

# Financial Planning II

It's Your Money

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## Meet Your Presenters:

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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

# Step 1:

## Find and Advisor

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

## Step 2:

### Clarify Goals

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

# 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

# Step 4:

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## Insurance Review

**Work with your advisor to review:**

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

# Step 5:

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## Tax Planning

- QCD (Qualified Charitable Distrib.) ?
- “Batch” charitable contributions – DAF
  - ▶ Batch itemized deductions: property taxes, state taxes, charitable contributions, medical expenses
- Roth IRA conversion? (tax rates are scheduled to increase in 2025)
- Tax-loss harvesting
- Tax bracket planning



## Step 6:

### Investment Portfolio Design

Just say “**NO**” to  
annuities!

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

# Step 6:

## Investment Portfolio Design

### *Asset Allocation Process*

### **1<sup>st</sup> Step:**

*Determine asset classes to be used.*

### **2<sup>nd</sup> Step:**

*Make a pie!*

### **3<sup>rd</sup> Step:**

*Implement, rebalance periodically,  
and evaluate performance.*

# Step 7:

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## Sustainable Spend Analysis

- How much will/do you have?
- How much will/do 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

# Step 8:

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## Estate Planning

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

# Step 8:

## Estate Planning

- Tax Rates: 2022 top rate is 40%
- Applicable Estate & Gift Tax Exclusion Amount = \$12,092,000 in 2023
- \$17,000 Annual Gift Exemption

# Step 9:

## Charitable Gift Planning

- Annual gifts to charities (give appreciated assets, not cash!)
- Donor-Advised Fund (DAF) - establish with as little as \$5,000
- Bequests at death
- Advanced planning strategies

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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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