$ 330
2024	\$ 615	\$ 180	\$ 435
2025	\$ 690	\$ 150	\$ 540
2026	\$ 760	\$ 120	\$ 640



Chapter 4: Manage & Minimize Debt

Figure 6A: Traditional Repayment Plans

Repayment Plan	Terms
Standard Repayment	You have up to 10 years to repay; fixed monthly payments must be at least \$50; You'll usually pay less over time than under other plans.
Graduated Repayment	You have up to 10 years to repay; initial payments are low and increase (usually) every two years; you'll pay more over time than under the Standard Plan.
Extended Repayment	You have up to 25 years to repay; choose between graduated payments that start low and increase over time or fixed payments; monthly payments will be lower than those under Standard or Graduated Plans, but you'll pay more over time than the Standard Plan

Figure 6B: Income-Driven Repayment Plans

Repayment Plan	Terms
Revised Pay As You Earn (REPAYE)	You have up to 20 or 25 years to repay (depending on whether loans were only for undergraduate or some graduate studies, respectively); if you make the equivalent of 20 (or 25) years of qualifying payments, any outstanding balance on your loan may be forgiven (you may owe income tax on the forgiven amount); payments will be 10% of your discretionary income (defined by the Department of Education relative to the poverty line); you'll usually pay more over time than under the Standard Plan; may be a good option for public service loan forgiveness (PSLF).
Pay As You Earn	You have up to 20 years to repay; if you

(PAYE)	make the equivalent of 20 years of qualifying payments, any outstanding balance on your loan may be forgiven (you may owe income tax on the forgiven amount); payments will be 10% of your discretionary income, but never more than what you'd have paid under the Standard Plan; you'll usually pay more over time than under the Standard Plan; may be a good option for PSLF.
Income-Based Repayment (IBR)	You have 20 (or 25) years to repay (depending on when you received your first loans); if you make the equivalent of 20 (or 25) years of qualifying payments, any outstanding balance on your loan may be forgiven (you may owe income tax on the forgiven amount); payments will be either 10% or 15% (depending on when you received your first loans) of your discretionary income, but never more than you'd pay under the Standard Plan; you'll usually pay more over time than under the Standard Plan; may be a good option for PSLF.
Income-Contingent Repayment (ICR)	You have up to 25 years to repay; payments are the lesser of 20% of your discretionary income, OR, the amount you'd pay on a 12-year fixed plan adjusted according to your income; if you make the equivalent of 25 years of qualifying payments, any outstanding balance on your loan may be forgiven (you may owe income tax on the forgiven amount); you'll usually pay more over time than under the Standard Plan; may be a good option for PSLF.
Income-Sensitive Repayment	Your monthly payment is based on annual income, but your loan will be paid in full within 15 years; you'll pay more over time than under the 10-year Plan; the monthly payment amount can vary from lender to lender.

Source: <https://studentaid.ed.gov/sa/>

Chapter 6: Budget to Live Within Your Means

Figure 7: Generic Annual Budget

Budget Item	Dollar Amount
INCOME SOURCES	
Salary (W-2 Income)	\$ 200,000
Bonus (if applicable)	\$ -
Profit sharing revenue/Partnership income	\$ -
Moonlighting income	\$ -
Child Support/alimony received	\$ -
Gifts/loans from family	\$ -
Dividends, interest, capital gains	\$ -
Rental property income	\$ -
Other	\$ -
TOTAL INCOME	\$ 200,000
PAYROLL DEDUCTIONS FROM INCOME	
All taxes *	\$ 45,649
Social Security and Medicare	\$ 11,140
401(k) or 403(b) contributions	\$ 19,000
Health insurance plan	\$ 3,000
Health FSA	\$ 2,000
Other	
TOTAL PAYROLL DEDUCTIONS FROM INCOME	\$ 80,789

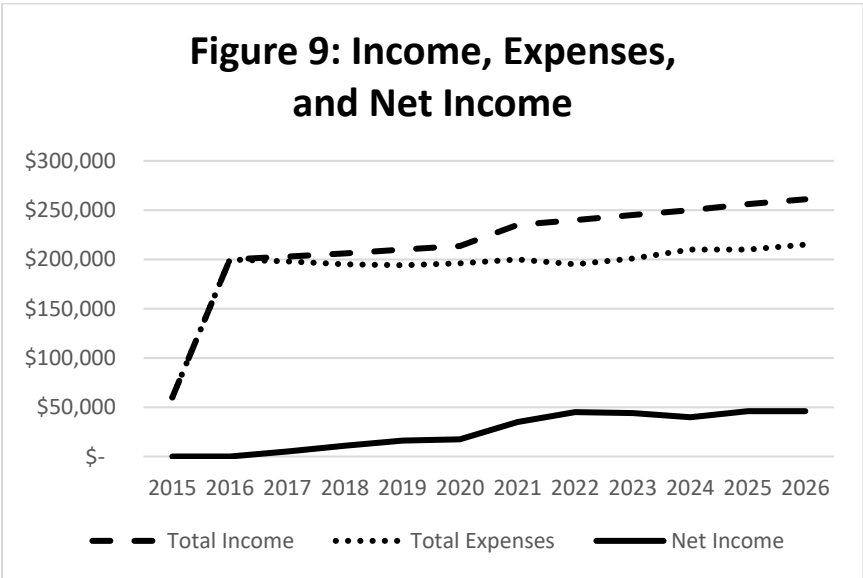
INCOME AFTER DEDUCTIONS	
= Total Income minus Payroll Deductions	\$ 119,211
EXPENDITURES	
Rent/mortgage payments	\$ 15,600
Student debt payments	\$ 24,000
Child support/alimony paid	\$ -
Association or condo fees	\$ -
Utilities (gas, electric, water, sewer, trash)	\$ 2,550
Internet/cable/satellite	\$ 1,680
All phones	\$ 1,440
Food	\$ 18,000
Clothing	\$ 4,000
Day care costs	\$ -
Private school tuition	\$ -
Personal care/medical expenses	\$ 3,000
Car payments	\$ 6,000
Car maintenance (repairs/oil changes)	\$ 1,200
Commuting costs (parking/fuel/tolls)	\$ 2,040
House maintenance	\$ 2,000
Insurance - auto (2 drivers)	\$ 1,200
Insurance - life (term, 2 adults)	\$ 1,800
Insurance - home	\$ 1,000

Insurance - umbrella	\$ 300
Insurance - LT disability (1 plan)	\$ 3,600
Charitable contributions	\$ 2,000
Continuing Medical Education	\$ 1,000
Travel, dining out, entertainment	\$ 6,000
Moving expenses	\$ -
Wedding expenses	\$ -
Estate planning attorney	\$ -
529 for children	\$ 5,000
Costs of starting up a new practice	\$ -
Property taxes	\$ 4,500
Accountant fees	\$ 800
Other	\$ -
TOTAL EXPENDITURES	\$ 108,710
NET INCOME	
= Total Income minus Expenditures	\$ 10,501

* taxes computed using <https://smartasset.com/taxes/income-taxes>

Figure 8: Hypothetical Income, Expenses, and Net Income

Year	Total Income	Total Expenses	Net Income
2015	\$ 60,000	\$ 60,000	\$ 0
2016	\$ 200,000	\$ 200,000	\$ 0
2017	\$ 203,000	\$ 198,000	\$ 5,000
2018	\$ 206,000	\$ 195,000	\$ 11,000
2019	\$ 210,000	\$ 194,000	\$ 16,000
2020	\$ 213,500	\$ 196,000	\$ 17,500
2021	\$ 235,000	\$ 200,000	\$ 35,000
2022	\$ 240,000	\$ 195,000	\$ 45,000
2023	\$ 245,000	\$ 201,000	\$ 44,000
2024	\$ 250,000	\$ 210,000	\$ 40,000
2025	\$ 256,000	\$ 210,000	\$ 46,000
2026	\$ 261,000	\$ 215,000	\$ 46,000



Chapter 7: Understand Investing Basics

Figure 10: Generic Asset Allocation

Asset Class	Dollar Allocation	Percentage Allocation
Large Cap Stocks	\$120,000	24%
Mid Cap Stocks	\$60,000	12%
Small Cap Stocks	\$60,000	12%
International Stocks	\$50,000	10%
Emerging Market (EM) Stocks	\$35,000	7%
Domestic Safe Bonds	\$75,000	15%
Domestic High yield (HY) Bonds	\$50,000	10%
International Bonds	\$25,000	5%
Cash	\$25,000	5%
TOTAL	\$500,000	100%

Figure 11: Basic Asset Allocation

Asset Class	Dollar Allocation	Percentage Allocation
Stocks	\$325,000	65%
Bonds	\$150,000	30%
Cash	\$25,000	5%
TOTAL	\$500,000	100%

Figure 12: Basic Aggressive Asset Allocation

Asset Class	Dollar Allocation	Percentage Allocation
Stocks	\$425,000	85%
Bonds	\$50,000	10%
Cash	\$25,000	5%
TOTAL	\$500,000	100%

Figure 13: Asset Allocation with Tolerances

Asset Class	Dollar Allocation	Percentage Allocation	Allocation Tolerance
Large Cap Stocks	\$120,000	24%	±5%
Mid Cap Stocks	\$60,000	12%	±3%
Small Cap Stocks	\$60,000	12%	±3%
International Stocks	\$50,000	10%	±2%
EM Stocks	\$35,000	7%	±2%
Domestic Safe Bonds	\$75,000	15%	±3%
Domestic HY Bonds	\$50,000	10%	±2%
International Bonds	\$25,000	5%	±2%
Cash	\$25,000	5%	±2%
TOTAL	\$500,000	100%	