

Case Study:

YOUNG COUPLE



**Cash Flow
Planning
is for all
stages of life!**

**It might seem easy to find money later in life,
your kids are out of diapers and you've got
some seniority in your pay cheque.
But what about when you are a young couple
with young kids?**

Can a cash flow plan work for you?

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James is an architect and Anna is a teacher. They have two young children with a third on the way. A few years ago they lucked out and bought a fixer-upper at a fraction of the price that most homes in the area go for. They are feeling strapped every single month and feel like they really need to do something before they get in over their heads.

Here are the details:

- ▶ \$6,200 net average monthly income (gross \$125,000/yr combined)
- ▶ \$6,200 net average monthly expenses (see the problem?)
- ▶ Their home is worth \$350,000
- ▶ Mortgage: \$215,000 (30-year amortization)

This couple only had two debts when they moved into their home. But two maternity leaves, several unplanned expenses, over-budget renovations to their fixer, plus two car loans they were “approved” for, and their debt has grown by bounds.

Mortgage	\$215,000	Line of Credit	\$ 9,000
Credit Card 1	\$ 7,500	Car Loan 1	\$ 18,000
Credit Card 2	\$ 4,000	Car Loan 2	\$ 16,000
Total Debt	\$269,500		

When it came down to it, even though the clients got an amazing deal on their fixer-upper, they were still in a home that they really couldn't afford.

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Wondering how two people with a combined gross income of \$125,000 per year feel so strapped with just over a quarter million dollars in debt? Plenty of people are in this situation, aren't they?

After they had their mortgage in place they borrowed on credit cards, which they always meant to pay off, and purchased two cars they were convinced they could afford. As you can see, it's a lot more than they can really handle.

When they decided to get a Cash Flow Plan, over \$2,800 a month of their income was going toward debt repayment.

**This could
happen to
anyone.**

New Mortgage Debt	\$235,500
Total Debt Not Refinanced	\$34,000
New Total Debt Payment	\$1,780

**"THEY UNIFIED THEIR DEBT!
UNIFICATION IS KEY."**

Here is what we did:

- ⇒ They refinanced their home for \$235,500 and they followed their cash flow plan to avoid racking credit cards back up
- ⇒ They are now on track to be debt free in 15 years, instead of remaining on the debt treadmill they were on!
- ⇒ They've left the car loans outside of their mortgage refinance
- ⇒ They started saving \$1000/mo towards short & long-term goals
- ⇒ They were able to start taking a vacation again and do so using saved funds to the tune of \$4000/year
- ⇒ Thanks to the changes in their debt and my cash flow planning formula, we were able to get their total expenses down to \$4,700/month, and reach the goals most important to them

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GETS YOU AHEAD

\$247,000

In the next 10 years

SHORT-TERM GOALS

We know you need a balance of living for today, and saving for tomorrow to keep you motivated. Below are your short term goals that your Financial Independence Gap will give you:

Payment to Saving \$7,000 per year

MEASURING YOUR PROGRESS

By following your Cash Flow Plan, you'll finally achieve the goals that are truly important to you! Annual reviews and the tips in your plan will help to keep you on track! While change can be challenging, we know anything worthy requires effort.

All recommendations in this plan were made understanding how people behave with money. We've taken into account not what you cannot do, but what you can do. We've made it easy for you to automate all the parts of your plan that will get you ahead, like saving/investing/paying down your debt and **we are aware of your need to spend in your own way.** By using your active cash flow, you'll finally be conscious and able to prioritize your spending so you only spend on what truly matters.

NEXT STEP

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The results of these changes also saved the client over \$150,000 in interest and have them on track to be debt free in 15 years rather than a cycle of permanent indebtedness.

Over the course of this plan they'll put away over \$170,000 and have \$500 a month to cover their insurance needs.

Meaning, a Cash Flow Plan found \$1,400 a month to help these clients fund their plan, but the total found money would be closer to \$247,000.