FINANCIAL PLANNING WORKSHOP

February 23, 2017
INTRODUCTION

Founded in 1986, The Colony Group is an independent, fee-only financial advisory firm.

We are a growing firm with offices in Massachusetts, New York, Virginia, Colorado, and Florida.

We have approximately 100 employees, work with over 1,800 clients, and manage approximately $5.5 billion of client assets.

OUR MISSION

TO PROVIDE PEACE OF MIND TO OUR CLIENTS THROUGH OBJECTIVE FINANCIAL ADVISORY SERVICES DELIVERED BY A TEAM OF TRUSTED EXPERTS DEDICATED TO THE HIGHEST LEVEL OF PERSONALIZED SERVICE
INTRODUCTION

PATRICK DONNELLY, CFP®
Principal & Senior Financial Counselor

Patrick is a Senior Financial Counselor and a Principal of The Colony Group, having brought his expertise in comprehensive financial planning to The Colony Group from Mintz Levin Financial Advisors in 2012. Patrick is a CERTIFIED FINANCIAL PLANNER™ practitioner with extensive experience in counseling high net worth individuals in all areas of financial planning, including cash flow management, investment allocation and management, retirement planning, insurance, and tax planning.

MATT ILTERIS, CFP®, EA®
Principal & Senior Financial Counselor

Matt is a Senior Financial Counselor and a Principal at The Colony Group. He provides comprehensive wealth management and investment advisory services, including financial planning, investment management, and tax planning, to corporate executives and high net worth clients of the firm. Matt is a CERTIFIED FINANCIAL PLANNER™ professional and an Enrolled Agent before the Internal Revenue Service.
## INTRODUCTION

### Why choose a CFP® professional?

Working with a CFP® professional can secure your financial wellbeing, give you peace of mind, and help you reach financial planning success.

### CFP® Certification Requirements

- **Education**
- **Examination**
- **Experience**
- **Ethics**
- **Enforcement**

### How do I find a Certified Financial Planner™ professional?

- www.letsmakeaplan.org
- www.cfp.net
- www.napfa.org
- www.plannersearch.org
THE FINANCIAL PLANNING PROCESS

Gathering data and goals
Analyzing and evaluating your financial status
Developing recommendations
Implementing recommendations
Monitoring recommendations
AGENDA

Introduction

The Financial Planning Process

Budgeting, Debt Management, and Saving

Personal Tax and Tax Planning

Retirement Planning

Investing

Risk Management and Personal Insurance

Estate Planning
BUDGETING

Why is budgeting important?

- Identify your spending patterns
- Prioritize your spending (needs vs. wants)
- Eliminate potentially damaging spending behavior
- Control your money or your money will control you
- Piece of mind and increases probability of reaching goals

Where does my paycheck go?

- Taxes
- Insurance – Health, Dental, Home, Auto, Life, Disability, etc.
- Debt service – Student Loans, Mortgage, Auto Loan
- Retirement savings
- Utilities
- Food, Clothing, Furnishing
- Entertainment
- Travel, Vacation
- Child care
- Personal savings
Organizing and prioritizing debt obligations is critical to successful financial planning.

- Fixed Rate vs. Variable Rate
- Student Loans
- Credit Cards
- Auto Loans – Lease vs. Buy
- Mortgage – Primary Residence & Second Home
- 401(K) Loan
SAVINGS

NON-RETIREMENT SAVINGS
- Emergency fund (3-6 mos. of expenses)
- Down payment on home (20% of purch.)
- Car purchase
- Vacation
- College savings for children (529 plans)
- Investing

RETIREMENT SAVINGS
- Starting now makes it easier
- Take advantage of tax-deferral
- Target a 15% savings rate
- Avoid pauses
- Do not touch it until retirement
- Keep it simple and allocate appropriately
What’s New

Tax Calculation

Tax Savings Tips

Filing Requirements

“In this world, nothing can be said to be certain, except death and taxes.”

- Benjamin Franklin
PERSONAL TAX – RECENT ADDITIONS AND CHANGES

TAX SCAMS

- **Telephone Scams:**
  Caller says the victim owes money and threatens arrest from local police department unless the victim pays.

- **Phishing:**
  The scam is carried out with the help of unsolicited email or a fake website to lure potential victims and prompt them to provide valuable personal financial information. Note: The IRS does not initiate contact with taxpayers by email to request personal or financial information.

- **Fake Notices:**
  Fake CP2000 notices are being sent to unsuspecting taxpayers, billing them for unpaid taxes related to the Affordable Care Act.

PRESIDENT TRUMP

- Donald Trump’s election as the 45th President of the United States is expected to bring changes to the tax laws for individuals and businesses.

- President Trump had made tax reduction a centerpiece of his economic plans during his campaign, proposing lower and consolidated individual income tax rates, expand tax breaks for families, and repeal the Affordable Care Act.
# Personal Tax - 2017 Income Tax Brackets

## 2017 Ordinary Income Tax Rates

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<thead>
<tr>
<th></th>
<th>Single</th>
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<th>Married (Filing Jointly)</th>
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<td>$0-$18,650</td>
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<td>$9,325-$37,950</td>
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<td>$18,650-$75,900</td>
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<td>$37,950-$91,900</td>
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<td>$75,900-$153,100</td>
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<td>$91,900-$191,650</td>
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<td>$153,100-$233,350</td>
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<td>$233,350-$416,700</td>
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<td>$416,700-$418,400</td>
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<td>$416,7000-$470,700</td>
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<tr>
<td>Over $418,400</td>
<td>39.6%</td>
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<td>Over $470,700</td>
<td>39.6%</td>
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## 2017 Long-Term Capital Gain and Qualified Dividend Tax Rates

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<th>Single</th>
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<th>Married (Filing Jointly)</th>
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<td>$37,950-$418,400</td>
<td>15%</td>
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<td>$75,900-$470,700</td>
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<td>Over $470,700</td>
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CALCULATING YOUR TAX LIABILITY: GROSS INCOME

Income Tax Calculation

$ Gross Income
- Adjustments
= Adjusted Gross Income
- Deductions
- Personal Exemptions
= Taxable Income
x Tax Rate
= TAX LIABILITY

Compensation (W-2)
Dividends
Alimony received
Interest
Business profits
Gains
Rental income
Royalties
PERSONAL TAX

CALCULATING YOUR TAX LIABILITY: ADJUSTMENTS

Income Tax Calculation

\[ \text{\$ Gross Income} - \text{Adjustments} = \text{Adjusted Gross Income} \]

\[ \text{Adjusted Gross Income} - \text{Deductions} - \text{Personal Exemptions} = \text{Taxable Income} \]

\[ \text{Taxable Income} \times \text{Tax Rate} = \text{TAX LIABILITY} \]

- Business expenses
- Losses from sales
- Alimony paid
- IRA contributions
- Moving expenses
- Rental expenses
CALCULATING YOUR TAX LIABILITY: DEDUCTIONS

**Income Tax Calculation**

\[ \text{Gross Income} - \text{Adjustments} = \text{Adjusted Gross Income} \]

\[ \text{Adjusted Gross Income} - \text{Deductions} = \text{Taxable Income} \]

\[ \text{Taxable Income} \times \text{Tax Rate} = \text{TAX LIABILITY} \]

*Higher of:

- **Standard Deduction**
  - Single: $6,350
  - MFJ: $12,700

- **Itemized Deductions**
  - Taxes
  - Interest
  - Casualty losses
  - Charitable donations
  - Employee education
  - Medical expenses
  - Other
**PERSONAL TAX**

**CALCULATING YOUR TAX LIABILITY:**
**EXEMPTIONS**

**Income Tax Calculation**

\[
\begin{align*}
\$ & \text{ Gross Income} \\
- & \text{ Adjustments} \\
= & \text{ Adjusted Gross Income} \\
- & \text{ Deductions} \\
- & \text{ Personal Exemptions} \\
= & \text{ Taxable Income} \\
\times & \text{ Tax Rate} \\
= & \text{ TAX LIABILITY}
\end{align*}
\]

$4,050 per exemption for 2017
# PERSONAL TAX – TAKE-HOME PAY

## CASH FLOW AND PAYCHECK ANALYSIS

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<tr>
<th>Gross</th>
<th>$50,000</th>
<th>$100,000</th>
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<td>Federal Tax</td>
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<td>$16,000</td>
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<td>MA Tax</td>
<td>$1,700</td>
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<td>Social Security</td>
<td>$3,100</td>
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<td>Medicare</td>
<td>$700</td>
<td>$1,400</td>
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<td>401(k)</td>
<td>$3,000 6%</td>
<td>$6,000 6%</td>
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<tr>
<td>Medical</td>
<td>$3,500</td>
<td>$3,500</td>
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<td>Disability</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td>Life</td>
<td>$500</td>
<td>$500</td>
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<tr>
<td><strong>Net</strong></td>
<td><strong>$32,400 65%</strong></td>
<td><strong>$61,700 60%</strong></td>
</tr>
</tbody>
</table>

Calculated using “Single” filing status
TAX SAVING TIPS

401(k):
- Traditional 401(k) contributions are made with pre-tax dollars (upfront tax break, taxable when distributed). $18,000 limit for 2017.
- Roth 401(k) contributions are made with after-tax dollars (no upfront tax break, tax-free when distributed). $18,000 limit for 2017.

At the very least, contribute enough to obtain the maximum employer match, if available.

IRA:
Make a Traditional IRA (pre-tax) or Roth IRA (after-tax) contribution if circumstances warrant such a contribution. $5,500 limit for 2017.

Flexible Spending Account (FSA):
Allow employees to set aside a portion of earnings pre-tax to pay for qualified medical and dental expenses. $2,600 limit in 2017. Up to $500 carryover year to year (employer specific).
PERSONAL TAX– KEEPING MORE IN YOUR POCKET

TAX SAVING TIPS

- **Transportation:**
  Employees can pay for transportation costs on a pre-tax basis, up to $130/month for a mass transit pass and $255/month for qualified parking.

- **Student Loan Interest:**
  Individuals may deduct up to $2,500 of interest paid on a qualified student loan used for higher education, subject to AGI limits.

- **Education Credits:**
  American Opportunity Tax Credit is available for the first four years of postsecondary education. The maximum annual credit is $2,500, subject to AGI limits.

- **Moving Expenses:**
  Can deduct certain expenses when moving household goods and personal effects. Must satisfy Distance and Time Tests.

- **Massachusetts Rental Deduction:**
  Limited to 50% of the rent paid to a landlord up to $3,000 for your primary residence.
ENFORCEMENT IN A “VOLUNTARY” COMPLIANCE SYSTEM

- Unlike the taxing systems of certain other countries, the U.S. taxing system depends largely on voluntary compliance.

- Federal and state returns need to be filed by April, 15th (April 18th this year). Taxpayers are allowed a six-month extension to file their return. It is an extension of the time to file, NOT to pay.

- Online is easiest and inexpensive. Will pick up most deductions and relevant scenarios.

- Accountants tend to be relatively expensive, but can be helpful if your return is complicated (i.e., rental property, self-employed, etc.)
## THE PROBABILITY OF AN AUDIT

<table>
<thead>
<tr>
<th>Income Level</th>
<th>2012 Audit Rate</th>
<th>2013 Audit Rate</th>
<th>2014 Audit Rate</th>
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<tr>
<td>Under $200,000</td>
<td>0.85%</td>
<td>0.88%</td>
<td>0.65%</td>
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<tr>
<td>Over $200,000</td>
<td>3.4%</td>
<td>3.3%</td>
<td>1.75%</td>
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<tr>
<td>Over $1,000,000</td>
<td>8.9%</td>
<td>10.9%</td>
<td>6.21%</td>
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</tbody>
</table>

Source: www.irs.gov

Over the course of your lifetime, you probably will be audited!
Employer sponsored plans: Defined Contribution (most common) and Defined Benefit (rare)

Defined Contribution 401k limits

- $18,000 max salary deferral in 2017
- Employer matching contributions & profit sharing
- $54,000 max total contribution amount in 2017 (employee + employer)

No employer plan? Consider a Traditional or Roth IRA

- $5,500 maximum contribution in 2017 (ability to make Roth contributions subject to AGI limits)
- Over age 50, you can contribute an additional $1,000
<table>
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<th>Rates of Return</th>
<th>10 Years</th>
<th>20 Years</th>
<th>30 Years</th>
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<tr>
<td>4%</td>
<td>124,863</td>
<td>309,692</td>
<td>583,283</td>
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<td>6%</td>
<td>139,716</td>
<td>389,927</td>
<td>838,017</td>
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<tr>
<td>8%</td>
<td>156,455</td>
<td>494,229</td>
<td>1,223,459</td>
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<tr>
<td>CPI (2%)</td>
<td>111,687</td>
<td>247,833</td>
<td>413,794</td>
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Let’s assume 10,000 is contributed at the start of each year with annual compounding.
INVESTING BASICS

Why do I need to invest?
- Retirement
- College education
- Major purchase
- Build wealth
- Fun
- Maintain purchasing power against inflation

Where do I invest?
- Discount broker (Scottrade, E*Trade, etc.)
- Full-Service Broker (Fidelity, Schwab)
- RIA (The Colony Group)
- Individual advisor

What credentials should I look for?
- Certified Financial Planner (CFP®)
- Chartered Financial Analyst (CFA)
- Certified Public Accountant (CPA)
INVESTING – PORTFOLIO CONSTRUCTION

Goals-Based Investing

Asset Allocation

Risk Tolerance  Time Horizon

Diversification & Risk Management
INVESTING – DIVERSIFICATION

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<th>Year</th>
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<th>Small Cap</th>
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<td>2003</td>
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<td>3.2%</td>
<td>4.8%</td>
<td>3.2%</td>
<td>1.4%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>16.3%</td>
<td>-0.0%</td>
<td>6.0%</td>
<td>4.1%</td>
<td>10.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>9.6%</td>
<td>14.0%</td>
<td>11.3%</td>
<td>12.8%</td>
<td>15.8%</td>
<td>5.5%</td>
<td>-28.7%</td>
<td>13.7%</td>
<td>3.2%</td>
<td>4.8%</td>
<td>3.2%</td>
<td>1.4%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>16.3%</td>
<td>-0.0%</td>
<td>6.0%</td>
<td>4.1%</td>
<td>10.0%</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2015</td>
<td>10.3%</td>
<td>14.0%</td>
<td>11.3%</td>
<td>12.8%</td>
<td>15.8%</td>
<td>5.5%</td>
<td>-28.7%</td>
<td>13.7%</td>
<td>3.2%</td>
<td>4.8%</td>
<td>3.2%</td>
<td>1.4%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>16.3%</td>
<td>-0.0%</td>
<td>6.0%</td>
<td>4.1%</td>
<td>10.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>11.0%</td>
<td>14.0%</td>
<td>11.3%</td>
<td>12.8%</td>
<td>15.8%</td>
<td>5.5%</td>
<td>-28.7%</td>
<td>13.7%</td>
<td>3.2%</td>
<td>4.8%</td>
<td>3.2%</td>
<td>1.4%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>16.3%</td>
<td>-0.0%</td>
<td>6.0%</td>
<td>4.1%</td>
<td>10.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ann.</td>
<td>7.1%</td>
<td>14.0%</td>
<td>11.3%</td>
<td>12.8%</td>
<td>15.8%</td>
<td>5.5%</td>
<td>-28.7%</td>
<td>13.7%</td>
<td>3.2%</td>
<td>4.8%</td>
<td>3.2%</td>
<td>1.4%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>16.3%</td>
<td>-0.0%</td>
<td>6.0%</td>
<td>4.1%</td>
<td>10.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vol.</td>
<td>4.7%</td>
<td>14.0%</td>
<td>11.3%</td>
<td>12.8%</td>
<td>15.8%</td>
<td>5.5%</td>
<td>-28.7%</td>
<td>13.7%</td>
<td>3.2%</td>
<td>4.8%</td>
<td>3.2%</td>
<td>1.4%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>16.3%</td>
<td>-0.0%</td>
<td>6.0%</td>
<td>4.1%</td>
<td>10.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Colony Group
INVESTING – TIME & VOLATILITY

Range of stock, bond and blended total returns
Annual total returns, 1950-2016

<table>
<thead>
<tr>
<th></th>
<th>Annual avg. total return</th>
<th>Growth of $100,000 over 20 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks</td>
<td>11.1%</td>
<td>$823,015</td>
</tr>
<tr>
<td>Bonds</td>
<td>6.0%</td>
<td>$318,764</td>
</tr>
<tr>
<td>50/50 portfolio</td>
<td>8.9%</td>
<td>$553,221</td>
</tr>
</tbody>
</table>

The Colony Group
INVESTING – INVESTMENT DISCIPLINE

Portfolio returns: Equities vs. equity and fixed income blend

20-year annualized returns by asset class (1996 – 2015)

The Colony Group
Active vs. Passive Management

Mutual Funds
- Expense ratio, front and back-end loads, redemption fees

Target Date Mutual Funds
- May be ideal if you are not comfortable choosing investments

Exchange Trade Funds (ETFs)
- Low expense ratios with some brokers offering commission free ETFs

Individual Stocks and Bonds
- Time consuming and diversification requires significant money for investment

Annuities
RISK MANAGEMENT AND PERSONAL INSURANCE

Health Insurance
Automobile Insurance
Property Insurance
Liability Insurance
Life Insurance
Disability Insurance
Identity Theft
**HEALTH INSURANCE**

- You can stay on your parents' plan until age 26, even if you are married, financially independent and no longer live with your parents.

- Employer-provided group coverage tends to be the best solution.

- **HMO vs. PPO**

- Review your deductible, your maximum out-of-pocket cost, and the premium.
AUTOMOBILE INSURANCE

College students can be covered under their parents’ policy if they share the same legal address.

Coverage can get expensive depending on age, vehicle, driving record, and principal garaging.

Review deductibles for potential premium savings.

Inquire about discounts
- Good driving
- Good student
- Driver training
- Annual mileage
- Anti-theft
- Etc.
Item 4: This policy provides only the coverages for which a premium charge is shown:

<table>
<thead>
<tr>
<th>Coverage Type</th>
<th>Limits</th>
<th>Deductible</th>
<th>Annual Premium</th>
<th>Adjusted Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMPULSORY INSURANCE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Bodily Injury to Others</td>
<td>$20000</td>
<td>None</td>
<td>$162</td>
<td>None</td>
</tr>
<tr>
<td>2 Personal Injury Protection</td>
<td>$8000</td>
<td>NONE</td>
<td>$55</td>
<td>$</td>
</tr>
<tr>
<td>3 Bodily Injury Caused by An Uninsured Auto (Compulsory Limits $20,000 / $40,000)</td>
<td>$100,000</td>
<td>None</td>
<td>$14</td>
<td>None</td>
</tr>
<tr>
<td>4 Damage to Someone Else’s Property (Compulsory Limits $5,000)</td>
<td>$100,000</td>
<td>None</td>
<td>$224</td>
<td>None</td>
</tr>
<tr>
<td><strong>OPTIONAL INSURANCE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Optional Bodily Injury to Others</td>
<td>$10000</td>
<td>None</td>
<td>$93</td>
<td>$</td>
</tr>
<tr>
<td>6 Medical Payments</td>
<td>$30000</td>
<td>None</td>
<td>$</td>
<td>None</td>
</tr>
<tr>
<td>7 Collision</td>
<td>Actual Cash Value</td>
<td>$1000</td>
<td>$318</td>
<td>$</td>
</tr>
<tr>
<td>8 Limited Collision</td>
<td>Actual Cash Value</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>9 Comprehensive</td>
<td>Actual Cash Value</td>
<td>$1000</td>
<td>$103</td>
<td>$</td>
</tr>
<tr>
<td>10 Substitute Transportation</td>
<td>$15 / day</td>
<td>None</td>
<td>$16</td>
<td>None</td>
</tr>
<tr>
<td>11 Towing and Labor</td>
<td>Up to $350</td>
<td>None</td>
<td>$</td>
<td>None</td>
</tr>
<tr>
<td>12 Bodily Injury Caused by An Underinsured Auto</td>
<td>$100,000</td>
<td>None</td>
<td>$23</td>
<td>$</td>
</tr>
</tbody>
</table>

**MERIT RATING PLAN**

<table>
<thead>
<tr>
<th>Premium Adjustment</th>
<th>Premium Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUTO</td>
<td>AUTO</td>
</tr>
</tbody>
</table>

**PREMIUM (per AUTO)**

| AUTO | $1008 22- |

**TOTAL PREMIUM (POLICY)**

| * INCL WAIVER OF DED | $22.00- |

**DISCOUNTS**

| AUTO | 6% | 20% |

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The Colony Group
Renters, Condo, and Homeowners

Protection of your possessions whether at home or not

Renters Insurance is a relatively low cost way to protect your personal belongings

If someone is injured during an accident at your home, insurance can help protect you in the event of a lawsuit

Be sure to catalog your belongings with a digital camera
## PROPERTY INSURANCE POLICY

<table>
<thead>
<tr>
<th>BASIC ENDORSEMENTS</th>
<th>SCHEDULED PROPERTY</th>
<th>TOTAL ADDITIONAL/RETURN</th>
</tr>
</thead>
<tbody>
<tr>
<td>PREMIUM</td>
<td>PREMIUM</td>
<td>PREMIUM</td>
</tr>
<tr>
<td>$256.00</td>
<td>$81.00</td>
<td>$337.00</td>
</tr>
</tbody>
</table>

The residence premises covered by this policy is located at the above address unless otherwise stated.

Located at:

CAMBRIDGE, MA

---

**SECTION I**

- **COVERAGE A**: Dwelling
- **COVERAGE B**: Personal Property
- **COVERAGE C**: Liability to Others
- **COVERAGE D**: Other Loss of Use
- **COVERAGE E**: Personal Medical Payments
- **COVERAGE F**: Structures

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dwelling</td>
<td>$31,000</td>
</tr>
<tr>
<td>Other</td>
<td>$6,200</td>
</tr>
<tr>
<td>Loss</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Medical</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

**SECTION II**

Policy Data Form:
- Town/Row: CAMBRIDGE
- No Fam: 4
- Constr. Yr: 1
- Prot. Code: 01
- Terr: 100

In case of loss under Section I, we cover only that part of the loss over the deductible amount.

---

**ENDORSEMENTS ATTACHED**

<table>
<thead>
<tr>
<th>Endorsement</th>
<th>Limit</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>HO-004</td>
<td>(INCL.)</td>
<td></td>
</tr>
<tr>
<td>HO-0120</td>
<td>(INCL.)</td>
<td></td>
</tr>
<tr>
<td>HO-0523</td>
<td>(INCL.)</td>
<td></td>
</tr>
<tr>
<td>ACCT-CR</td>
<td>(INCL.)</td>
<td></td>
</tr>
<tr>
<td>CIC-1093</td>
<td>$41.00</td>
<td>$30.00</td>
</tr>
<tr>
<td>CIC-2047</td>
<td>$25.00</td>
<td></td>
</tr>
<tr>
<td>CIC-2090</td>
<td>$10,000</td>
<td>(INCL.)</td>
</tr>
<tr>
<td>CIC-2159</td>
<td>$50,000</td>
<td></td>
</tr>
</tbody>
</table>
Liability coverage via automobile and property policies

Umbrella liability coverage is a relatively inexpensive way to protect yourself from a catastrophic lawsuit

$1,000,000 of umbrella liability coverage can cost as little as $150 per year
LIFE INSURANCE

- Pay off debt
- Income replacement for dependents
- Funding future goals such as college education for child(ren)

WHY MIGHT I NEED LIFE INSURANCE?

HOW MUCH DO I NEED?

WHERE DO I GET IT?

WHAT TYPE IS RIGHT FOR ME?

- Term vs. Whole Life
- Individual vs. Group
DISABILITY INSURANCE

WHY MIGHT I NEED DISABILITY INSURANCE?

• Your earning power is an enormous asset
• 1 in 4 of today's 20 year-olds will become disabled before reaching age 67
• 30 year-olds are three times more likely to suffer a disability than they are to die
• Disability benefits from Social Security are not enough

HOW MUCH DO I NEED?

• Typically 60% of your gross income

WHERE DO I GET IT?

• Individual vs. Group

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**IDENTITY THEFT**

| 2014: 17.6M U.S. victims, 86% related to credit cards or bank accounts, 67% resulted in financial loss |
| Protect your Social Security number & account info |
| Shred documents with personal information |
| Use strong passwords, secure websites, and private Wi-Fi. Be mindful of what you share via social media. |

www.annualcreditreport.com
ESTATE PLANNING – BASIC DOCUMENTS

- **Will** – distributes property at death; names guardians and executor
- **Trust** – used during lifetime and at death; manages and distributes assets
- **Durable Power of Attorney** – lifetime document that gives legal authority to another to make legal and financial decisions on your behalf
- **Health Care Proxy** – lifetime document that gives legal authority to another to make health care decisions on your behalf
- **Medical Directive & Personal Memorandum** – an expression of your wishes
What if you die without a will?

- Your estate will be distributed according to your state’s “intestate succession” statutes. May not necessarily distribute your property as you would have desired.
- Your estate usually will be subject to probate; the legal process used to value your estate, settle and debts, pay estate and other taxes, and make an orderly distribution of assets to your heirs.
- Distribution to your heirs can be delayed from one to two years – or longer. Substantial legal and administrative fees may be incurred.
- The court will appoint a guardian for your minor children.
- Your estate may be subject to needless taxation.
Primary uses for trusts

- Avoids publicity, expenses, and delays of probate.
- Avoids interruption of income for family members.
- Serves as receptacle for estate assets and death benefits from life insurance of the settler.
- Facilitates gifts to charities in states in which there are restrictions on charitable gifts by will.
- Places the property beyond the reach of the settlor's creditors, at least in some states.
Durable Power of Attorney

- A durable power of attorney is a legal document that allows a named individual to act on behalf of another person until the death of that person. The designated individual may make legal and financial decisions, as well as personal decision.
Health Care Proxy

- A health care proxy is a document that allows you to appoint someone to make health care decisions on your behalf in the event that you are incapable of doing so yourself.
What if you die without a will?

- These are not legal documents.
- A personal memorandum may state, in the form of a letter, video tape, photo album, etc., any sentimental wishes to convey to his or her survivors upon his or her death.
- A medical directive states in writing the wishes of an individual should he or she become incapacitated and terminally ill. For example, a living will may state an individual’s wish to forgo artificial respiration or to donate organs.
ESTATE PLANNING – STEPS IN THE PROCESS

- **Determine Family Income Needs**
  - These include income requirements, education costs, and special needs of dependents or minor children.

- **Designating Beneficiaries**
  - Select beneficiaries for your life insurance policy, retirement savings, IRAs, etc.

- **Forming a Distribution Plan**
  - Determine and set guidelines for how your assets will be distributed upon your death, naming primary, as well as secondary, beneficiaries.

- **Minimizing Estate Taxes**
  - Work with an estate planner, lawyer, or tax advisor to discuss ways to minimize your survivor’s estate and inheritance taxes.

- **Selecting Fiduciaries**
  - Fiduciaries are institutions or individuals who oversee the estate and its legal and financial administration.

- **Drafting Documents**
  - Will, trust, DPOA, living will, and personal memorandum.
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