

JACOB AND RACHEL CLIENT

FINISH LINE REPORT EXECUTIVE SUMMARY 2019 SAMPLE

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Your Financial Plan

Congratulations on completing your Finish Line Financial Plan! A comprehensive plan remains the best way to understand your current and long-term goals and objectives and how to achieve them. Your plan puts you in the driver's seat and provides a standard by which to judge all future financial decisions.

Your Generational Wealth Advisors Finish Line Report consists of three separate parts:

- 1. A written executive summary** – We want to make sure your plan is easy to understand and clear in what it says. Most business owners want to know what they will need and whether or not they are on track. This executive summary is an easy to read explanation that answers the high level questions about your financial status.
- 2. A detailed report in PDF format**– We still do a lot of background calculations and simulations (and cash flows!). You may be thumbing through your executive summary, unsure of a particular number, or questioning a certain outcome. After we review your plan with you personally, a detailed PDF copy will be available for download through the online portal. Feel free to look through it, ask questions about it or analyze it in detail.
- 3. Online access to your plan** – We've partnered with the industry leading financial planning software MoneyGuidePro to provide you real-time access to your plan. You can log in at any time and see how changes in the financial markets or how potential Business Exit Planning offers will affect your plan. MoneyGuidePro also has a full suite of tools and calculators that allow you to see how different events will affect your overall plan.

Our goal is always to work alongside you in completing your financial plan. We encourage you to update your plan on a regular basis or after major life events. Between plan updates you can use the MoneyGuidePro tools to see how different changes affect your outcomes.



Some things to know:

When we talk about your plan, we'll hit on a few big ideas. But it's easy to forget what some of these mean. Here are a few topics that are important to understand.

Monte Carlo Simulation: Monte Carlo is a technique for predicting the most probable outcome, based on a wide variety of possibilities. Your financial picture has a lot of different variables. From business valuation changes, to inflation rates, to portfolio returns, to savings rates, to changes in your goals. We use a statistical standard deviation to predict the variability in each of these and then allow the computer to run as many as 10,000 iterations of your plan, mixing and matching different variables. We can then see what outcome is the most likely to occur.

Success Score: The Monte Carlo simulation aggregates all the different outcomes and produces a success score. The score is the percentage likelihood that you will meet all your goals and objectives. So if your score is 90%, 9 out of 10 times, your simulation ended with money leftover (i.e. your account did not go to zero before your death). We have 3 categories when it comes to success scores:

Less than 70%	Between 70% - 90%	Greater than 90%
There is work to be done, we'll focus on action items to get your score up	The ideal place to be as the majority of outcomes are successful.	Almost all outcomes are successful, we could be giving up too much now

Current vs what-if scenarios: We'll first look at your outcome given what you've already put in place. From there we will also run a variety of "what-ifs" to see how different changes will affect your outcome. The goal is always to understand which items move your success score. An extra vacation here and there isn't going to be as impactful as spending 20% more each year.

Needs, Wants, Wishes: Your goals are ranked in order of importance. Needs (7-10), Wants (4-6) and Wishes (1-3). We assume that if we need to cut out a goal, we'll start with the wishes, whereas Needs (such as healthcare) cannot be cut out. When we perform stress tests to the plan, we often eliminate wishes altogether

Plan Age: Life expectancy is a big unknown for all of us. While most actuarial tables show life expectancy into the late 80's, we generally run plans to age 95 or 100. This helps us be more conservative on planning for income and portfolio sustainability.

Inflation: Over the last 30 years, inflation has averaged about 2.75%. That leaves out the high inflation we saw during the late 1970's and early 1980's. A 40 year look back brings average inflation closer to 3.2%. We run plans at this higher inflation rate, knowing that inflation will change from year to year. When we discuss dollar amounts, everything is referred to in current dollars but will be inflated by the stated rate.



Your retirement goals:

Throughout our conversations, we identified the following goals for you:

Retirement:

- Jacob – Age 57, year 2019
- Rachel – Age 55, year 2019

Plan Age:

- Jacob – Age 95, year 2057
- Rachel – Age 95, year 2059

Needs:

- Living Expenses – \$90,000 / year
- Health Care – Per MGP Schedule

Wants:

- Discretionary Spending - \$12,000 / year
- Travel - \$20,000 / year, 15 years total
- College Exp - \$50,000 / year for 8 years
- Private School - \$20,000 / year for 6 years
- Car Exp – \$5,000 / year
- Wedding Exp - \$100,000, 1/2 in 2022 and 2024 (best estimate)

Wishes

- Boat - \$50,000 @ retirement

Your retirement resources:

o Social Security:

- Jacob - \$31,759 / year at FRA (Age 67)
- Rachel - \$19,643 / year at FRA (Age 67)

o Investment assets (approximate)

Jacob 401(k) - \$25,000 (max additions)	Checking Acct - \$80,000
Jacob IRA - \$400,000	Investment Accts - \$20,000
Rachel IRA - \$50,000	Business Valuation - \$1,500,000 (2019)
Jacob SEP - \$125,000	Real Estate/Other – \$500,000, exp. \$750k



Your Current Scenario – Current portfolio

With no additional changes your success score was **79%**

Retirement:

- Jacob – Age 57, year 2019
- Rachel – Age 55, year 2019

Plan Age:

- Jacob – Age 95, year 2057
- Rachel – Age 95, year 2059

Needs:

- Living Expenses – \$90,000 / year
- Health Care – Per MGP Schedule

Wants:

- Discretionary Spending - \$12,000 / year
- Travel - \$20,000 / year, 15 years total
- College Exp - \$50,000 / year for 8 years
- Private School - \$20,000 / year for 6 years
- Car Exp – \$5,000 / year
- Wedding Exp - \$100,000, 1/2 in 2022 and 2024 (best estimate)

Wishes

- Boat - \$50,000 @ retirement

Other Information:

Portfolio: Current portfolio, inflation @ 2.69%

Social Security: No changes

Retirement income: None

Business valuation: No changes

Business sells for \$1.5M in 2020

Real Estate sells for \$750,000 in 2020

Savings: 401(k) deferrals

Planner notes: In your current scenario, we assume that any new cash flows (i.e. selling the business and other investments) will be invested to match your current portfolio. Your current portfolio is heavy on cash (~15%) and not well diversified, exposing you to concentrated risk positions. This portfolio mix will not reliably sustain your needs for a long-term retirement.



What if scenario #1 - Given these changes, your success score is **55%**

- Sell business in 2025, but at a 30% loss in value

Retirement:

- Jacob – Age 64, year 2025
- Rachel – Age 63, year 2025

Plan Age:

- Jacob – Age 95, year 2057
- Rachel – Age 95, year 2059

Needs:

- Living Expenses – \$90,000 / year
- Health Care – Per MGP Schedule

Wants:

- Discretionary Spending - \$12,000 / year
- Travel - \$20,000 / year, 15 years total
- College Exp - \$50,000 / year for 8 years
- Private School - \$20,000 / year for 6 years
- Car Exp – \$5,000 / year
- Wedding Exp - \$100,000, 1/2 in 2022 and 2024 (best estimate)

Wishes

- Boat - \$50,000 @ retirement

Other Information:

Portfolio: Non invested assets Talis 60 now, Talis 40 in retirement

- Inflation at 2.69%

Social Security: Delay until age 70

Retirement income: None

Business valuation:

Business sells for \$1.125M in 2025
Real Estate sells for \$675,000 in 2025

Savings: 401(k) deferrals

Planner notes: Many business owners are reluctant to sell in the hopes the business value will continue to increase, however; an equally likely scenario is that a down turn in the market or industry could cause the value to decrease, despite no material changes to the business itself. In this scenario, if the business were worth 30% less in 5 years, and the real estate worth 10% less, your overall success score drops to well below our minimum threshold. In this case, you would need to drastically alter your current lifestyle.

Changes from your current scenario are highlighted in gray



What if scenario #2 - Given these changes, your success score is 98%

- Sell business in 2020, at a 30% increase in value

Retirement:

- Jacob – Age 58, year 2020
- Rachel – Age 5, year 2020

Plan Age:

- Jacob – Age 95, year 2057
- Rachel – Age 95, year 2059

Needs:

- Living Expenses – \$90,000 / year
- Health Care – Per MGP Schedule

Wants:

- Discretionary Spending - \$12,000 / year
- Travel - \$20,000 / year, 15 years total
- College Exp - \$50,000 / year for 8 years
- Private School - \$20,000 / year for 6 years
- Car Exp – \$5,000 / year
- Wedding Exp - \$100,000, 1/2 in 2022 and 2024 (best estimate)

Wishes

- Boat - \$50,000 @ retirement

Other Information:

Portfolio: Investable assets in Talis 60 now, Talis 40 in retirement

- Inflation at 2.69%

Social Security: Delay until age 70

Retirement income: None

Business valuation: Decrease in expected value

Business sells for \$2,100,000 in 2020

Real Estate sells for \$825,000 in 2020

Savings: 401(k) deferrals

Planner notes: The team at Generational can often find additional value not previously identified, which can increase the sale price of the company. If, over the next year, your company were to sell at a 30% premium over your estimated \$1.5M value, your likelihood of success increases drastically.

Changes from your current scenario are highlighted in gray



What if scenario #3 - Given these changes, your success score is 96%

- Partial sale of business in 2020 for \$1M
- Sell remaining ownership in 2024 for \$250,000
- Sell real estate for \$750k in 2024

Retirement:

- Jacob – Age 63, year 2024
- Rachel – Age 51, year 2024

Plan Age:

- Jacob – Age 95, year 2057
- Rachel – Age 95, year 2059

Needs:

- Living Expenses – \$90,000 / year
- Health Care – Per MGP Schedule

Wants:

- Discretionary Spending - \$12,000 / year
- Travel - \$20,000 / year, 15 years total
- College Exp - \$50,000 / year for 8 years
- Private School - \$20,000 / year for 6 years
- Car Exp – \$5,000 / year
- Wedding Exp - \$100,000, 1/2 in 2022 and 2024 (best estimate)

Wishes

- Boat - \$50,000 @ retirement

Other Information:

Portfolio: Investable assets in Talis 60 now, Talis 40 in retirement

- Inflation at 2.69%

Social Security: Delay until age 70

Retirement income: None

Business valuation: Delay sale 5 years, but no change in value

Business sells for \$1M in 2020, you continue working

Business sells for \$250k in 2024

Real Estate sells for \$750,000 in 2024

Savings: 401(k) deferrals

Planner notes: Performing an immediate partial sale and bringing in new partners can often create an increase in value in a 4 – 6 year time frame. In this example, we have conservatively assumed a small remaining sale in 4 years, but still retained a very strong success score. Any additional value brought to the business in time period would increase the strength of your financial plan.

Changes from your current scenario are highlighted in gray



Retirement Planning Recommendations

- The biggest threat to successfully funding retirement is choosing to not sell for the current value and having to sell at a lesser value in the future. You should carefully consider the risk and reward of this trade off.
- A partial sale now, with a conservative sale of your remaining ownership in the future will still give you a high probability of success. Any additional value brought to the business in this time period will only work in better secure your financial future.
- Any additional cashflow that can be directed towards your investment accounts will continue to improve your chance of success.
- As you approach retirement it is important to have a firm grasp on how much you spend. Spending is one of the biggest factors that can influence the sustainability of your portfolio, especially once your portfolio is your only source of income.
 - If you notice that your spending is deviating from what we have outlined in your plan, it's important that we update the plan to reflect the changes and make sure you are still within the desired success score.
- Your current portfolio is not projected to provide sufficient return. It is recommended you increase your overall risk exposure to ensure you are provided with enough return to continue the need growth.



Business Valuation Information

Our team works closely with the Business Valuation team at Generational Equity to project low, expected, and high potential values for your business. We can then use these different values to see the difference it makes on your long-term retirement plan. You may have a minimum valuation in mind, however, we can show the actual impact on your personal life for accepting a range of offers.

Business Valuation – Currently \$1,500,000	Real Estate/Other Investments – \$500,000
Expected: \$1,500,000 in today's market	Expected: \$750,000
Poor market value: \$900,000 (40% decline)	Low Value: \$675,000
	High Value: \$825,000

SAMPLE



Net worth

Your current net worth is currently \$3,365,000. Your PDF report contains a detailed list of your net worth.

- Investment assets - \$700,000
- Other assets - \$3,065,000
- Liabilities - \$400,000

Risk Management

Now that we have an understanding of what you're worth, it's important to make sure it is protected. Risk management aims to ensure you can cover your current liabilities as well as fund your future goals should one of you pass prematurely.

- Jacob needs coverage of \$2.8M in death benefit and currently maintains \$5M total.
 - Given your proximity to retirement, it is likely that changing the policy would cost prohibitive at this point
- Rachel needs coverage \$700,000 in death benefit and currently does not have any coverage.
 - A 10 year policy will be relatively cheap and bridge the gap between now and retirement. In the chance that Rachel passes unexpectedly, this will allow Jacob to take time away from his position as well as fund additional help for remaining dependents, without having to draw on existing funds.
 - \$500,000 in coverage for 10 years, \$650 in annual premium
 - \$1,000,000 in coverage for 10 years, \$1,150 in annual premium

Other insurance items:

Disability – Jacob has disability available through his business on both a short-term and long-term basis. These payments would be made on your base salary, and may not include bonus income. For individuals that rely heavily on year-end bonuses, a disability event can potentially derail your financial plan.



Long-term care – No long-term care coverage in place.

LTC insurance has become a hot topic for many, as medical costs continue to rise at nearly double the standard inflation rate. Historically, LTC policies operate much like home insurance in a “use it or lose it fashion.” Over the last decade, insurance companies have begun offering hybrid LTC policies that pair together a low leverage whole life policy with a high leverage LTC benefit. In most cases, this means that if you never need the LTC portion, a small death benefit will be passed on to your estate, and if you do need LTC you will have ample coverage to protect against run-away costs.

In your cause, I believe a hybrid LTC policy would be worth looking at, as it will provide “tail risk insurance.” In this case, we know that your portfolio will be able to cover a normal LTC event that lasts 3-4 years at a cost of ~\$100k/year. What we are really insuring against are the events that last 10+ years at substantially higher costs. These events typically come with a dementia/Alzheimer’s diagnosis, where your physical health can remain intact for a long period of time, but you are still in need of a high level of care.

Homeowners insurance – \$10,000 deductible at cost of \$5,000/year. You should have your insurance provider review your policy on an annual basis to ensure your policy will adequately cover unexpected and extreme claims.

Auto insurance – All vehicles are covered.

Umbrella coverage – \$5M umbrella policy.



Tax Information – Not Reviewed

A review of your tax information showed the following

	2017	2018
Federal Marginal Tax Bracket	XXX	XXX
Effective Tax Rate	XXX	XXX
Adjusted Gross Income (AGI)	XXX	XXX
Taxable Income	XXX	XXX
Itemized or Standard Deductions	XXX	XXX
Total Tax	XXX	XXX
Withholdings and Payments	XXX	XXX
Due	XXX	XXX
Refund	XXX	XXX
Tax-loss Carry-forward	XXX	XXX

- Your federal marginal tax bracket was XX% for 2017 and 2018.
- Your effective tax rate was XX% and XX% in 2017 and 2018, respectively.

Recommendations

With the observations above in mind, the following recommendations are in order:

- Continue to monitor your tax situation throughout the year. For any complex tax issues it is best to seek the advice of a CPA or tax professional.



Estate Planning

Estate planning is the arrangement for the transfer of property from one generation to the next. It is usually intended to minimize taxes and administrative costs, while achieving the estate owner's personal non-tax objectives.

In addition to the legal documents that endeavor to achieve this (Wills, Personal Property Memorandums), there are other documents that each of you should have current that comprise a sound legal strategy for life and death. These include:

- Self-Designation of Guardian
- Living Will (Directive to Physician)
- General Durable Power of Attorney
- Medical Power of Attorney
- HIPAA Release and Authorization

You currently have the following document(s):

- Self-Designation of Guardian
- Living Will (Directive to Physician)
- General Durable Power of Attorney
- Medical Power of Attorney
- HIPAA Release and Authorization

Recommendations

With the observations above in mind, the following recommendations are in order:

- Have your attorney review all documents on a regular basis to ensure that each still reflects your wishes.
- Make sure you have second and third alternatives for executor, trustee and PoA positions.
- Multiple copies of your most recent estate documents should be saved in a safe location and be accessible by a trusted person in the case arises. For many, a copy is left with the attorney's office.
- Ensure that the beneficiary designations of 401(k)s, IRAs, and investment accounts are up-to-date and coordinated with estate plan.



Other Recommendations

Emergency Fund – We generally recommend you keep 4-6 months' worth of living expenses set aside in cash. These funds should only be used for emergency expenses, or to help bridge the gap for unforeseen costs.

Invest available cash - Wherever available, you should invest cash as indicated in the scenarios. We've targeted a Talis 60 allocation (approx 60% equity, 40% fixed income), but can provide additional recommendations in other accounts.

Monitor your spending as you approach retirement – Your current spending is in excess of \$150,000 year, but the assumption was made that after your children leave the home, this number will go down. Continue to monitor your spending to keep an accurate picture of your actual spending.

Update your personal financial plan regularly – This plan creates a snapshot in time of your current situation, and what you and your family hope to achieve in the future. As your circumstances change, your plan will need to be updated accordingly.

Access your plan online – you can access your plan with the following information.

- URL – www.MoneyGuidePro.com
- Username – JacobClient
- Password – Password123