



JIM & PAM'S

# FINANCIAL PLAN

NOVEMBER 2018

KELLEY FINANCIAL PLANNING

## PERSONAL DATA

**Name:** Jim Halpert

**Address:** 1234 Ohio Ave.

Scranton, PA 44122

**Marital Status:** Married

**Spouse's Name:** Pam

**Children:** Cece - 21 & Philip - 18

**Employer:** Athlead

**DOB:** 10/01/1978

**Spouse's DOB:** 11/24/1978

**Retirement Age:** 60

**Life Expectancy Age:** 95

**Spouse's Life Expectancy Age:** 95

**Risk Tolerance:** High

## ASSUMPTIONS

Investment Growth Rate: 8%

Healthcare Cost Inflation Rate: 5.0%

General Inflation Rate: 2.5%

Social Security Inflation Rate: 2.0%

Tax Inflation Rate: 2.5%

Expense Adjustment After 1st Death: 15.0%

Retirement Income: \$70,000\*

Yearly Vacations: \$30,000\*

Retirement Healthcare Costs : \$10,476\*

LTC Costs: \$41,400/each/final 2 years\*

Cece's Wedding: \$20,000 (2025)

Philip's Wedding: \$15,000 (2028)

\*in today's dollars

Because this plan contains a strategy meant to be implemented over the course of several decades, the assumptions listed may not accurately reflect the long-term reality. A financial plan is a living document that should be updated as your situation evolves.

# NET WORTH

## Jim's Assets

Athlead 401(k): \$13,135

IRA w/ Vanguard: \$125,795

Rollover IRA w/ Vanguard: \$34,545

Roth IRA w/ Vanguard: \$32,280

Brokerage w/ Vanguard: \$9,898

Old Dunder Mifflin 401(k) w/ TD: \$648,371

Dunder Mifflin Stock w/ TD: \$9,780

## Pam's Assets

Dunder Mifflin 401(k): \$150,000

IRA w/ Vanguard: \$145,845

Rollover IRA w/ Vanguard: \$29,795

Roth IRA w/ Vanguard: \$61,679

## Joint Assets

Brokerage w/ TD: \$86,241

Savings w/ PNC: \$90,114

House In Scranton: \$430,000

## Liabilities

Home Mortgage: \$200,000

Jim's Car: \$5,000

## Net Worth

# \$1,662,478

# Beneficiary Designations

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**Primary: Pam 100%**

**Contingent: Cece 50% ; Philip 50%**

- Jim's Dunder Mifflin 401(k)
- Jim's Dunder Mifflin Life Ins
- Jim's Voya Term Life
- Jim's IRA w/ Vanguard
- Jim's Rollover IRA w/ Vanguard
- Jim's Roth IRA w/ Vanguard
- Jim's Brokerage w/ Vanguard
- Jim's Dunder Mifflin 401(k) w/ TD
- Jim's Dunder Mifflin Stock w/ TD

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**Primary: Jim 100%**

**Contingent: Cece 50% ; Philip 50%**

- Pam's Dunder Mifflin 401(k)
- Pam's IRA w/ Vanguard
- Pam's Rollover IRA w/ Vanguard
- Pam's Roth IRA w/ Vanguard

**Each other and then**

**Cece 50% ; Philip 50%**

- JT Brokerage w/ TD
- Home In Scranton
- Jim's Car
- Savings Account w/ PNC
- Checking Account w/ PNC

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## Estate Checklist

- ✓ Jim's Will - 2005
- ✓ Pam's Will - 2005
- ✓ Jim's POA For Healthcare - 2005
- ✓ Pam's POA For Healthcare - 2005
- ✓ Jim's Living Will - 2005
- ✓ Pam's Living Will - 2005
- Jim's POA for Finances
- Pam's POA for Finances
- Revocable Trust
- Beneficiary Designations
- Digital Assets

# SIMPLE MATH

		<u>Taxable</u>	<u>Tax-Deferred</u>	<u>Tax-Free</u>
	Current	\$149,800	\$1,008,500	\$94,200
Additions	2019	\$90,000	\$8,100	\$24,500
	2020	\$90,000	\$8,100	\$25,000
	2021	\$90,000	\$8,100	\$25,500
	2022	\$90,000	\$8,100	\$26,500
	2023	\$90,000	\$8,100	\$27,000
	2024	\$90,000	\$8,100	\$27,500
	2025	\$90,000	\$8,100	\$28,500
	2026	\$90,000	\$8,100	\$29,000
	2027	\$90,000	\$8,100	\$29,500
Ending Balance	2028	\$1,319,900	\$1,872,500	\$479,000

6.5% Growth

# ROTH CONVERSIONS

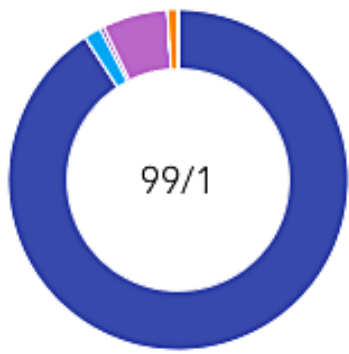
	No Conversions		Conversions	
	<u>Tax-Free</u>	<u>Tax-Deferred</u>	<u>Tax-Free</u>	<u>Tax-Deferred</u>
Current	\$94,200	\$1,008,500	\$94,200	\$1,008,500
2028	\$479,000	\$1,872,500	\$479,000	\$1,872,500
	+ \$0/yr	- \$0/yr	+ \$100K/yr	- \$100K/yr
	9 Years	9 Years	9 Years	9 Years
	6.5% Growth	6.5% Growth	6.5% Growth	6.5% Growth
2038	\$844,271	\$3,300,413	\$2,017,456	\$2,127,228
RMD	\$0	\$120,453	\$0	\$77,636

## Notes

Starting in year 2029, I recommend making partial conversions from your IRA to your Roth IRA. Doing this will reduce the Required Minimum Distribution (RMD) from your IRA that will begin in year 2038. The partial conversions should be enough to fill up your lower tax brackets (10, 12 & 22). You can be very precise and fill up the tax bracket to the exact dollar each year by converting an amount of say \$100K and then recharacterizing the excess conversion by October 15th of the following year.

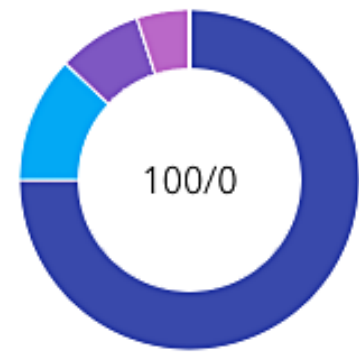
# INVESTMENTS

## Allocation



Current

90.8%	● U.S. Equities	75%
1.6%	● International Equities	12%
0.4%	● Emerging Markets	8%
6.2%	● Real Estate	5%
0%	● U.S. Bonds	0%
0%	● International Bonds	0%
1%	● Cash	0%
0%	● Other	0%



Proposed

## Sector



# Recommended Portfolio

This strategy is designed to be simple, straightforward, and cost effective. Seeking to provide global diversification while keeping the portfolio invested 100% in the equity market. The recommended portfolio exhibits a small-cap and value tilt in equities while maintaining close to a global weight across regions.

Ticker	Tax Setting	Weight	Name	Expense	Asset Class
GWX	Both	10.00%	SPDR S&P International Small Cap ETF	0.40%	International Developed
RWO	Both	5.00%	SPDR Dow Jones Global Real Estate ETF	0.50%	Real Estate
CASH_EQUIV	Both	1.00%	Cash Equivalent	0.00%	Cash
SPEM	Both	15.00%	SPDR Portfolio Emerging Markets ETF	0.11%	Emerging Market Equities
SPTM	Both	29.00%	SPDR Portfolio Total Stock Market ETF	0.03%	US Equities
SPDW	Both	20.00%	SPDR Portfolio World ex- US ETF	0.04%	Equities
SLYV	Both	20.00%	SPDR S&P 600 Small CapValue ETF	0.15%	US Equities

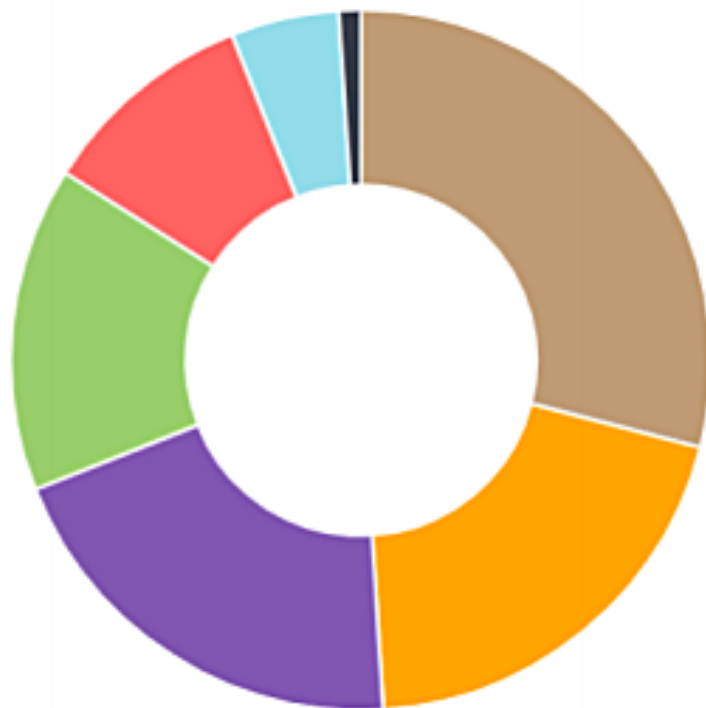
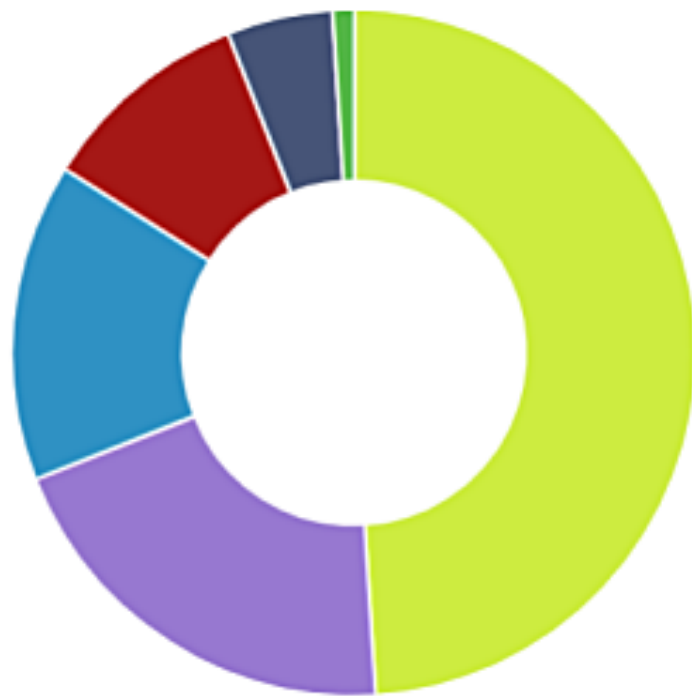
**Expense Ratio: 0.13% (0.0013)**

**(Every \$100K costs \$130)**

**NO Transaction Fees on TD Ameritrade**



# ALLOCATION



# INCOME TAXES

## 2018

\$270,000 gross wages  
-\$6,900 HSA contribution  
-\$24,500 401(k) contribution  
= **\$263,100 AGI**  
-\$24,000 Standard Deduction  
= **\$239,100 Taxable Income**

**\$46,143 Estimated Federal Taxes Owed**

**24% Tax Bracket**

**17% Effective Tax Rate**

## 2019 (est)

\$337,500 gross wages  
-\$7,000 HSA contribution  
= **\$330,500 AGI**  
-\$24,400 Standard Deduction  
= **\$306,100 Taxable Income**

**\$62,831 Estimated Federal Taxes Owed**

**24% Tax Bracket**

**19% Effective Tax Rate**

### Notes\*

- Continue to maximize HSA contributions.
- Maximize Roth 401(k) contributions.
- Keep receipts for medical expenses and charitable contributions.
- If planning to itemize, the deduction for state and local income taxes + property taxes may be limited by \$10,000 cap.

\*We recommend all clients consult with their CPA. Kelley Financial Planning is neither an accounting firm nor CPA.

**Gross Income \$337,500**

Salary: \$270,000

Guaranteed Bonus: \$67,500

**Pre-Tax Withdrawals \$34,500**

401(k): \$24,500

Health Insurance: \$3,100

HSA: \$6,900

**Taxes \$90,649**

Federal: \$57,939

State: \$12,808

SS & Medicare (FICA): \$13,642

Local: \$6,260

**Net Pay \$212,351**

**Living Expenses \$109,166**

**Free Cash Flow  
\$103,185**

**Short-Term Changes:**

1. Switch 401(k) contributions from traditional (pre-tax) to the Roth 401(k) (after-tax) option.

2. Allow the HSA money to continue growing. Use outside funds to cover current medical expenses.

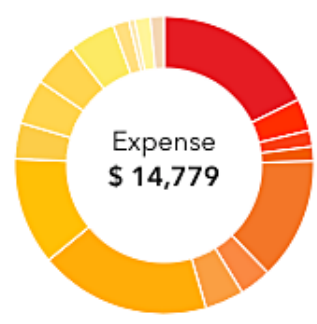
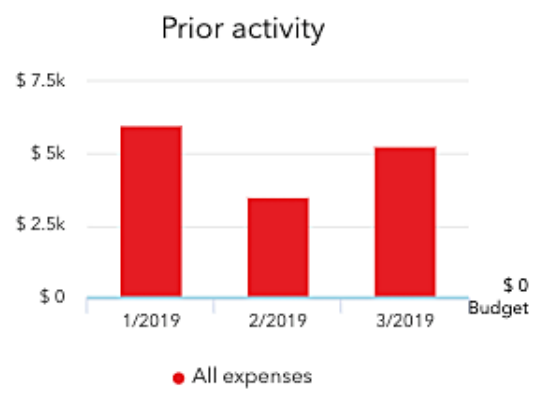
**Long-Term Changes:**

1. Exercise your Restricted Stock Units at each vesting date. Reinvest the proceeds into brokerage account with TD.

# BUDGET

All expenses

Last 3 Months



Housing	\$ 2,622
Bill and Utilities	\$ 517
Auto and Transport	\$ 260
Insurance	\$ 232
Loan Payment	\$ 1,959
Groceries	\$ 509
Health and Fitness	\$ 623
Shopping	\$ 2,743

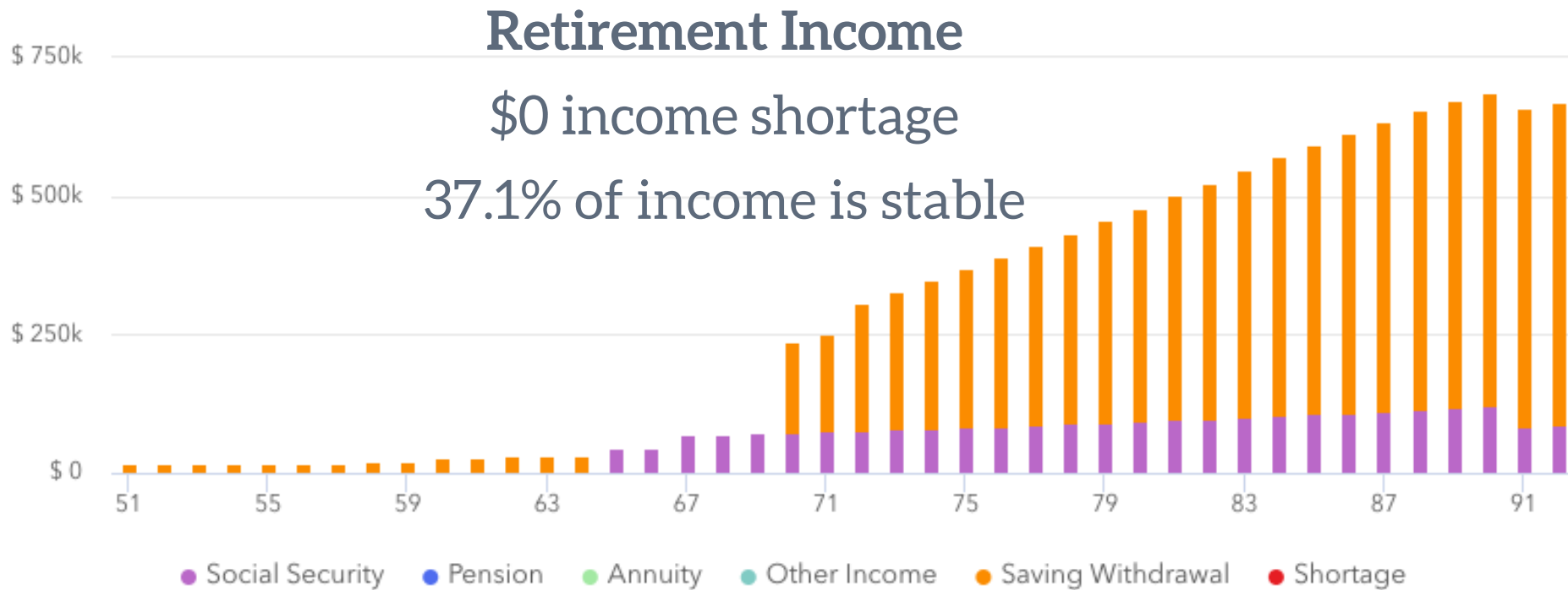
ACTION ITEMS

	Budget	Last 3m	Change		Budget	Last 3m	Change
<b>Income</b>							
Paychecks	\$ 0	\$ 4,728	-100%	Other Income	\$ 0	\$ 374	-100%
<b>Expense</b>							
Housing	\$ 0	\$ 874	-100%	Bill & Utilities	\$ 0	\$ 172	-100%
Auto & Transport	\$ 0	\$ 87	-100%	Insurance	\$ 0	\$ 77	-100%
Loan Payment	\$ 0	\$ 653	-100%	Groceries	\$ 0	\$ 170	-100%
Kids	\$ 0	\$ 0	0%	Education	\$ 0	\$ 0	0%
Health & Fitness	\$ 0	\$ 208	-100%	Shopping	\$ 0	\$ 915	-100%
Dining Out	\$ 0	\$ 575	-100%	Entertainment	\$ 0	\$ 192	-100%
Travel	\$ 0	\$ 241	-100%	Business	\$ 0	\$ 243	-100%
Fees & Charges	\$ 0	\$ 0	0%	Misc	\$ 0	\$ 247	-100%
Charitable Giving	\$ 0	\$ 0	0%	Gift	\$ 0	\$ 86	-100%

# RETIREMENT

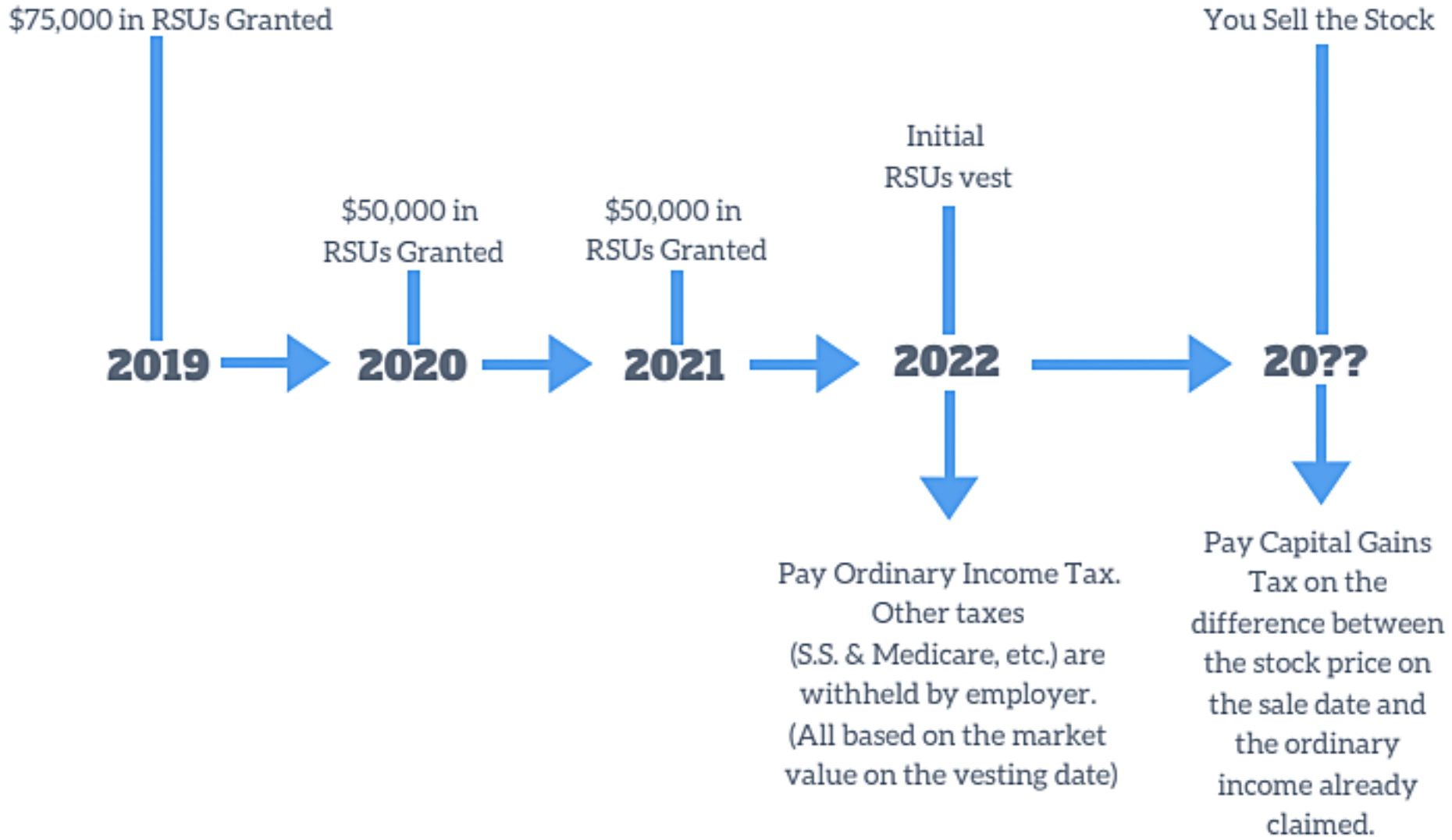
## Notes

Based on Monte Carlo simulations, the current plan has a 98% likelihood of success, meaning no changes to the proposed spending will be required 98% of the time. In the event of higher than anticipated inflation, market downturn(s), etc., changes to the strategy may be necessary.



# STOCK OPTIONS

## Timeline of Restricted Stock Units (RSUs)



## 1. Consolidate Accounts

- Jim's old 401(k) w/ TD
  - Jim's IRA w/ Vanguard
  - Jim's Rollover IRA w/ Vanguard
  - Pam's IRA w/ Vanguard
  - Pam's Rollover IRA w/ Vanguard
  - Jim's Dunder Mifflin Stock w/ TD\*
  - Jim's Brokerage Account w/ Vanguard
- Open a New IRA for Jim w/ TD and do a Direct Rollover
- Open a New IRA for Pam w/ TD and do a Direct Rollover
- Open a New IRA for Pam w/ TD and do a Direct Transfer

## 2. Reduce Custodians

- Jim's Roth IRA w/ Vanguard
  - Pam's Roth IRA w/ Vanguard
- Open a New Roth IRA for Jim w/ TD and do a Direct Rollover
- Open a New Roth IRA for Pam w/ TD and do a Direct Rollover

## 3. Meet With a CPA

I know you've been handling the taxes on your own for the past few years but I do think there are benefits from working with a professional. Below is the contact information for two local, well-respected CPAs.

- [REDACTED]
- [REDACTED]

\*Or just sell the stock position and close the account like we discussed.

## 4. Meet With an Estate Planning Attorney

Your wills, Medical POAs, and Living Wills are from 1998. I recommend having an attorney look through those documents to make sure they still fit today's legal climate. I also recommend drafting Financial POAs and possibly a Revocable Trust, now that your Net Worth is close to \$2MM. Please also be sure to confirm all of your and Fiona's account beneficiaries. Here is the contact information for one local estate planning attorney and one virtual attorney.

- [REDACTED]
- [REDACTED]

## 5. Short-Term Changes

- Switch 401(k) contributions from Traditional (pre-tax) to the Roth 401(k) (after-tax) option.
- Allow the HSA money to continue growing. Use outside funds to cover current medical expenses.
- After accounts are consolidated reallocate investments to recommended portfolio.

## 6. Long-Term Changes

- Exercise your Restricted Stock Units at each vesting date. Reinvest the proceeds into the new brokerage account with TD.
- In the year 2029 begin making partial Roth IRA conversions to reduce your taxable income when the Required Minimum Distributions (RMD) begin in year 2038.
- To obtain the maximum Social Security benefit have [REDACTED] claim for spousal benefits at her age 67 and [REDACTED] claim at his age 70.



# THANK YOU

**We appreciate your business!**

EMAIL

[mike@fee-onlyadvisor.com](mailto:mike@fee-onlyadvisor.com)

PHONE NUMBER

330-990-8895

WEBSITE

[www.fee-onlyadvisor.com](http://www.fee-onlyadvisor.com)