Financial Planning II

It's Your Money

Fall 2026

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Case Study

Paul and Patti Perfect

- Both are 72 years old, retired
- Total net worth $4 million ($2.5 million liquid investments)
- Two children and three grandchildren

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Step 1:

Clarify Goals

- Get help investing retirement funds
- Make sure money will last
- Get estate in order
- Gift to favorite charities

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Step 2:

Find an Advisor

- Fee-only, fiduciary
- CFP® professional
- FINRA check / ADV / Ask First
- Interview three potential advisors

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Step 3:

Gather Information

- Create a balance sheet
- Review cash flow: income and spending
  - Social security of $3,600 + pension income $1,800 ($64,800/year)
  - Expenses of $150,000 per year
  - Needed from investment portfolio: $85,200/year (3.4%)
- Review tax return

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Step 4:

Sustainable Spending Analysis

- How much do/will you have?
- How much do/will you need?
- Calculate impact of any additional savings/inheritance
- What is the impact of inflation and taxes?
- How much can you spend?
- How should you invest to meet your goal?
- Factor in Social Security, other income
- Include expected large expenditures and gifting

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Step 5:

Investment Portfolio Design

Asset Allocation Process

1st Step:

Determine asset classes to be used.

2nd Step:

Make a pie!

3rd Step:

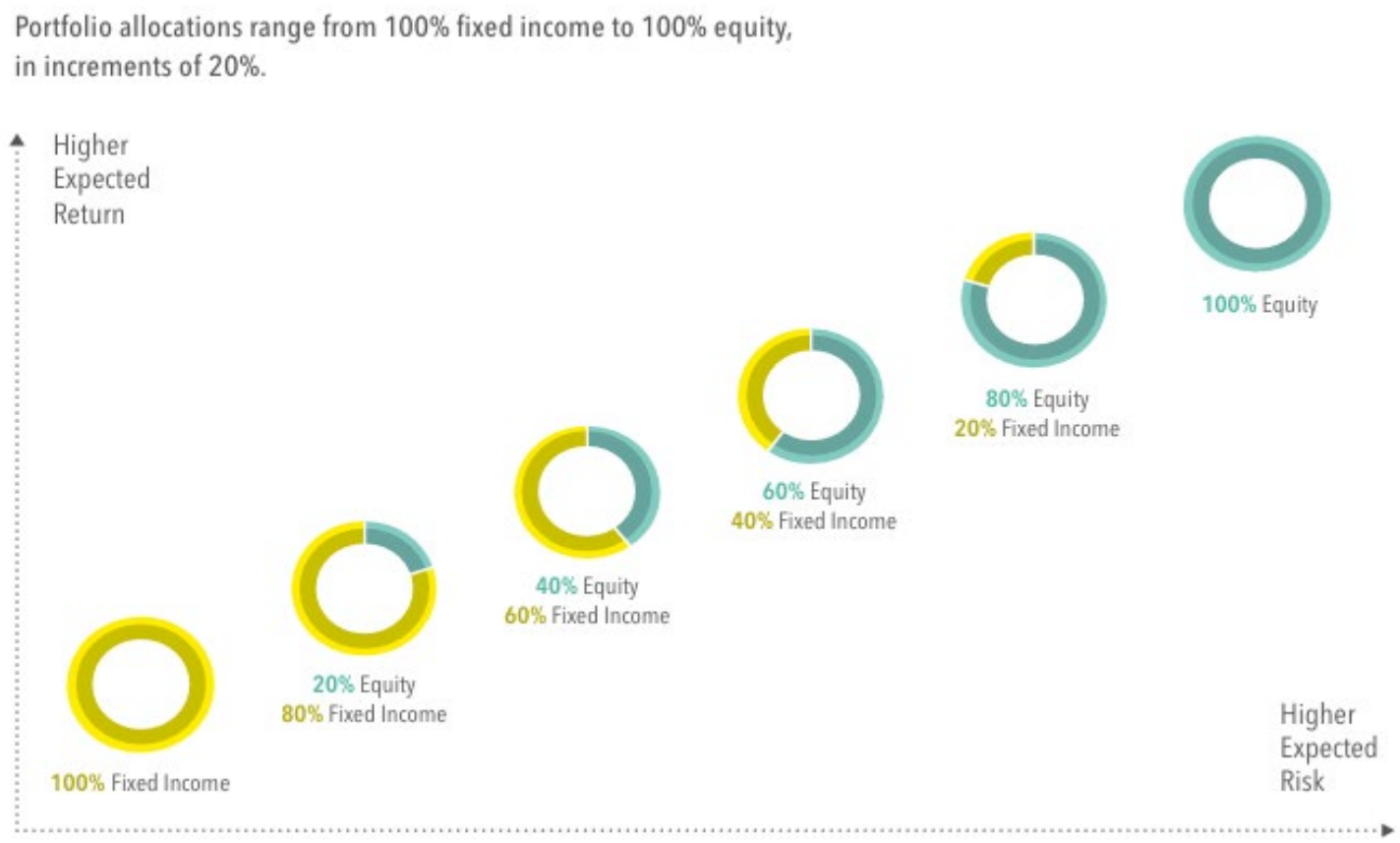
Implement, rebalance periodically, and evaluate performance.

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Step 5: Investment Portfolio Design

Choose the Appropriate Risk/ Reward Profile For Your Needs

Balancing Growth and Risk Management



Source: Dimensional Fund Advisors, 2026
For illustrative purposes only. The risk and expected return shown in this illustration are not reliable indicators of the funds' actual or future risk profiles. There is no guarantee strategies will be successful.

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Step 5:

Investment Portfolio Design

A word (or two) about deferred annuities…

- High expenses
- Tax- ***inefficient***
- Illiquid
- No step-up in basis at death
- Guarantees are not what they look like

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Step 6:

Tax Planning

- QCD (Qualified Charitable Distribution)?
- "Batch" charitable contributions – DAF
- Batch itemized deductions: property taxes, state taxes, charitable contributions, medical expenses
- Roth IRA conversion?
- Tax-loss harvesting
- Tax bracket planning
- Watch for IRMAA (Income-Related Monthly Adjustment Amount)!

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Step 7:

Estate Planning

- Management during your lifetime
- Distributions following your death
- Protect loved ones
- Preserve property
- Avoid conflicts and delays
- Reduce costs & taxes

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Step 7:

Estate Planning

- 2026 top Federal estate tax rate is 40%, top state rate is 0% (California doesn't have an estate tax!)
- Applicable Estate & Gift Tax Exclusion Amount = $15,000,000 per Individual
- $19,000 Annual Gift Exemption

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Step 8:

Charitable Gift Planning

- Annual gifts to charities (give appreciated assets, not cash!)
- Donor-Advised Fund (DAF)
- Bequests at death
- Advanced planning strategies

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Step 9:

Insurance Review

- Medicare/supplement insurance
- Long-term care insurance
- Homeowner's, auto, and personal liability insurance
- Life insurance

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10 Recommendations for Financial Success:

1. Work only with fiduciary advisors
2. Focus on asset allocation, not stock picking (index!)
3. Don’t time the market
4. Invest tax-efficiently (index, tax “location”, munis)
5. Maximize contributions to retirement plans
6. Don’t buy annuities
7. Do not borrow to spend
8. Save for college in a 529 plan
9. Have a will or trust
10. Don’t worry about the “wrong” risks

Thank You

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Index Disclosure & Definitions

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Index Disclosure and Definitions All indexes have certain limitations. Investors cannot invest directly in an index. Indexes have no fees. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance. Actual performance for client accounts may differ materially from the index portfolios. All data is from sources believed to be reliable but cannot be guaranteed or warranted.

Source: www.spglobal.com/spdji/en

Q1 2025

- S&P 500 Index represents the 500 leading U.S. companies, approximately 80% of the total U.S. market capitalization.
- Dow Jones Industrial Average Index is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.
- U.S. Small Cap represented by the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.
- International – Developed represented by the Dow Jones Markets ex-U.S. Index is designed to measure 95% of the market capitalization of stocks traded in developing markets, excluding the U.S.
- International – Emerging Markets represented by the Dow Jones Emerging Markets Index is designed to measure 95% of the market capitalization coverage of stocks traded in emerging markets.
- U.S. Aggregate Bond represented by the S&P U.S. Aggregate Bond Index is designed to measure the performance of publicly issued U.S. dollar denominated investment-grade debt.
- U.S. Government Bond represented by the S&P U.S. Government Bond Index seeks to track the performance of U.S. dollar-denominated U.S. Treasury and U.S. agency debt issued in the U.S. domestic market.
- Dimensional US Sustainability Core 1 ETF is designed to purchase a broad and diverse group of securities of U.S. companies. The Portfolio invests in companies of all sizes, with increased exposure to smaller capitalization, lower relative price, and higher profitability companies as compared to their representation in the U.S. Universe, while adjusting the composition of the Portfolio based on sustainability impact considerations.
- Vanguard ESG US Stock ETF which is market capitalization-weighted, is composed of large-, mid-, and smallcap stocks of companies located in the United States that are screened for certain environmental, social, and corporate governance (ESG) criteria by the index provider, which is independent of Vanguard. It is non-diversified.
- Shares ESG Aware MSCI USA Small Cap ETF generally will invest at least 90% of its assets in the component securities of the underlying index and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents. The underlying index is an optimized equity index that is designed to produce investment results comparable to the MSCI USA Small Cap Index (the "parent index"), while reflecting a higher allocation than that of the parent index to companies with favorable ESG profiles (as determined by MSCI).
- Dimensional International Sstby CR 1 ETF is designed to purchase a broad and diverse group of securities of non-U.S. companies in developed markets. The Portfolio invests in companies of all sizes, with increased exposure to smaller capitalization, lower relative price, and higher profitability companies as compared to their representation in the International Universe, while adjusting the composition of the Portfolio based on sustainability impact considerations.
- Shares ESG Aware MSCI EAFE ETF generally will invest at least 90% of its assets in the component securities of the underlying index and in investments that have economic characteristics that are substantially identical to the component securities of the underlying index. The underlying index is composed of large- and mid-capitalization developed market equities, excluding the U.S. and Canada that have positive environmental, social and governance characteristics as identified by the index provider while exhibiting risk and return characteristics similar to those of the parent index.
- Dimensional Emerging Mrkts Sstby Cr 1 ETF is an actively managed International Equity Diversified Emerging Mkts exchange-traded fund (ETF). Dimensional Fund Advisors launched the ETF in 2022. The investment seeks to achieve long-term capital appreciation. The Portfolio is designed to purchase a broad and diverse group of securities associated with emerging markets. The Portfolio invests in companies of all sizes, with increased exposure to smaller capitalization, lower relative price, and higher profitability companies as compared to their representation in the Emerging Markets Universe, while adjusting the composition of the Portfolio based on sustainability impact considerations.
- Shares ESG Aware MSCI EM ETF generally will invest at least 90% of its assets in the component securities of the underlying index and in investments that have economic characteristics that are substantially identical to the component securities of the underlying index. The index is an optimized equity index designed to reflect the equity performance of companies that have favorable ESG characteristics, while exhibiting risk and return characteristics similar to those of the MSCI Emerging Markets Index (the "parent index").
- Shares ESG US Aggregate Bond ETF index includes investment-grade U.S. Treasury bonds, non-securitized government-related bonds (“government-related bonds”), corporate bonds, mortgage-backed pass-through securities (“MBS”), commercial mortgage-backed securities (“CMBS”) and asset-backed securities (“ABS”) that are publicly offered for sale in the U.S. The fund will invest at least 80% of its assets in the component securities of the underlying index.
- Shares ESG 1-5 Years USD Corp Bd ETF generally will invest at least 90% of its assets in the component securities of the underlying index and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents. The index has been developed by Bloomberg Finance L.P. and its affiliates with environmental, social and governance ("ESG") rating inputs from MSCI ESG Research LLC pursuant to an agreement between MSCI ESG Research and Bloomberg Index Services Limited, a subsidiary of Bloomberg.
- Dimensional Global Sstby Fxd inc ETF fund invests in a broad portfolio of investment grade debt securities (e.g., rated AAA to BBB- by S&P or Fitch or Aaa to Baa3 by Moody’s of U.S. and non-U.S. corporate and government issuers, including mortgage-backed securities, while excluding or underweighting securities of corporate and certain non-sovereign government issuers based upon the Portfolio’s sustainability impact considerations.