



# Kate & Steve Huntsman

## Your Financial Plan

June 2022

*Prepared by...*



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## Summary of Recommendations

Kate and Steve Huntsman – June 2022

### Retirement Planning

- **Outlook:** From our analysis, we believe you may be well-funded to meet Kate's retirement goal of January 1, 2023. Using Monte Carlo analysis, we have derived an 80% probability of successfully meeting your goals. We will discuss the impacts that portfolio allocation and delaying Kate's Social Security benefit have on your plan. See Section 3.
- **Monte Carlo Analysis:** Your retirement assets, including future contributions and distributions, are run through 1,000 trials of different market returns. The dial percentage corresponds to how many times your money "out lived" you. We recommend clients go into retirement with at least an 85% probability of success.
- **Sources of Income:** Your first source of income in retirement will be Social Security. Your retirement savings will be drawn upon to fund the remainder of your goals.
  - **Social Security:** Delaying taking Social Security to age 70 is favorable when planning for a long life expectancy. You sacrifice a smaller benefit you receive earlier for a larger benefit you receive later. When this strategy is used under the "Delay Social Sec" scenario, your probability of success goes from 80% to 88%. If Kate were to predecease Steve, he would be able to keep Kate's higher benefit for the rest of his life. Generally, you can expect to have "broken even", or received the same accumulated benefits from taking Kate's benefit at age 70 compared to 65, in between Kate's ages 79 and 80.

**Recommendation:** We recommend Kate delay Social Security benefits until age 70 to receive the higher benefit.

- **Expenditures in Retirement:** Your basic living expense of \$55,000 will cover your expenses such as groceries, utilities, clothes, entertainment, gasoline, property taxes, etc. You will also have health insurance costs, car loan payments, and travel, bringing your total spending in your first year of retirement to approximately \$76,700. This is a net, after-tax figure of spending.

## Cash & Debt Management

- **Emergency Funds:** We recommend having 3 to 6 months' worth of living expenses set aside to cover any unforeseen circumstances. You currently have a combined \$24,000 in cash savings. We recommend increasing savings to ~\$27,500 to cover 6 months of expenses in retirement.
- **Yield on Cash:** We recommend you hold your cash savings in a high yield savings account with a bank like Ally Bank. Ally Bank online savings accounts link directly to your current bank accounts, have no minimum deposit amounts, and currently yield 0.XX% a year. If you would like to follow through on this recommendation, click [here](#).

**Recommendation:** We recommend keeping an emergency fund of around \$27,500 in a high yield savings account.

## Risk Management

- **Life Insurance:** At this point in your life, you do not have a need for life insurance. Investments and Social Security income will take care of the surviving spouse if one of you predeceases the other.
- **Health Insurance:** This plan is conservative with our health insurance cost assumptions. Once Kate is age 65, she will become Medicare eligible. In the 3 months before her 65<sup>th</sup> birthday, we recommend signing up for Medicare Parts A, B, and D and a Medigap supplemental policy.

**Recommendation:** We recommend that you meet with Jane Smith from Company XYZ to talk about your Medicare options several months prior to turning 65. Contact information: [www.website.com](http://www.website.com), 207-000-000

- **Long-Term Care:** Many people think of nursing homes when they picture long-term care when in fact most long-term care happens in the home. Your long-term care insurance would help pay for home assistance as well as time spent in a facility. Generally, the cost of long-term care insurance boils down to four factors: 1) your benefit amount, 2) your benefit pool, 3) the elimination period, and 4) inflation rate of benefits. We think that the monthly benefit and benefit pool amount obtained from your premiums makes your existing policy cost-effective coverage. Although the period of coverage is less than 1.5 years, the monthly benefit exceeds the average cost of in-home care and assisted living facilities in the Portland area. If a stay in a nursing home facility was required, the monthly benefit would cover about 53% of the cost for a private room in the Portland area at today's costs. We have prepared a Long-Term Care Needs Analysis that we will share in our next meeting. It shows the impact of a long-term care event taking place when you each reach age 80, and the impact on your investment portfolio.

## Estate Planning

- **Estate & Gift Taxes:** The estate and gift tax exemption for 2022 is \$12.06 million per individual. Federal estate taxes would not be owed if you were to both pass. You may give up to \$16,000 a year per individual before the tax exemption kicks in.
- **Beneficiaries and Joint Titling:** Accounts with beneficiary designations pass to your heirs outside of probate. It is critically important that your beneficiaries are up to date with your wishes and reviewed annually since your will cannot override your designations.
  - **Probate:** Probate is the process by which the state government follows to distribute the assets of the deceased that were not jointly owned or containing beneficiary designations. Legal documents, such as a will, help facilitate the distribution of such assets in accordance to the deceased's wishes rather than heirs deemed by law.
- **Legal Documents:** You have identified that you have a will, power of attorney, and health care directives that were drafted in Maine in 2020. You intend to update your documents, including a living trust, with your estate planning attorney.

## Tax Planning

- **RMD Planning:** The IRS imposes Required Minimum Distributions (RMDs) from Traditional IRAs, 403(b)s, 401(k)s, and other defined contribution plans. These distributions are calculated based off your life expectancy and must begin by April 1 of the year after Kate turns 72.
  - **QCDs:** At age 70½ Kate will be eligible to make Qualified Charitable Distributions from her IRA. QCDs are not taxable as income to you as long as they are directly distributed from an IRA to a charity, and they count towards RMDs. This will be the most tax-efficient strategy for giving to charity.

**Recommendation:** We recommend utilizing QCDs for any charitable giving once Kate turns 70½.

## Investment Planning

- **Asset Allocation Analysis:** A review of your portfolio indicates that your assets are currently invested in about 64% stocks, 32% bonds, 4% cash. The portfolio could benefit from increased exposure to small caps. The equity portfolio is currently overweighted in the financial and healthcare sectors. The fixed income portfolio would benefit from higher yield investments with shorter durations. Lastly, your portfolio lacks investment in real estate and alternative assets that provide diversification within a portfolio.
  - **Diversification:** We believe a well-diversified portfolio is best for our clients over the long run. Proper diversification aims to invest across all asset classes in order to assure your portfolio is never the largest loser or the largest winner. This reduces the overall volatility (risk) of your portfolio.
- **Risk Evaluation:** Your current portfolio represents a moderately aggressive portfolio in composition. Your risk tolerance questionnaire results indicate that you both have a lower tolerance for market risk and should have a portfolio with less stock market exposure. Given your proximity to retirement, a reduction in risk is also prudent due to your needing income from the portfolio in a very short time frame.

We tested the long-term impact of choosing a portfolio invested in 60% stocks vs. 50% stocks. This increase in risk only increases your probability of success from 80% to 81%, which in our view does not warrant the additional exposure.

**Recommendation:** We recommend investing in 42% stocks, 41% bonds, 16% alternatives, and 1% cash. On a base level, this is a 50/50 portfolio. This portfolio will provide the income needed at the onset of retirement while maintaining sufficient market exposure for long-term growth.

- **Cost Analysis:** The investment expense ratio of your current portfolio is at 0.50%, about 4 basis points higher than our proposed portfolio.
- **Traditional IRAs:** Within your 403(b)s, you are limited to the investment options of the plan. Within a Traditional IRA, you have access to the same funds and any other investment option, increasing your selection.

**Recommendation:** We recommend rolling over your 403(b) account balances when you retire to increase your investment options and gain access to investment areas you currently don't have access to.

- **Professional, Fiduciary Management:** As a reminder, we are your fiduciary 100% of the time in our management of your assets. We cannot receive a kickback or commission for the investments we select – eliminating the conflict of interest from our decision-making process.

# Personal Information and Summary of Financial Goals

## Kate and Steve Huntsman

### Needs

#### 10 Retirement - Basic Living Expense



Kate (2022)	65
Both Retired (2022-2047)	\$55,000
Kate Alone Retired (2048-2051)	\$50,000
Base Inflation Rate (2.25%)	

#### 10 Health Care



Both Medicare (2022-2047)	\$9,878
Kate Alone Medicare (2048-2051)	\$6,350
Base Inflation Rate plus 2.80% (5.05%)	

#### 10 Car Loans



When Kate retires	\$4,800
Recurring every year for a total of 2 times	No Inflation

### Wants

#### 7 Travel



When Kate retires	\$5,000
Recurring every year for a total of 10 times	Base Inflation Rate (2.25%)

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# Personal Information and Summary of Financial Goals

## Personal Information

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### Kate

Female - born 06/01/1957, age 65

Employed - \$135,000

### Steve

Male - born 02/10/1955, age 67

Retired

Married, US Citizens living in ME

- This section lists the Personal and Financial Goal information you provided, which will be used to create your Report. It is important that it is accurate and complete.

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# Current Financial Goals Graph

This graph shows the annual costs for your Financial Goals, as you have specified. Because these costs will be used to create your Plan, it is important that they are accurate and complete. All amounts are in after-tax, future dollars.



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# Resource Summary

## Investment Assets

Description	Owner	Current Value	Additions	Assign to Goal
Manually Entered				
403(b)	Kate	\$16,000		Fund All Goals
Vanguard Target Retirement 2030 Fund		\$16,000		
ABC Company 401(k)	Kate	\$701,000		Fund All Goals
Fidelity® US Bond Index		\$2,000		
Fidelity® 500 Index		\$50,000		
Fidelity® Extended Market Index		\$50,000		
MFS Mid Cap Growth R6		\$11,000		
Franklin Small Cap Growth R6		\$5,000		
American Funds Europacific Growth R6		\$33,000		
T. Rowe Price Retirement 2020		\$350,000		
T. Rowe Price Retirement 2025		\$200,000		
Kate Savings Account	Kate	\$9,000	\$10,000	Not Used In Plan
Taxable Account Total		\$9,000		
Steve Savings	Steve	\$15,000		Not Used In Plan
Taxable Account Total		\$15,000		
Total Manually Entered Assets		\$741,000		
Total :		\$741,000		

## Other Assets

Description	Owner	Current Value	Future Value	Assign to Goal
Manually Entered				
Home	Joint Survivorship	\$400,000		Not Funding Goals
Total of Other Assets :		\$400,000		

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# Resource Summary

## Insurance Policies

Description	Owner	Insured	Beneficiary	Annual Premium	Cash Value	Death Benefit	Premium Paid
Manually Entered							
<b>Insurance Policies Summary (not included in Assets)</b>							
ABC Company Group Term - Spouse Group Term	Steve	Steve	Co-Client of Insured - 100%			\$25,000	
ABC Company Group Term Group Term	Kate	Kate	Co-Client of Insured - 100%			\$200,000	
LTC Nursing Home Care		Steve		\$2,400			
LTC Nursing Home Care		Kate		\$2,400			
<b>Total Death Benefit of All Policies :</b>						<b>\$225,000</b>	

## Social Security

Description	Value	Assign to Goal
Social Security	Kate will file a normal application at age 66 Years, 6 Months. She will receive \$37,800 in retirement benefits at age 66.	Fund All Goals
Social Security	Steve has filed a normal application. He currently receives \$22,000 in retirement benefits.	Fund All Goals

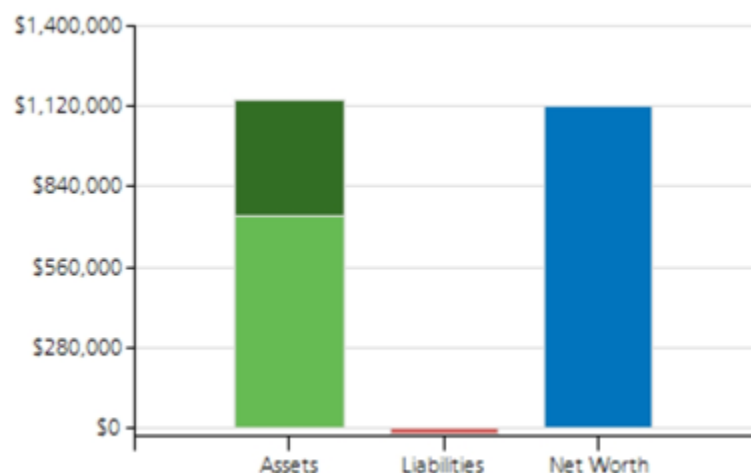
## Liabilities

Type	Description/Company	Owner	Outstanding Balance	Interest Rate	Monthly Payment
Manually Entered					
Car	Car Loan	Steve	\$15,000	3.00%	\$425
Credit Cards	Credit Cards	Joint	\$5,000		
<b>Total Outstanding Balance :</b>			<b>\$20,000</b>		

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# Net Worth Summary - All Resources

This is your Net Worth Summary as of 06/07/2022. Your Net Worth is the difference between what you own (your Assets) and what you owe (your Liabilities). To get an accurate Net Worth statement, make certain all of your Assets and Liabilities are entered.



Investment Assets		\$741,000
Other Assets	+	\$400,000
Total Assets		\$1,141,000
Total Liabilities	-	\$20,000
Net Worth		\$1,121,000

Description	Total
<b>Investment Assets</b>	
Employer Retirement Plans	\$717,000
Taxable and/or Tax-Free Accounts	\$24,000
<b>Total Investment Assets:</b>	<b>\$741,000</b>
<b>Other Assets</b>	
Home and Personal Assets	\$400,000
<b>Total Other Assets:</b>	<b>\$400,000</b>
<b>Liabilities</b>	
Vehicle Loan:	\$15,000
Other Personal Debt:	\$5,000
<b>Total Liabilities:</b>	<b>\$20,000</b>
<b>Net Worth:</b>	<b>\$1,121,000</b>

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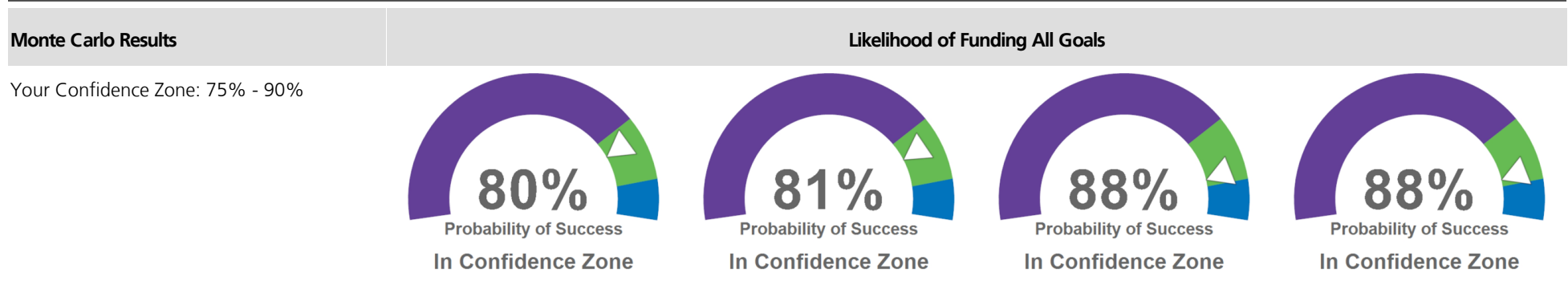
# What If Worksheet

This Worksheet allows you to analyze and compare the results of one or more scenarios that you created by varying the Plan assumptions.

Goals	Estimated % of Goal Funded							
	Current		More Risk		Delay Social Sec		Combination	
	Average Return	Bad Timing	Average Return	Bad Timing	Average Return	Bad Timing	Average Return	Bad Timing
<b>Need</b>	100%	100%	100%	100%	100%	100%	100%	100%
10 Basic Living Expense								
10 Health Care								
10 Car Loans								
<b>Want</b>	100%	100%	100%	100%	100%	100%	100%	100%
7 Travel								

## Safety Margin (Value at End of Plan)

Current dollars (in thousands) :	\$279	\$104	\$350	\$150	\$291	\$92	\$348	\$109
Future dollars (in thousands) :	\$531	\$198	\$668	\$286	\$555	\$176	\$664	\$208



Total Spending :	\$2,017,336	\$2,017,336	\$2,017,336	\$2,017,336
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• Indicates different data between the Scenario in the first column and the Scenario in any other column.

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# What If Worksheet

Key Assumptions	Current	More Risk	Delay Social Sec	Combination
<b>Stress Tests</b>				
Method(s)	Bad Timing Program Estimate Years of bad returns: 2022: -15.64% 2023: -5.29%	Bad Timing Program Estimate Years of bad returns: 2022: -17.93% 2023: -6.28%	Bad Timing Program Estimate Years of bad returns: 2022: -15.64% 2023: -5.29%	Bad Timing Program Estimate Years of bad returns: 2022: -17.93% 2023: -6.28%
<b>Hypothetical Average Rate of Return</b>				
Before Retirement :	Total Return I	Total Return I	Total Return I	Total Return I
Entered Return :	N/A	N/A	N/A	N/A
Composite Return :	5.37%	5.37%	5.37%	5.37%
Composite Standard Deviation :	10.25%	10.25%	10.25%	10.25%
Total Return Adjustment :	0.00%	0.00%	0.00%	0.00%
Adjusted Real Return :	3.12%	3.12%	3.12%	3.12%
After Retirement :	Balanced II	• Total Return I	Balanced II	• Total Return I
Entered Return :	N/A	N/A	N/A	N/A
Composite Return :	5.06%	• 5.37%	5.06%	• 5.37%
Composite Standard Deviation :	8.96%	• 10.25%	8.96%	• 10.25%
Total Return Adjustment :	0.00%	0.00%	0.00%	0.00%
Adjusted Real Return :	2.81%	• 3.12%	2.81%	• 3.12%
Base inflation rate :	2.25%	2.25%	2.25%	2.25%

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# What If Worksheet

Key Assumptions	Current	More Risk	Delay Social Sec	Combination
<b>Goals</b>				
<b>Basic Living Expense</b>				
<b>Retirement Age</b>				
Kate	65	65	65	65
<b>Planning Age</b>				
Kate	94	94	94	94
Steve	92	92	92	92
<b>One Retired</b>				
Steve Retired and Kate Employed	\$0	\$0	\$0	\$0
<b>Both Retired</b>				
Both Retired	\$55,000	\$55,000	\$55,000	\$55,000
<b>One Alone - Retired</b>				
Steve Alone Retired	\$0	\$0	\$0	\$0
Kate Alone Retired	\$50,000	\$50,000	\$50,000	\$50,000
<b>One Alone - Employed</b>				
Kate Alone Employed	\$0	\$0	\$0	\$0
<b>Health Care</b>				
Percentage of costs to use :	100%	100%	100%	100%
Cost determined by Schedule :	See details	See details	See details	See details
<b>Car Loans</b>				
Year :	At Kate's retirement	At Kate's retirement	At Kate's retirement	At Kate's retirement
Cost :	\$4,800	\$4,800	\$4,800	\$4,800
Is recurring :	Yes	Yes	Yes	Yes
Years between occurrences :	1	1	1	1
Number of occurrences :	2	2	2	2
<b>Travel</b>				
Year :	At Kate's retirement	At Kate's retirement	At Kate's retirement	At Kate's retirement
Cost :	\$5,000	\$5,000	\$5,000	\$5,000
Is recurring :	Yes	Yes	Yes	Yes

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# What If Worksheet

Key Assumptions	Current	More Risk	Delay Social Sec	Combination
<b>Goals</b>				
Years between occurrences :	1	1	1	1
Number of occurrences :	10	10	10	10
<b>Retirement Income</b>				
<b>Social Security</b>				
Select Social Security Strategy	Current	Current	• At Age 70	• At Age 70
<b>Kate</b>				
Filing Method :	Normal	Normal	Normal	Normal
Age to File Application :	66 Years, 6 Months	66 Years, 6 Months	• 70	• 70
Age Retirement Benefits begin :	66 Years, 6 Months	66 Years, 6 Months	• 70	• 70
First Year Benefit :	\$37,800	\$37,800	• \$48,384	• \$48,384
<b>Steve</b>				
Filing Method :	Currently Receiving	Currently Receiving	Currently Receiving	Currently Receiving
Age to File Application :	N/A	N/A	N/A	N/A
Age Retirement Benefits begin :	N/A	N/A	N/A	N/A
First Year Benefit :	N/A	N/A	N/A	N/A
Reduce Benefits By :	0%	0%	0%	0%
<b>Extra Savings by Tax Category</b>				
Kate's Qualified	\$0	\$0	\$0	\$0
Steve's Qualified	\$0	\$0	\$0	\$0
Kate's Roth	\$0	\$0	\$0	\$0
Steve's Roth	\$0	\$0	\$0	\$0
Kate's Tax-Deferred	\$0	\$0	\$0	\$0
Steve's Tax-Deferred	\$0	\$0	\$0	\$0
Taxable	\$0	\$0	\$0	\$0

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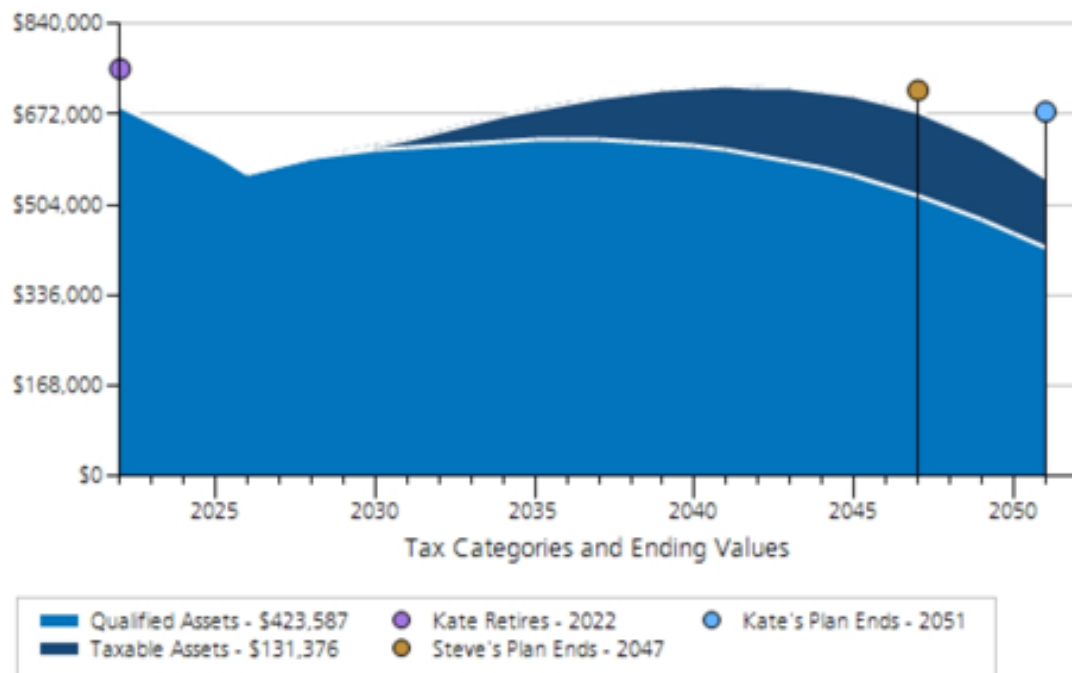


# Worksheet Detail - Combined Details

## Scenario : Delay Social Sec using Average Return

These pages provide a picture of how your Investment Portfolio may hypothetically perform over the life of this Plan. The graph shows the effect on the value of your Investment Portfolio for each year. The chart shows the detailed activities that increase and decrease your Investment Portfolio value each year including the funds needed to pay for each of your Goals. Shortfalls that occur in a particular year are denoted with an 'X' under the Goal column.

### Total Portfolio Value Graph



x - denotes shortfall

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# Worksheet Detail - Combined Details

## Scenario : Delay Social Sec using Average Return

Event or Ages	Year	Beginning Portfolio Value		Additions To Assets	Other Additions	Post Retirement Income	Investment Earnings	Investment Return	Taxes	Funds Used	Ending Portfolio Value
		Earmarked	Fund All Goals							All Goals	
Kate Retires	2022	0	717,000	0	0	22,000	33,209	5.06%	8,008	74,678	689,524
66/68	2023	0	689,524	0	0	22,385	31,726	5.06%	8,257	76,661	658,716
67/69	2024	0	658,716	0	0	22,777	30,364	5.06%	7,484	73,939	630,433
68/70	2025	0	630,433	0	0	23,175	28,829	5.06%	7,765	76,107	598,566
69/71	2026	0	598,566	0	0	23,581	27,014	5.06%	9,902	78,370	560,889
70/72	2027	0	560,889	0	0	76,762	27,765	5.06%	8,205	80,723	576,489
71/73	2028	0	576,489	0	0	78,105	28,481	5.06%	8,567	83,155	591,353
72/74	2029	0	591,353	0	0	79,472	29,088	5.06%	10,330	85,679	603,905
73/75	2030	0	603,905	0	0	80,863	29,648	5.06%	10,643	88,280	615,494
74/76	2031	0	615,494	0	0	82,278	30,155	5.06%	10,982	90,977	625,968
75/77	2032	0	625,968	0	0	83,718	30,918	5.06%	11,365	87,525	641,713
76/78	2033	0	641,713	0	0	85,183	31,635	5.06%	11,759	90,262	656,511
77/79	2034	0	656,511	0	0	86,674	32,301	5.06%	12,137	93,096	670,252
78/80	2035	0	670,252	0	0	88,190	32,909	5.06%	12,548	96,026	682,778
79/81	2036	0	682,778	0	0	89,734	33,451	5.06%	12,969	99,054	693,940
80/82	2037	0	693,940	0	0	91,304	33,919	5.06%	13,400	102,187	703,576
81/83	2038	0	703,576	0	0	92,902	34,309	5.06%	13,805	105,404	711,578
82/84	2039	0	711,578	0	0	94,528	34,610	5.06%	14,252	108,725	717,737
83/85	2040	0	717,737	0	0	96,182	34,816	5.06%	14,667	112,133	721,936
84/86	2041	0	721,936	0	0	97,865	34,916	5.06%	15,129	115,663	723,925
85/87	2042	0	723,925	0	0	99,578	34,900	5.06%	15,549	119,325	723,529
86/88	2043	0	723,529	0	0	101,320	34,758	5.06%	15,968	123,128	720,513
87/89	2044	0	720,513	0	0	103,093	34,478	5.06%	16,383	127,066	714,636
88/90	2045	0	714,636	0	0	104,898	34,050	5.06%	16,728	131,172	705,683
89/91	2046	0	705,683	0	0	106,733	33,457	5.06%	17,127	135,403	693,344
Steve's Plan Ends	2047	0	693,344	0	0	108,601	32,690	5.06%	17,436	139,816	677,383
91/-	2048	0	677,383	0	0	75,962	31,521	5.06%	20,602	112,029	652,234
92/-	2049	0	652,234	0	0	77,291	30,136	5.06%	20,820	115,284	623,557
93/-	2050	0	623,557	0	0	78,644	28,569	5.06%	20,989	118,641	591,141
Kate's Plan Ends	2051	0	591,141	0	0	80,020	26,821	5.06%	20,934	122,084	554,963

x - denotes shortfall

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