



FINANCIAL
Planning Done Right

Bringing Life + Personal Finance Into Focus

RETIREMENT READINESS PLANNER

Clark & Beverly
Brown

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Objectives

Clark & Beverly – I have prepared the following retirement readiness planner for you. You asked me to provide the following:

- Retirement Planning Portal Life-Time Access.
- Retirement Preparedness Evaluation.
- Lifestyle-to-Savings Target Planning.
- Savings-to-Lifestyle Income Planning.
- Pre and Post Retirement Investment Planning.
- Optimized Income Distribution Strategy.
- Medicare Decision Planning
- Retirement Risk Mitigation Planning.

Financial Planning Done Right, LLC (“FPDR”) has not been retained to review any other issues. However, we have made comments in other general financial planning areas you may want to consider.

Observations

Overview

You are a married couple 55 and 52 respectively and have no dependent family members.

Your retirement assets to date total \$2,500,000 across various accounts.









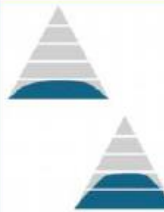





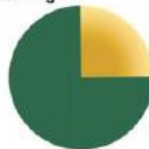
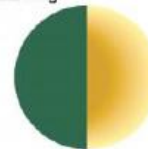


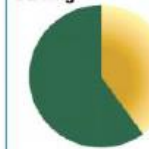
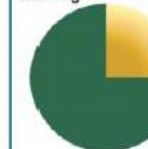

Account	Amount	Type
Clark	\$290,634	Traditional Rollover IRA
Clark	\$79,289	Roth IRA or Rollover Roth IRA
Clark	\$35,720	Traditional Rollover IRA
Clark	\$277,000	Non-Qualified Inherited Annuity
Clark	\$744,000	Qualified Inherited Annuity
Beverly	\$95,510	Roth IRA or Rollover Roth IRA
Beverly	\$10,537	Traditional Rollover IRA

Your current retirement assets are appropriately diversified within asset classes and across account types (taxable, tax-deferred and tax-free). Your current asset allocation is 22:78:0 stock-to-bond-to-cash allocation.

You own a home worth \$1,500,000 mortgage free and you carry no other significant debt.

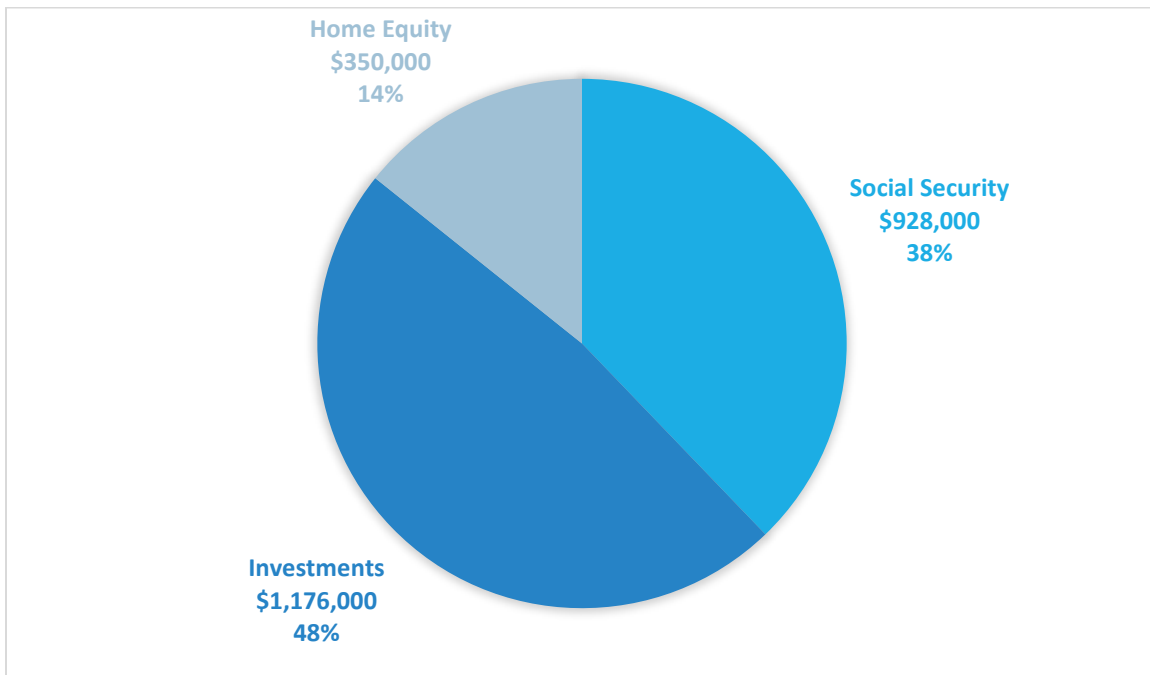
Based on age, net worth, income, savings you are in the Rapid Accumulation financial lifecycle stage (see diagram below) which suggest a 60:34:6 stock-to-bond-cash allocation - Moderate.

Financial Life Cycle

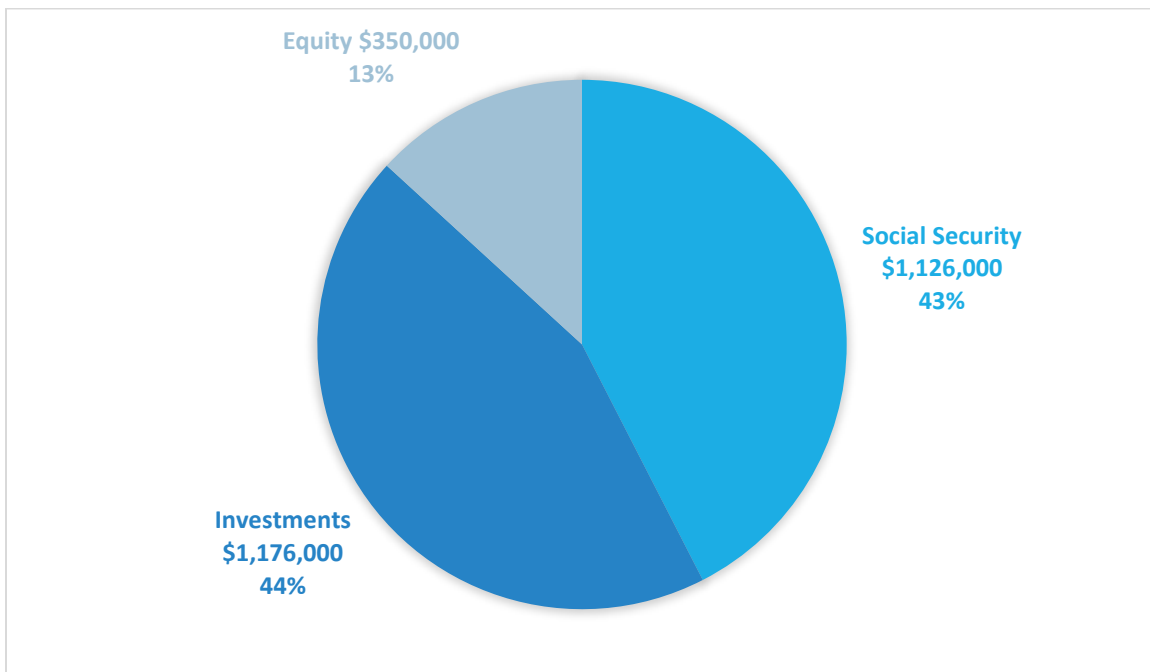
STAGE	BUILDING THE FOUNDATION	EARLY ACCUMULATION	RAPID ACCUMULATION	FINANCIAL INDEPENDENCE	CONSERVATION	DISTRIBUTION	SUNSET
TRANSITION POINT	 Becomes Self-Supporting	 Net Worth More Than Annual Income	 Investment Earnings Exceed Savings	 Investment Earnings Exceed 50% Or More Of Living Costs	 Live Off Investment Earnings Plus Retirement Pension	 Have More Money Than Can Spend In A Lifetime	 Less Than A Year To Live
NET WORTH	Less Than Annual Income	1 - 3x Annual Income	3 - 7x Annual Income	7 - 10x Annual Living Expenses	10 - 15x Annual Living Expenses	More Than 15x Annual Living Expenses	
PYRAMID DEVELOPMENT							
STRATEGY	Five Fundamentals Of Fiscal Fitness – Complete Bottom Level Of Pyramid	Diversify Into Stocks And Bonds – Build Second Level Of Pyramid	Focus Risk And Optimize Tax Efficiency	Transition From "Have To" To "Want To" And Supplement Earnings With Investment Income	Capital Preservation – Lower Investment Risk	Start Gifting – Children, Charities, Other	Distribute Assets, Reduce Estate Taxes, Viatical Strategies
ASSET ALLOCATION	75% Interest Earning  25% Equities	50% Interest Earning  50% Equities	40% Interest Earning  60% Equities	50% Interest Earning  50% Equities	60% Interest Earning  40% Equities	75% Interest Earning  25% Equities	
TYPICAL AGE	20 - 30 Years	30 - 40 Years	40 - 55 Years	55 - 70 Years	70 - 85 Years	85+ Years	

Retirement Income Composition

FRA total income \$2,454,000.



Age 70 total income \$2,652,000.



Recommendation(s)

Retirement Readiness Assessment

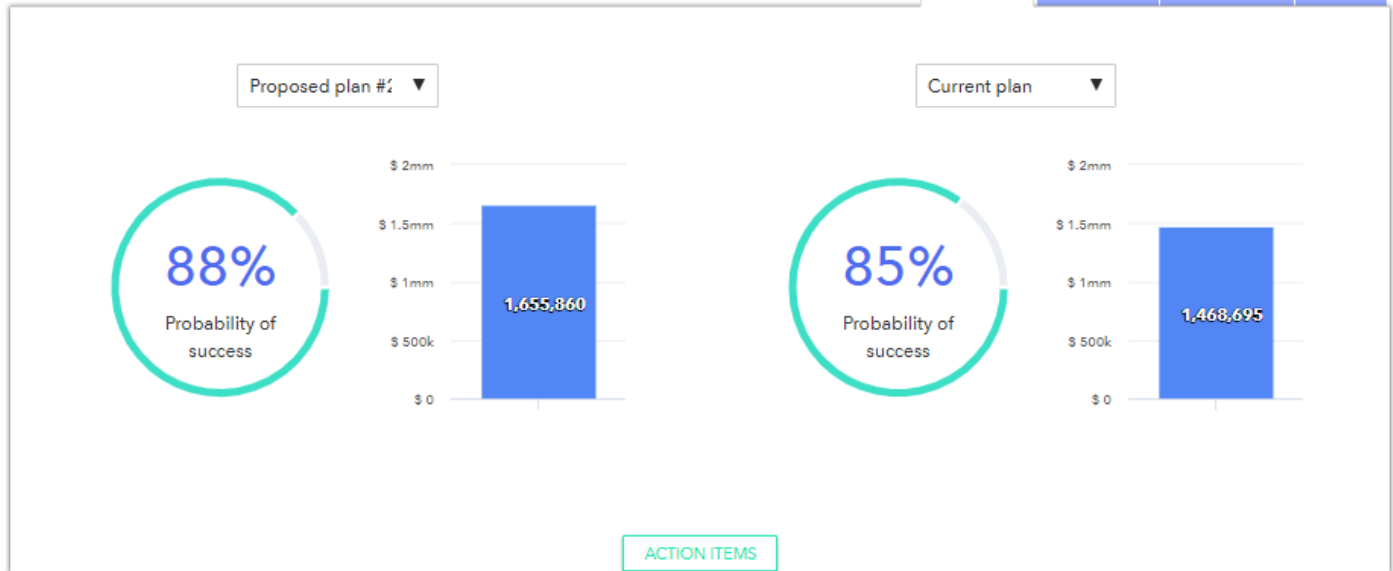
Plan Assumptions

Family	Date of Birth	Planning Horizon	Relationship	
Trust			Trust	
Clark	Apr 5, 1961	90	Client	
Beverly	Apr 5, 1961	90	Co-client	
Makayla	Oct 19, 2010		Grandchild	
Income	Annual Amount	Starting	Ending	Annual Increase
Clark's Salary	\$ 105,000	2017	2018	3%
Clark's Self-employment Income	\$ 55,000	2019	2019	0%
Beverly's Salary	\$ 120,000	Already started	Beverly's retirement	3%
Clark's Self-employment Income	\$ 110,000	2020	2020	3%
Clark's Self-employment Income	\$ 150,000	2021	Clark's retirement	5%
Clark's Other Income	\$ 0	2019	2019	3%
Clark's Social Security	\$ 3,300	70		
Beverly's Social Security	Estimated using Salary	65		
Savings	Annual Amount	Starting	Ending	Annual Increase
Clark's Solo 401(k)	25%	2018	Clark's retirement	
Beverly's 401(k)	0%	Already started	Beverly's retirement	
Clark's 401(k)	\$ 75,000	Already started	2019	0%
Expenses	Monthly Amount	Starting	Ending	Annual Increase
Pre-retirement Living Expenses	\$ 4,000	Already started		
Groceries	\$ 600	2018	End of both plans	
Insurance	\$ 800	2018	End of both plans	

Retirement Analysis

Use of a detailed retirement analysis tool is important to help determine whether you are on track for a successful retirement. Monte Carlo simulations, stress tests, and viewing specific scenarios can help you evaluate your retirement plans and see the impact of potential changes.

Probability Confidence Comparisons Income



Current Course of Action Based on Plan Assumptions

Observations

- If not in retirement at least a 70% rate of success and if in retirement or within 5 years of retirement 80%+ rate of success is preferred.
- 3% chance of plan succeeding and 97% chance of plan failing. Said another way, 1 out of 10 chances the plan will succeed i.e., you will run not run out of money before plan end.
- Outcome has no significant ending account balance at plan end.
- Plan doesn't account for long-term care expense in retirement.
- Plan assumes existing asset allocation
- Plan assumes social security claiming age at your retirement age of 68.
- **Key Factors impacting results**
 - conservative asset allocation strategy
 - claiming social security at age 68

Proposed Course of Action (retire 62 With Modifications)

Observations

- If not in retirement at least a 70% rate of success and if in retirement or within 5 years of retirement 80%+ rate of success is preferred.
- Success/Failure factors are the reverse of current course of action.
- 88% chance of plan succeeding and 12% chance of plan failing. Put another way, 9 times out of 10 the plan will succeed i.e., you will run not run out of money before plan end.
- Median plan ending balance is \$3,464,273 more than current plan.
- Plan doesn't account for long-term care expense in retirement.
- Plan assumes rebalancing to a moderate asset allocation – 48:40:2 stock-to-bond-to-cash allocation.
- Plan assumes social security claiming age of 70.
- **Key Factors impacting results**
 - moderate asset allocation strategy
 - optimized social security strategy

Current Investment Portfolio Assessment and Proposed Investment Strategy

Current Investment Strategy

Current investment strategy is heavily skewed to preserving assets. Remaining with this allocation is not advisable as it will not permit an early retirement, support sustainable retirement income, or generate the necessary growth to blunt the effects of inflation.

Proposed Investment Strategy

We recommend you consolidate your investment portfolio down from 10 accounts to 6 accounts to reduce expenses, simplify management, and enhance tax efficiency.

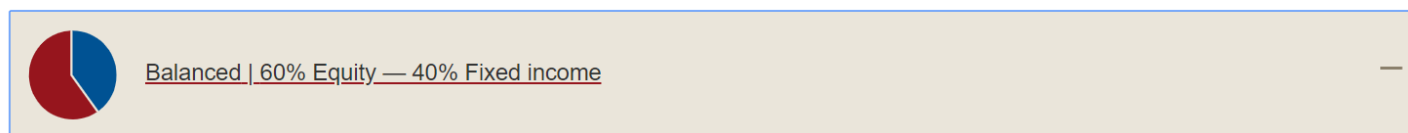
Pre-Consolidation Account Portfolios

Owner	Amount	Type	Current
Clark	\$290,634	Traditional IRA/Rollover IRA	TD Ameritrade
Beverly	\$10,537	Traditional IRA/Rollover IRA	TD Ameritrade
Clark	\$35,720	Traditional IRA/Rollover IRA	TD Ameritrade
Clark	\$80,000	Roth IRA	TD Ameritrade
Beverly	\$95,000	Roth IRA	TD Ameritrade
Clark	\$2,262	401(k)	Employer
Beverly	\$1000	401(k)	Employer
Clark	\$55,000	Inheritance Qualified Annuity	TransAmerica
Clark	\$181,000	Inheritance Qualified Annuity	Security Benefit
Clark	\$507,000	Inheritance Non-Qualified Annuity	Integrity Life

Post-Consolidation Account Portfolio

Owner	Amount	Type
Joint	\$743,000	TD Ameritrade Brokerage (inherited fund destination)
Joint	\$336,921	TD Ameritrade Rollover IRA
Clark	\$80,000	TD Ameritrade Roth IRA
Beverly	\$95,000	TD Ameritrade Roth IRA
Beverly	\$1000	401(k)
Clark	\$2,263	401(k)

Vanguard Strategic Model Portfolio – Core Series 60:40 stock-to-bond (Moderate)



Portfolio allocation

As of 02/28/2019

60% Equity	40% Fixed income
35.3% VTI—Vanguard Total Stock Market ETF	27.4% BND—Vanguard Total Bond Market ETF
23.5% VXUS—Vanguard Total International Stock ETF	11.8% BNDX—Vanguard Total International Bond ETF
	2.0% Money market fund

Non-Inherited Fund Asset Allocations - \$512,921

Allocations

The Vanguard Balanced portfolio corresponds to the Right Capital Moderate strategy

NOTE: These figures reflect current asset holdings. You will need the latest before determining correct percentages to allocate.

- VTI 35.3% of \$511,921= \$180,708
- VSUS 23.5% of \$511,921= \$120,301
- BND 27.4% of \$511,921= \$140,266
- BNDX 11.8% of \$511,921 = \$60,406
- Money Market 2% of \$511,921 = \$10,238

Action Steps in this order:

1. Sell out of current positions across these accounts. There will be no tax consequences since these are tax-deferred accounts.
2. Allocate (purchase) the funds according to the above percentages.

Asset Allocation - \$743,000 (Inherited Assets)

These funds are to be allocated according to the same moderate investment strategy as the non-inherited funds. Due to the annual cash influx from the inherited funds, asset allocation decisions are required on an annual basis. Where possible priority should be given to holding interest-earning investments (bonds) in tax-deferred and/or tax-free accounts and stocks in the taxable account (TD brokerage). Specifically, allocate as much of the bond portion of portfolio as possible within the TD Ameritrade Rollover IRA and/or Roth IRA accounts. Allocate remaining bonds and stocks in the TD Ameritrade brokerage.

Current and Proposed Retirement Income Planning Cashflow, Withdrawal, and Tax Projections.

See Right Capital cashflow tab under Retirement => Cash Flows for details

Action Items

1. Elect life expectancy payout option for each annuity
2. Establish TD Ameritrade brokerage account for inherited funds
3. Consolidate TD Ameritrade accounts per recommendations
4. Allocate non-inherited accounts per recommendations
5. Allocate inherited funds per recommendation as they become available
6. The moderate asset allocation strategy should be reflected across all investment accounts in totality not individually.

Reflections

- When you reach the age of 70 and begin required minimum distributions (RMD) this will increase taxable income and subject a portion of social security benefits to tax.

Based on your risk tolerance, proximity to retirement and retirement readiness score, we recommend starting and remaining with the moderate asset allocation.

- The best strategy for your situation is the **sequential strategy** (withdrawals first from taxable, then tax-deferred and finally tax-free) vs. a pro-rata account withdrawal strategy (proportional withdrawals from all accounts).
- While your plan doesn't factor in long-term care expense, we suggest you keep this risk in mind and make plans to address it should it come to pass.
- Emergency Reserves:
 - Before retirement: 10% of annual income in cash savings
 - In retirement: 30% of annual income in cash savings
 - Based on \$72,000 of annual retirement income, we suggest you maintain at least \$22,000 in cash reserves for emergencies.