

# Personal Life Plan - Extended Directions and Advice

For each section, you'll need to account for "Basic expenditures" which will get you through life. What are these? You should consider each of the categories below. I've provided some thoughts on progression in some categories and things to hopefully not forget in others. Please let me know if you have questions



**Housing:** Renting with others --> Renting --> Owning a House

Rent cost is fairly predictable, housing is not. Most homeowners do not buy a home with cash - therefore they take out a loan (mortgage). Our simulation is quite different due to the taxation issue (which would typically cost you \$0/year to \$ tens of thousands/year), but even so, it may not be possible for you to buy a home with cash at a specific point in your timeline. If you take out a mortgage, here is the basic formula.

$$T = DP + (AF \times M)$$

What you are looking at here is total cost (T) equals your down payment (DP) plus the amount financed (how much you borrowed) times the multiplier/interest rate (M). About 4 out of 5 mortgages in the United States are of the 30 year variety, thus, here are the multipliers for 30 year loans at various interest rates. Please note these are conventional fixed-rate loans.

4% loan = 1.718, 4.5% loan = 1.824, 5% loan = 1.932, 5.5% loan = 2.040



**Utilities:** Water, Gas, Electricity. Most renters in CA these days can expect to see bills of these kinds, whereas in the past, Water was usually included. Note that utilities for say a 1-2 bedroom apartment are very different than the same requirements for a house, which can be larger by multiples of 2 to 4.



**Insurance:** Everyone will essentially need car insurance. Health insurance is a must, but how you get that can widely vary. Many full time jobs today do offer health insurance, so please consider this. Life insurance is generally only bought by people with dependents and is a personal choice, not necessary. When you own a home, home insurance is a must - and before that some individuals choose to get renter insurance (and it may be a requirement by an apartment complex).



**Entertainment:** You should have a life - now what you do is largely up to you. Some people like to vacation frequently, go to a lot of concerts, and have an active social life on the town. Other people are more home bodies and rely on Netflix. It doesn't matter what you choose, but it should be accurate and complete to you. By percentages - most Americans have a pet. Pet costs, depending on the animal and count can easily run into the thousands for devoted owners. Also consider occasional replacement needs (the laptop you have will likely not still be chugging away twenty years from now, and today's market for phone turnover on a near annual basis is getting stronger). Virtually everybody today will need fast internet access, and what devices that includes is up to you. Also, don't forget that most people engage in gift giving for others for holidays, birthdays, or just being nice. These cost serious coin.



**Health:** Two things to consider in this category. First, basic items that would broadly be classified as "toiletries" which include everything from toilet paper, shampoo, cosmetics, tissues, washing detergent and towels. These

nickel and dime their way up to be quite large as a bundle at times. The second thing to consider in this category is non-insurance paid medical expenses. This can range from non-covered services (perhaps chiropractic, acupuncture, massage, etc.) to everyday medicines and medical items like cough syrup and bandages.



**Transportation:** Most of you will own automobiles - many of them - over the course of your lifetime. They are expensive to buy, expensive to fuel, and expensive to maintain. Even those who live in major metro areas that do not choose to have cars (very rare chance for you - but of course this does exist for millions) have other transportation costs. As we change technology perhaps few of us will own cars in the decades to come but until we know, we'll plan on the auto for some time.



**Food and Drink:** The inescapable category of expense is always food. How much someone spends will largely depend on their lifestyle habits. Consider two areas of expense - food for everyday meals and also food as entertainment. Many people who drink coffee or alcohol do so for social reasons rather than simply sustenance reasoning. Think about how often you might like to eat out which is naturally more costly than eating home cooked food. A good place to start might be a relatively frugal (this being a contextual number of course) amount of say \$10 a day for food for a single person and move forward based on that.



**Taxes:** For this simulation, we are having a flat tax applied to any income you receive. This of course is wildly unrealistic for most locales you may live in, but doing decades worth of tax research would prove cumbersome and would simply overwhelm this project (especially if you find yourself living abroad, moving frequently, etc). So essentially you will not receive any direct payments from the government. You will still be benefitting from services like police and fire, military protection, regulation of meat safety, and so on, but will not be receiving any medical help in the form of Medicare nor will you be paying into, nor receiving any Social Security payments. What you have at your retirement is what you have - period.



**Charity:** While completely optional - most Americans participate in some sort of charitable giving - whether it be to non-profit interest groups, religious bodies, educational institutions, etc.

Naturally there will be other expenses that are based on your situations in life, so don't limit yourself to just what I'm written.

**Salary:** A few words on salaries. You'll be responsible for finding what appears to be an accurate wage for your intended employment. It is likely that your wage will be determined, in part, by all three of the prevailing wage theories. Most careers do not have a day-one person with a wage that matches an experienced and senior member of the organization, so you'll need to make strategic calculations about progress in your career and when you'd be likely to see an increase in wages if you think they are coming to you.