

Mr and Mrs Sample

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## **Your Financial Plan**

See Important Disclosure Information section in this Report for explanations of assumptions, limitations, methodologies, etc

**Prepared by:**

Greg Lessard, CFP®, CRPC®  
March 4th, 2019

## Action Steps

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### Retirement



Mr should save an additional \$708/mo in his 401(k). This will max out your annual contributions and help bolster the retirement goal.



Mr's investment accounts should be brought into alignment with your capacity for risk. Email me a list of your 401(k) options so I can provide exact fund selections for you to implement.



Based on the numbers, it appears you can target age 67 as your retirement goal. As that date approaches, we'll rerun your numbers to confirm as well as much sure we're covered all the details.



Mrs should claim Social Security benefits now, then switch to "spousal" benefits once Mr files at age 70. This strategy balances the competing goals of maximizing your net worth as well as maximizing benefits.

### Emergency Fund



After funding the 529 plans, you'll have ~ \$29,000 in bank accounts. This satisfies the recommended emergency fund of 3-6 months of set aside income, or \$23,434 - \$46,868. There are also conservative funds in your taxable brokerage account that can be accessed if needed for emergency purposes.



The money earmarked for emergencies sitting in checking & savings at the bank isn't earning a competitive rate. Consider opening accounts with higher interest. Nerdwallet.com is a great resource to screen for accounts that will work best for you.

### Sample Grandchild #1's Education



Open up a Colorado 529 plan using Vanguard's "Direct" option. Front load it with an initial contribution of \$20,000. Assuming you itemize on your tax return, this should provide a state tax deduction. Remember to claim "5-year forward averaging" on your tax return for this gift and not to contribute additional dollars to the 529 plan without consulting Aspen Leaf Wealth Management as well as your tax advisor.

## Sample Grandchild #2's Education

Open up a Colorado 529 plan using Vanguard's "Direct" option. Front load it with an initial contribution of \$20,000.



Assuming you itemize on your tax return, this should provide a state tax deduction. Remember to claim "5-year forward averaging" on your tax return for this gift and not to contribute additional dollars to the 529 plan without consulting Aspen Leaf Wealth Management as well as your tax advisor.

## Sample Grandchild #3's Education

Open up a Colorado 529 plan using Vanguard's "Direct" option. Front load it with an initial contribution of \$20,000.



Assuming you itemize on your tax return, this should provide a state tax deduction. Remember to claim "5-year forward averaging" on your tax return for this gift and not to contribute additional dollars to the 529 plan without consulting Aspen Leaf Wealth Management as well as your tax advisor.

## Insurance



There are various ways to value a life insurance need. We agreed in our discovery meeting that since retirement was so close, you were confident in the existing life insurance strategies. While a coverage gap does exist, you've agreed that both of you would make necessary adjustments to make coverage and goals work. Just to be safe, I recommend doubling Mr's group term coverage.





According to both of your workplace benefit plan summaries, you're eligible to increase disability coverage from 50% to 60%. Make this change during the next enrollment window.




Health care in retirement could prove a bigger drag on retirement assets than we assume. Consider applying for a shared long term care policy with inflation protection. I'll set up a meeting with an independent insurance agency to shop for an appropriate policy to help safeguard portfolio assets down the road.

## Debt Management

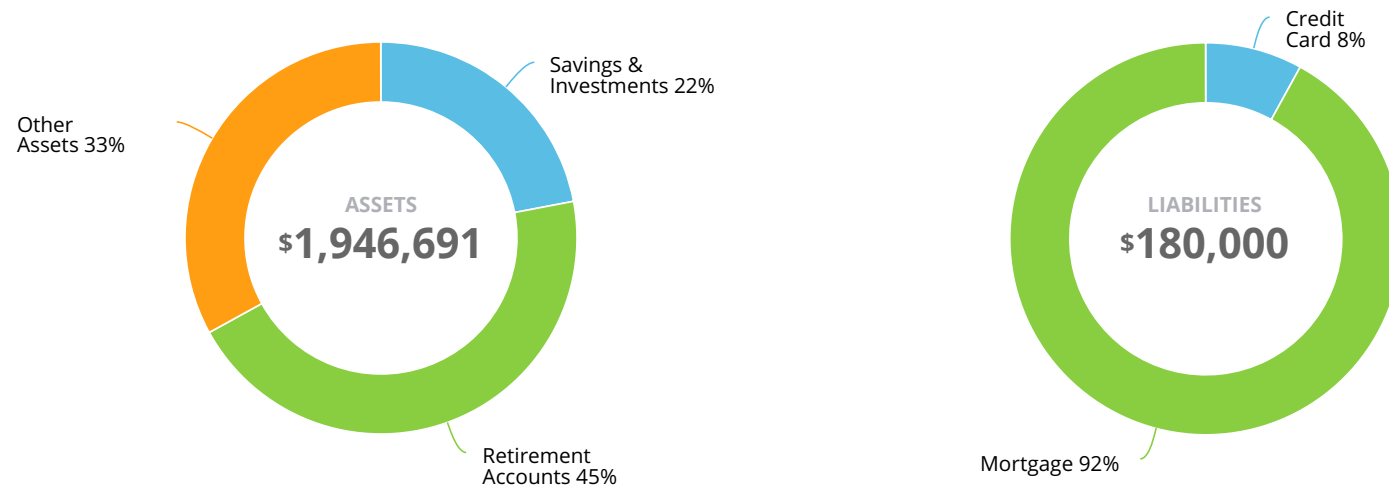
-  You could pay off your credit card with bank assets. That would be the most efficient method to bring the balance to zero. However, this would eat into your bank cash (accounting for the 529 plan contributions) such that you'd effectively be dipping into the recommended emergency fund minimum.
-  Another option would be to allocate \$1,500/month to paying down the balance. This would erase your balance within a year and save substantial interest.
- ★ Once the credit card is paid off, consider what's most important to you in a credit card (miles, cash back, rewards, etc) and apply for the card that suits you best. Creditcards.com is a great place to shop. Put all eligible purchases on the card and schedule automatic monthly payoffs from your bank account each month.

## Other Items

-  At a minimum, you each need a will, health directive, and power of attorney. An estate planner can also help discuss the benefits and costs of a family trust.
- ★ Review the beneficiaries on all your retirement accounts.

## Net Worth: Summary

**\$1,766,691**



Assets	\$1,946,691	Liabilities	\$180,000
Savings & Investments	\$419,137	Credit Card	\$15,000
Retirement Accounts	\$877,554	Mortgage	\$165,000
Other Assets	\$650,000		

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## Net Worth: Detailed

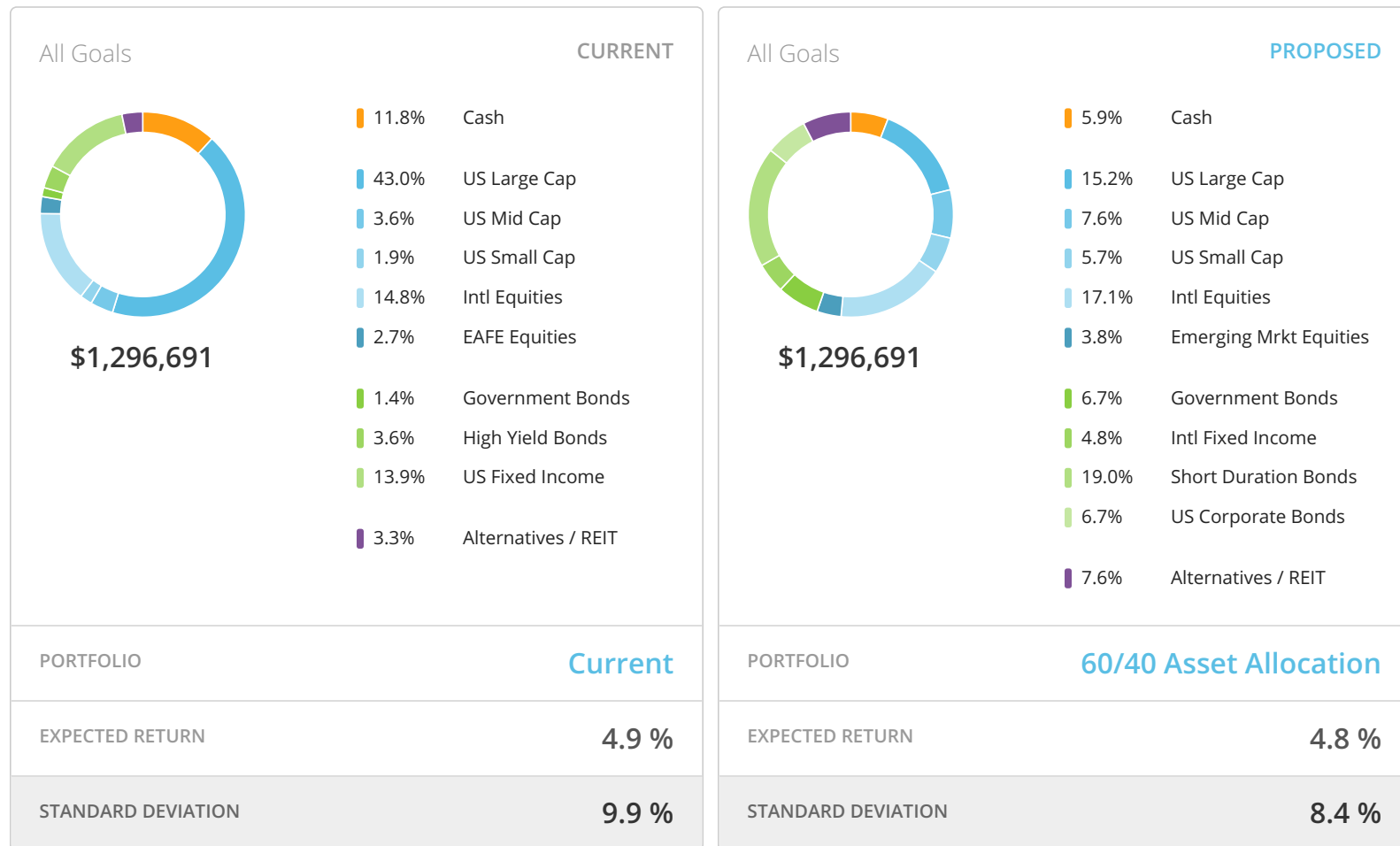
	MR	MRS	JOINT	TOTAL
<b>Assets</b>	<b>\$877,608</b>	<b>\$211,294</b>	<b>\$857,789</b>	<b>\$1,946,691</b>
<b>SAVINGS &amp; INVESTMENTS</b>	<b>\$211,348</b>	<b>–</b>	<b>\$207,789</b>	<b>\$419,137</b>
<i>Joint Checking</i>	–	–	\$8,000	\$8,000
<i>Joint Savings</i>	–	–	\$89,067	\$89,067
<i>Joint Taxable Investments</i>	–	–	\$110,722	\$110,722
<i>Mr. Sample's Stock Grants</i>	\$95,892	–	–	\$95,892
<i>Mr. Sample's Deferred Comp</i>	\$115,456	–	–	\$115,456
<b>RETIREMENT ACCOUNTS</b>	<b>\$666,260</b>	<b>\$211,294</b>	<b>–</b>	<b>\$877,554</b>
<i>Mr. Sample's 401(K)</i>	\$562,786	–	–	\$562,786
<i>Mr. Sample's IRA</i>	\$103,474	–	–	\$103,474
<i>Mrs. Sample's IRA</i>	–	\$211,294	–	\$211,294
<b>OTHER ASSETS</b>	<b>–</b>	<b>–</b>	<b>\$650,000</b>	<b>\$650,000</b>
<i>House</i>	–	–	\$385,000	\$385,000

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<i>2nd House</i>	–	–	<i>\$265,000</i>	<i>\$265,000</i>
<b>Liabilities</b>	–	–	<b>\$180,000</b>	<b>\$180,000</b>
CREDIT CARD	–	–	\$15,000	\$15,000
<i>Southwest Airlines Card</i>	–	–	<i>\$15,000</i>	<i>\$15,000</i>
MORTGAGE	–	–	\$165,000	\$165,000
<i>House Mortgage</i>	–	–	<i>\$165,000</i>	<i>\$165,000</i>
<b>Net Worth</b>	<b>\$877,608</b>	<b>\$211,294</b>	<b>\$677,789</b>	<b>\$1,766,691</b>

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## Asset Allocation



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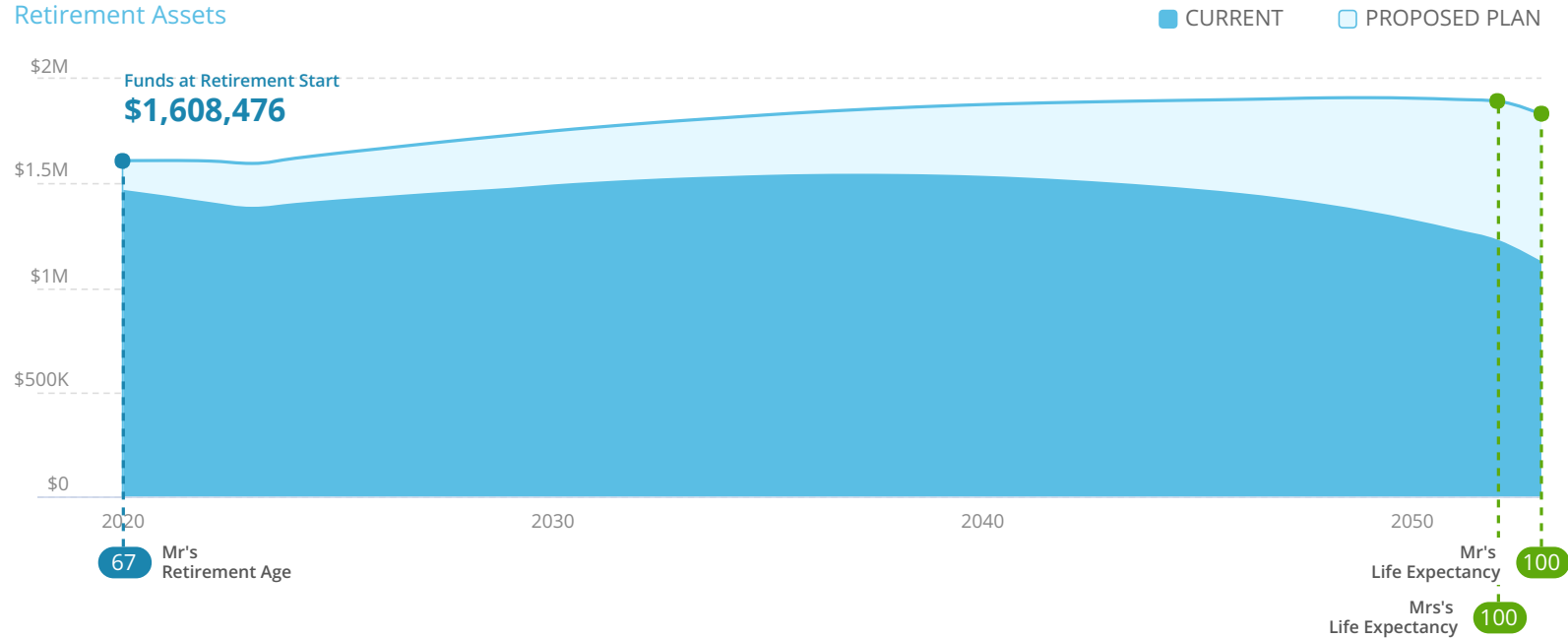


## Retirement Goal - Assets

ACTION NEEDED

GOAL: Mr retires at 67, Mrs retires at 67, spend monthly retirement expense of \$5,850, in today's dollars, through Mr's and Mrs's life expectancy ages of 100 and 100.

### Retirement Assets



### Action Steps



Mr should save an additional \$708/mo in his 401(k). This will max out your annual contributions and help bolster the retirement goal.



Mr's investment accounts should be brought into alignment with your capacity for risk. Email me a list of your 401(k) options so I can provide exact fund selections for you to implement.



Based on the numbers, it appears you can target age 67 as your retirement goal. As that date approaches, we'll rerun your numbers to confirm as well as much sure we're covered all the details.

### Suggestions



Be flexible with spending throughout retirement. Finances aren't static, so consider adapting to your scenario which is likely to evolve over time.

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Mrs should claim Social Security benefits now, then switch to "spousal" benefits once Mr files at age 70. This strategy balances the competing goals of maximizing your net worth as well as maximizing benefits.

## Retirement Goal - Monte Carlo

GOAL: Mr retires at **67**, Mrs retires at **67**, spend monthly retirement expense of **\$5,850**, in today's dollars, through Mr's and Mrs's life expectancy ages of **100** and **100**.

### Monte Carlo

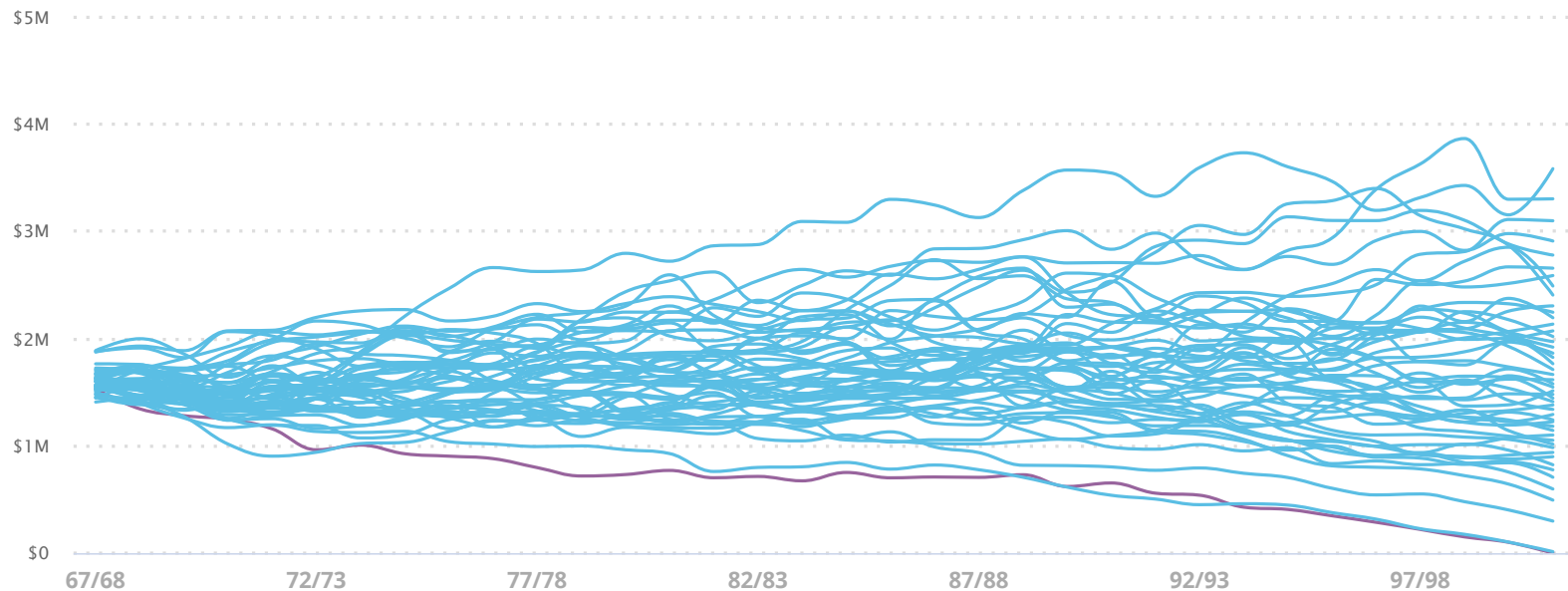


#### Probability of Success

Target: 70-99%

■ SUCCESSFUL TRIALS ■ UNSUCCESSFUL TRIALS

We ran 1000 trials to simulate a range of possible outcomes. **99%** of the time, you were fully funded for your retirement.



Monte Carlo is a process that is used to conduct a statistical analysis of a client's portfolio to determine the probability of the client achieving their retirement goal. The investment returns for each year are calculated from the return of each asset class for that year and the asset allocation of each account. Asset class returns are generated from a random distribution. Each asset class is linked to an index, or a set of indices, with an assumed mean return and standard deviation. Using a correlation matrix between all the asset classes, and assuming a normal distribution of returns, we generate random returns for each year of the simulation. We run 1000 trials each time using a different set of asset class returns taken from the distribution. The mean returns, standard deviations and correlation matrix are taken from JP Morgan's published Long-Term Capital Market Assumptions (<https://am.jpmorgan.com/gi/getdoc/1383581744857>). At the end of the simulation, we calculate the percentage of trials in which the client was able to cover all of their expenses until the end of their retirement. This is the probability of success.

**IMPORTANT:** The projections or other information generated by this Monte Carlo simulation regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. There is no guarantee that the results generated by this simulation will be achieved or sustained, and results may vary with each use. Please note: This analysis must be reviewed in conjunction with the limitations and conditions described via the Disclosure link below. Projections are based on assumptions provided by you and your advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only.

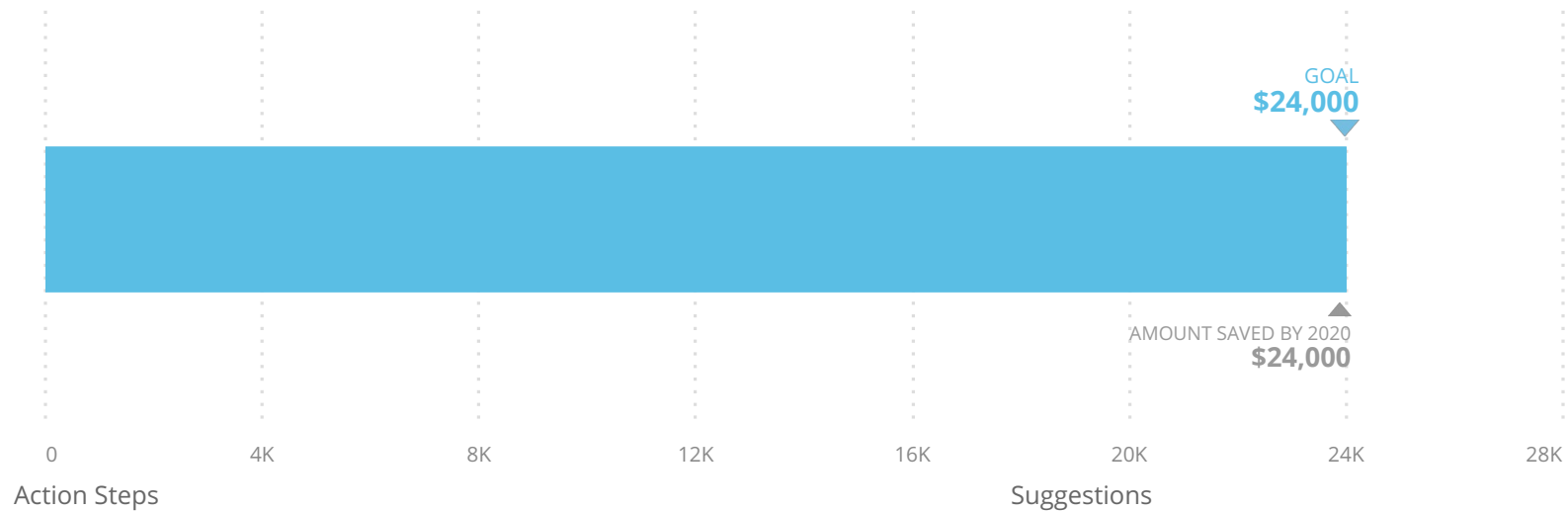
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## Emergency Fund

ACTION NEEDED

GOAL: Save **\$24,000** to cover 3 Months worth of expenses.

### Recommended Target Amount



After funding the 529 plans, you'll have ~ \$29,000 in bank accounts. This satisfies the recommended emergency fund of 3-6 months of set aside income, or \$23,434 - \$46,868.

There are also conservative funds in your taxable brokerage account that can be accessed if needed for emergency purposes.

The money earmarked for emergencies sitting in checking & savings at the bank isn't earning a competitive rate. Consider opening accounts with higher interest. Nerdwallet.com is a great resource to screen for accounts that will work best for you.

No suggestions.

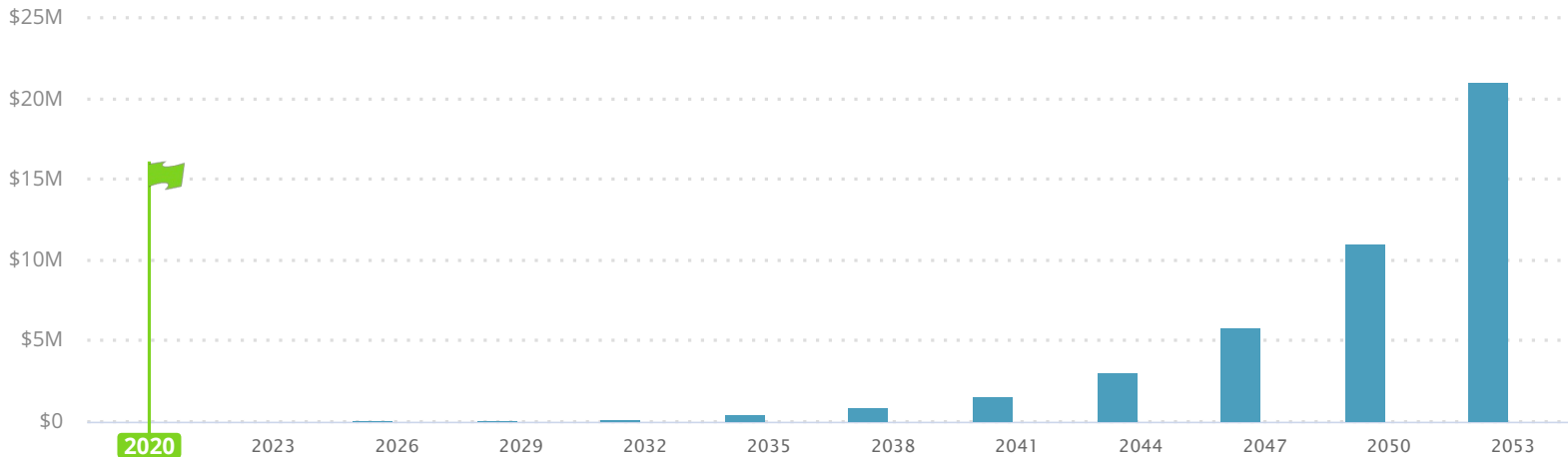
# Debt Management

ACTION NEEDED


GOAL: Pay off debt as soon as possible.


## Total Debt


CURRENT PLAN




## Action Steps

 You could pay off your credit card with bank assets. That would be the most efficient method to bring the balance to zero. However, this would eat into your bank cash (accounting for the 529 plan contributions) such that you'd effectively be dipping into the recommended emergency fund minimum.

 Another option would be to allocate \$1,500/month to paying down the balance. This would erase your balance within a year and save substantial interest.

 Once the credit card is paid off, consider what's most important to you in a credit card (miles, cash back, rewards, etc) and apply for the card that suits you best. Creditcards.com is a great place to shop. Put all eligible purchases on the card and schedule automatic monthly

## Suggestions

 There's no need to accelerate your mortgage payoff. Extra cash flow should be directed to your joint taxable brokerage account.

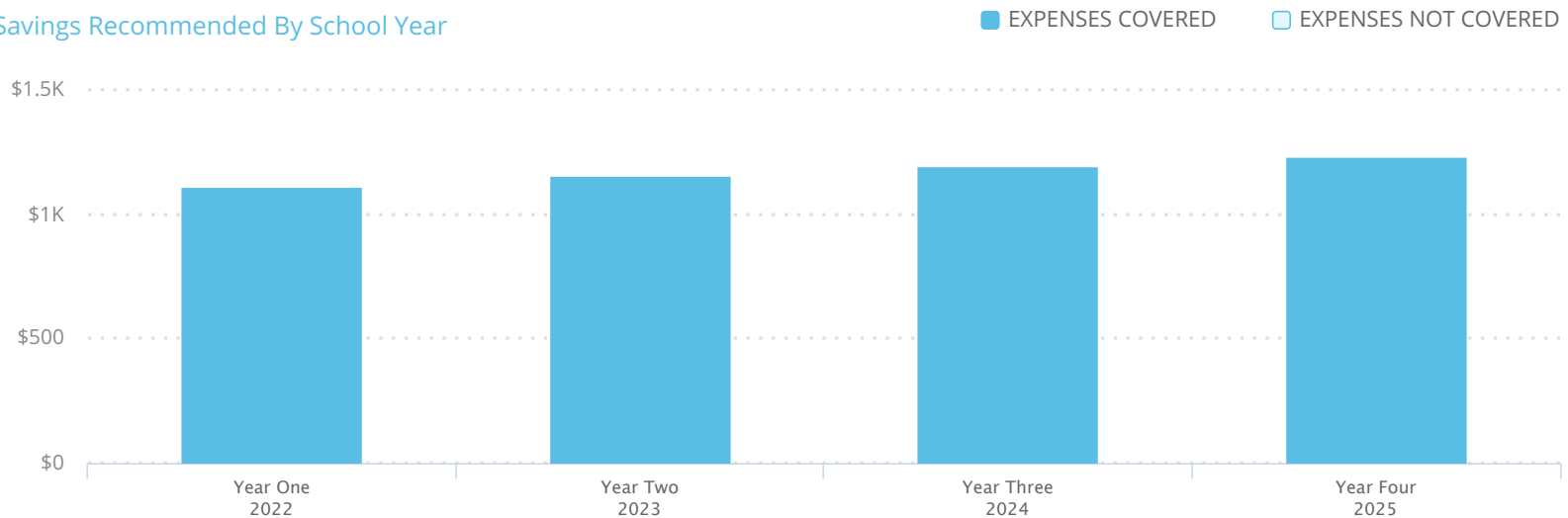
payoffs from your bank account each month.

## Sample Grandchild #1's Education

ACTION NEEDED

GOAL: Enroll Sample Grandchild #1 at age 18 for 4 years at a cost of \$1,000 per year.

### Savings Recommended By School Year



### Action Steps

Open up a Colorado 529 plan using Vanguard's "Direct" option. Front load it with an initial contribution of \$20,000. Assuming you itemize on your tax return, this should provide a state tax deduction. Remember to claim "5-year forward averaging" on your tax return for this gift and not to contribute additional dollars to the 529 plan without consulting Aspen Leaf Wealth Management as well as your tax advisor.



### Suggestions



Use Vanguard's "Age-based, moderate" investment option.

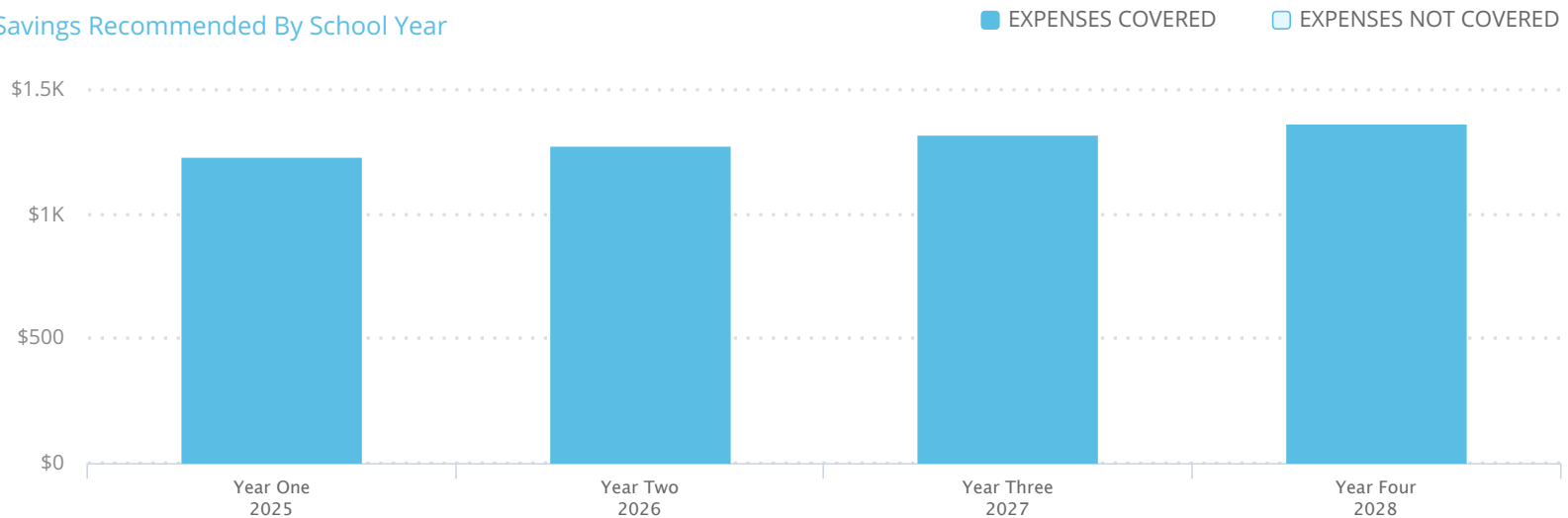
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## Sample Grandchild #2's Education

ACTION NEEDED

GOAL: Enroll Sample Grandchild #2 at age 18 for 4 years at a cost of \$1,000 per year.

### Savings Recommended By School Year



### Action Steps

- Open up a Colorado 529 plan using Vanguard's "Direct" option. Front load it with an initial contribution of \$20,000. Assuming you itemize on your tax return, this should provide a state tax deduction. Remember to claim "5-year forward averaging" on your tax return for this gift and not to contribute additional dollars to the 529 plan without consulting Aspen Leaf Wealth Management as well as your tax advisor.

### Suggestions

- Use Vanguard's "Age-based, moderate" investment option.

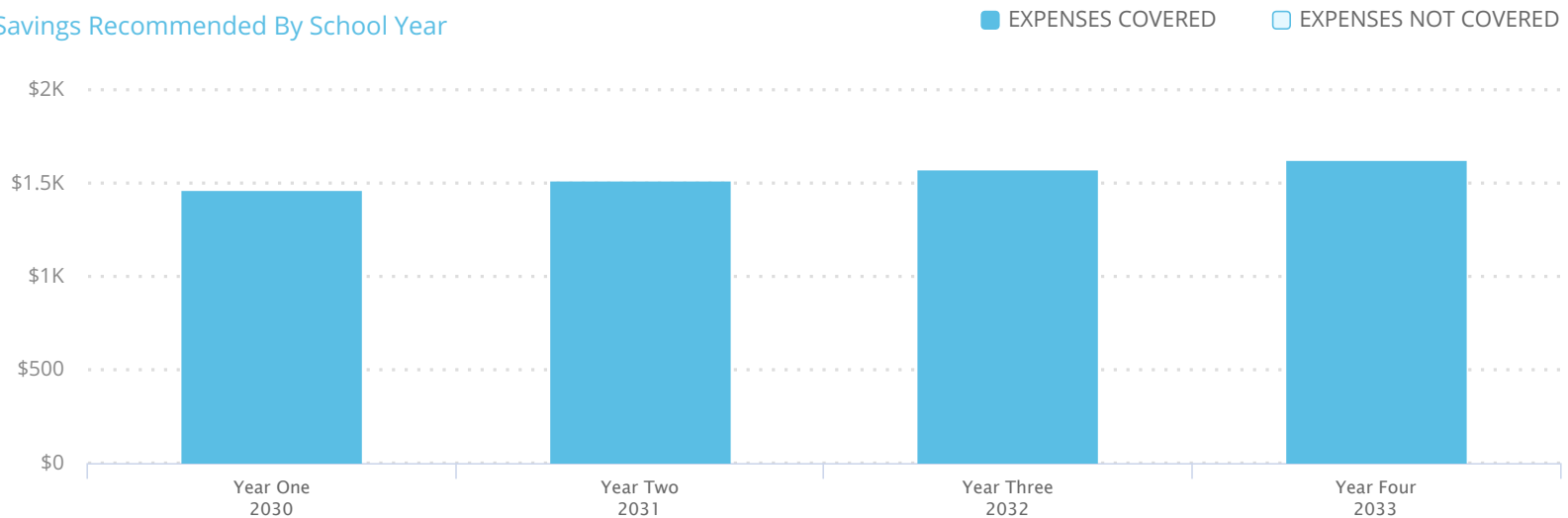


## Sample Grandchild #3's Education

ACTION NEEDED

GOAL: Enroll Sample Grandchild #3 at age 18 for 4 years at a cost of \$1,000 per year.

### Savings Recommended By School Year



### Action Steps

- Open up a Colorado 529 plan using Vanguard's "Direct" option. Front load it with an initial contribution of \$20,000. Assuming you itemize on your tax return, this should provide a state tax deduction. Remember to claim "5-year forward averaging" on your tax return for this gift and not to contribute additional dollars to the 529 plan without consulting Aspen Leaf Wealth Management as well as your tax advisor.

### Suggestions

- Use Vanguard's "Age-based, moderate" investment option.

## Cash Flow

	2020	2021	2022	2023	2024
MR'S AGE	67	68	69	70	71
MRS'S AGE	68	69	70	71	72
<b>Inflow</b>					
Employment Incomes	\$197,000	\$0	\$0	\$0	\$0
Rental Incomes	\$8,500	\$8,585	\$8,671	\$8,758	\$8,845
Social Security Incomes	\$15,720	\$16,034	\$16,355	\$16,682	\$67,004
Other Incomes	\$220,000	\$0	\$0	\$0	\$0
Distributions	\$0	\$68,992	\$71,811	\$79,517	\$41,132
<b>Total Inflow</b>	<b>\$441,220</b>	<b>\$93,611</b>	<b>\$96,837</b>	<b>\$104,957</b>	<b>\$116,981</b>
<b>Outflow</b>					
Taxes	\$47,207	\$1,029	\$1,936	\$6,555	\$13,830
Liability Expenses	\$36,814	\$20,136	\$20,136	\$20,136	\$20,136
Living Expenses	\$70,200	\$72,446	\$74,765	\$78,266	\$80,774
Contributions	\$249,950	\$0	\$0	\$0	\$0
<b>Total Outflow</b>	<b>\$404,171</b>	<b>\$93,611</b>	<b>\$96,837</b>	<b>\$104,957</b>	<b>\$114,740</b>
<b>Net Cash Flow</b>	<b>\$37,049</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,241</b>

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## Balance Sheet

	2020	2021	2022	2023	2024
MR'S AGE	67	68	69	70	71
MRS'S AGE	68	69	70	71	72
<b>Assets</b>	<b>\$1,881,636</b>	<b>\$1,882,678</b>	<b>\$1,880,465</b>	<b>\$1,869,041</b>	<b>\$1,894,152</b>
Savings & Investments	\$652,928	\$610,313	\$571,274	\$552,685	\$571,964
Retirement Accounts	\$963,709	\$1,007,365	\$1,044,191	\$1,051,356	\$1,057,187
Other Assets	\$265,000	\$265,000	\$265,000	\$265,000	\$265,000
<b>Liabilities</b>	<b>\$151,213</b>	<b>\$136,864</b>	<b>\$121,931</b>	<b>\$106,390</b>	<b>\$90,215</b>
Credit Card	\$0	\$0	\$0	\$0	\$0
Mortgage	\$151,213	\$136,864	\$121,931	\$106,390	\$90,215
<b>Net Worth</b>	<b>\$1,730,423</b>	<b>\$1,745,813</b>	<b>\$1,758,534</b>	<b>\$1,762,651</b>	<b>\$1,803,937</b>

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# Disclosures

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## Basic Disclosures

The recommendations above are not guarantees of investment performance or the full attainment of your goal. The results of this plan are based on assumptions for, among other things, historical investment performance, client savings rates, average inflation rates and estimated tax rates. In addition, investment expenses have not been considered in any of the calculations. Therefore, all projections are hypothetical in nature and meant to be used for illustrative purposes only.

The information generated regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

The returns are not reflective of any specific product, and do not include any fees or expenses that may be incurred by investing in specific products. The actual returns of a specific product may be more or less than the returns used in this report. It is not possible to directly invest in an index. Financial forecasts, rates of return, risk, inflation, and other assumptions may be used as the basis for illustrations. They should not be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. Past performance is not a guarantee or a predictor of future results of either the indices or any particular investment.

Results may vary with each use and over time.

This Report provides a snapshot of your current financial position and can help you to focus on your financial resources and goals, and to create a plan of action. Because the results are calculated over many years, small changes can create large differences in future results. You should use this Report to help you focus on the factors that are most important to you.

## Investment Disclosures

The projected investment returns are hypothetical in nature and do not reflect actual investment returns in the future.

## Data Integrity

The results of this plan are based, in large part, by the data that you have either entered into the Advizr application or provided to your financial professional. Any underestimations or overestimations of data entered by you could drastically change the recommendations made by your financial professional. It is important to update your financial information frequently.

## Tax & Legal Advice

The creation and results of this plan do not constitute legal or tax advice. You should consult with an attorney or an accountant for advice in those areas.

## **Circular 230**

IRS Circular 230 Notice: Any tax advice provided herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed on any taxpayer.

## **Limits of financial modeling**

Market volatility may be more extreme than what is represented by the simulation. The accuracy of the simulation is reduced in periods of market crisis. The simulation does not consider all investments, and those not considered might have characteristics similar or superior to those analyzed in this report.

## **Client Future Situation**

It is possible that your income, cash flow and ability to save may change in the future. The projections, in large part, are based on the data that you have provided. It is important to update your plan frequently to account for any changes in your financial

status. Therefore, the results of this plan today cannot account for future changes in your financial situation.

## **Information that You Provide**

Information that you provided about your assets, financial goals, and personal situation are key assumptions for the calculations and projections in this Report. Please review the Report to verify the accuracy of these assumptions. If any of the assumptions are incorrect, you should notify your financial advisor. Even small changes in assumptions can have a substantial impact on the results shown in this Report. The information provided by you should be reviewed periodically and updated when either the information or your circumstances change.

All asset and net worth information included in this Report was provided by you or your designated agents, and is not a substitute for the information contained in the official account statements provided to you by custodians. The current asset data and values contained in those account statements should be used to update the asset information included in this Report, as necessary.

## Monte Carlo Simulations

Monte Carlo is a process that is used to conduct a statistical analysis of a client's portfolio to determine the probability of the client achieving their retirement goal. In other words, we conduct a large number of trials that simulate random returns on their portfolio, and seek to determine the percentage of trials in which the client was able to fully fund their retirement.

Advizr starts by collecting the asset allocation for each of the client's accounts. We then run a year-by-year simulation of the client's incomes, expenses, and investment returns. Incomes include any source of income entered by the user. Expenses include any source of expense entered by the user, in addition to taxes paid on income and capital gains. To tax investment returns, Advizr applies the income tax rate on 80% of a given year's returns, and the capital gains tax rate on the remaining 20%.

The investment returns for each year are calculated from the return of each asset class for that year and the asset allocation of each account. Asset class returns are generated from a random distribution. Each asset class is linked to an index, or a set of indices, with an assumed mean return and standard deviation. Using a correlation matrix between all the asset classes, and assuming a normal distribution of returns, we generate random returns for each year of the simulation.

Monte Carlo simulations are used to show how variations in rates of return each year can affect your results. A Monte Carlo simulation calculates the results by running it many times, each time using a different sequence of returns. Some sequences of returns will give you better results, and some will give you worse results. These multiple trials provide a range of possible results, some successful and some unsuccessful. The percentage of trials

that were successful is the probability that your assumptions could be successful.

We run 1,000 trials each time using a different set of asset class returns taken from the distribution. The mean returns, standard deviations and correlation matrix are taken from JP Morgan's published Long-Term Capital Market Assumptions (<https://am.jpmorgan.com/gi/getdoc/1383581744857>). At the end of the simulation, we calculate the percentage of trials in which the client was able to cover all of their expenses until the end of their retirement. This is the probability of success.

**IMPORTANT:** The projections or other information generated by this Monte Carlo simulation regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. There is no guarantee that the results generated by this simulation will be achieved or sustained, and results may vary with each use.

## Assumptions

All calculations use asset class returns, not returns of actual investments. The projected return assumptions used in this Report are estimates based on average annual returns for each asset class. The portfolio returns are calculated by weighting individual return assumptions for each asset class according to your portfolio allocation. The portfolio returns assume reinvestment of interest and dividends at net asset value without taxes. All results use assumptions that do not completely or accurately reflect your specific circumstances. No Report has the ability to accurately predict the future. As investment returns, inflation, taxes, and other economic conditions vary from the assumptions, your actual results will vary (perhaps significantly) from those presented in this Report. Advizr does not provide recommendations for any products or securities

## Investment and Insurance Product Fees

Depending on what investment or insurance product you purchase, you may incur front-end charges, annual expenses or performance fees. For certain products, you may incur surrender charges, income taxes and penalties if the product is sold before a pre-determined period. For variable life insurance and annuity products, you will incur mortality and expense fees. None of these expenses have been factored into the projections. If included, fees and other expenses would materially reduce the projections.

## Risk Assessment

Your risk assessment is based on the category and description of risk you chose in the data wizard. It is your responsibility to choose the description that you think fits best with your appetite for risk. Based on your specific circumstances, you must decide the appropriate balance between potential risks and potential returns. Once you have chosen a category of risk, Advizr will suggest a pre-determined asset allocation that has been approved by the broker-dealer you are working with. These suggested allocations are informational only and are only intended to facilitate a discussion between you and your advisor. It will be your responsibility to work with your advisor and determine what the appropriate asset allocation mix may be.

## Risks in Investing

Investing in fixed income securities involves interest rate risk, credit risk, and inflation risk. Interest rate risk is the possibility that bond prices will decrease because of an interest rate increase. When interest rates rise, bond prices and the values of fixed income securities fall. When interest rates fall, bond prices

and the values of fixed income securities rise. Credit risk is the risk that a company will not be able to pay its debts, including the interest on its bonds. Inflation risk is the possibility that the interest paid on an investment in bonds will be lower than the inflation rate, decreasing purchasing power.

Cash alternatives typically include money market securities and U.S. treasury bills. Investing in such cash alternatives involves inflation risk. In addition, investments in money market securities may involve credit risk and a risk of principal loss. Because money market securities are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency, there is no guarantee the value of your investment will be maintained at \$1.00 per share. U.S. Treasury bills are subject to market risk if sold prior to maturity. Market risk is the possibility that the value, when sold, might be less than the purchase price.

Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of most stocks fluctuate. Volatility risk is the chance that the value of a stock will fall. Market risk is chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

International investing involves additional risks including, but not limited to, changes in currency exchange rates, differences in accounting and taxation policies, and political or economic instabilities that can increase or decrease returns.