

MAGIC NUMBERS CALCULATION
(Example Worksheet)

The Formula to Determine Your Personal Financial Independence, "FI".
"Your Game-Winning Formula"

PERSONAL DATA

EXAMPLE NUMBERS

1	Gross Monthly Income:	<u>\$85,000</u>
2	Current Annual Living Expenses:	<u>\$48,000 [PV]</u>
3	Current Total Savings/Investment:	<u>\$75,000 [PV]</u>
4	Number of years to financial independence:	<u>20 [N]</u>
5	Assumed Annual Rate of Return on Savings/Investments:	<u>6% [IY]</u>
6	Assumed Annual Inflation Rate:	<u>3% [IY]</u>
7	Assumed Annual Fixed Income sources at FI. Total:	<u>\$50,000</u>

Example:

Social Security Income:	<u>\$30,000</u>
Pension Income:	<u>\$8,000</u>
Rental Income:	<u>\$5,000</u>
<u>Other Fixed Income:</u>	<u>\$7,000</u>
TOTAL:	<u>\$50,000</u>

8	Current Annual Savings/Investments:	\$8,500 [PMT]
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PERSONAL MAGIC NUMBERS

9	Annual Income Needed in FI. #2 [PV] #4 [N] #6 [IY] Zero [PMT] CPT [FV]	<u>\$86,693 [FV]</u>
10	Estimated Savings/Investments at FI. #3 [PV] #4 [N] #5 [IY] #8 [PMT] CPT [FV]	<u>\$553,213 [FV]</u>
11	Total Savings/Investments Required at FI. #9 (minus) #7 (multiply) 25	<u>\$917,325 [FV]</u>
12	Estimated Savings/Investments Surplus or Deficit at FI. #10 - #11	<u>(+/-) \$364,112</u>

If Surplus: You have the option to stop your Magic Numbers calculation. If you have a surplus, then you're on the right track and you may consider reducing the level of risk in your portfolio or redirecting some of your savings resources to other purposes.

If Deficit: Continue with your magic Numbers calculation to determine your available options to meet your FI.

PERSONAL SOLUTIONS TO MEET FINANCIAL INDEPENDENCE

OPTION A. Actual annual rate of return [IY] required to meet FI. (If I'm not able to increase my annual savings/investments and wish not to extend my desired years to FI.)

#3 [PV] #11 [FV] #8 [PMT] #4 [N] CPT [IY]
9.47% [IY]

OPTION B. Additional yearly savings and investments required to meet FI. (If I don't adjust my assumed annual rate of return on savings and investments) and wish not to extend my desired years to FI.)

#3 [PV] #5 [IY] #11 [FV] 4 [N] CPT [PMT] - \$18,398
[PMT]

Important Note: This number is expressed as a negative on your calculator. You must enter it as a positive before

Minus (-) #8

\$9,898

OPTION C. Additional years required to meet FI. (If I cannot adjust my annual savings/investments and I do not adjust my assumed annual rate of return on savings/investments. [IY])

#3 [PV] #11 [FV] #5 [IY] #8 [PMT] CPT [N]
27.23 [N]

Minus (-) #4

7.23 Additional years

MAGIC NUMBERS CALCULATION (*Personal Worksheet*)

The Formula to Determine Your Personal Financial Independence, "FI".
"Your Game-Winning Formula"

PERSONAL DATA

EXAMPLE NUMBERS

1	Gross Monthly Income:	\$ _____
2	Current Annual Living Expenses:	\$ _____ [PV]
3	Current Total Savings/Investment:	\$ _____ [PV]
4	Number of years to financial independence:	_____ [N]
5	Assumed Annual Rate of Return on Savings/Investments:	_____ % [IY]
6	Assumed Annual Inflation Rate:	_____ % [IY]
7	Assumed Annual Fixed Income sources at FI. Total:	\$ _____

Example:

Social Security Income:	\$ _____
Pension Income:	\$ _____
Rental Income:	\$ _____
<u>Other Fixed Income:</u>	+\$ _____
TOTAL:	\$ _____

8	Current Annual Savings/Investments:	\$ _____ [PMT]
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PERSONAL MAGIC NUMBERS

9	Annual Income Needed in FI. #2 [PV] #4 [N] #6 [IY] Zero [PMT] CPT [FV]	\$ _____ [FV]
10	Estimated Savings/Investments at FI. #3 [PV] #4 [N] #5 [IY] #8 [PMT] CPT [FV]	\$ _____ [FV]
11	Total Savings/Investments Required at FI. #9 (minus) #7 (multiply) 25	\$ _____ [FV]
12	Estimated Savings/Investments Surplus or Deficit at FI. #10 - #11	(+/-) \$ _____

If Surplus: You have the option to stop your Magic Numbers calculation. If you have a surplus, then you're on the right track and you may consider reducing the level of risk in your portfolio or redirecting some of your savings resources to other purposes.

If Deficit: Continue with your magic Numbers calculation to determine your available options to meet your FI.

PERSONAL SOLUTIONS TO MEET FINANCIAL INDEPENDENCE

OPTION A. Actual annual rate of return [IY] required to meet FI. (If I'm not able to increase my annual savings/investments and wish not to extend my desired years to FI.)

#3 [PV] #11 [FV] #8 [PMT] #4 [N] CPT [IY] _____ % [IY]

OPTION B. Additional yearly savings and investments required to meet FI. (If I don't adjust my assumed annual rate of return on savings and investments) and wish not to extend my desired years to FI.)

#3 [PV] #5 [IY] #11 [FV] 4 [N] CPT [PMT] - \$ _____ [PMT]

Important Note: This number is expressed as a negative on your calculator. You must enter it as a positive before

Minus (-) #8
\$ _____

OPTION C. Additional years required to meet FI. (If I cannot adjust my annual savings/investments and I do not adjust my assumed annual rate of return on savings/investments. [IY])

#3 [PV] #11 [FV] #5 [IY] #8 [PMT] CPT [N]
_____ [N]

Minus (-) #4

_____ Additional years