

January 2018

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**SAMPLE FINANCIAL  
PLAN  
FINANCIAL PLAN**

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**Disclaimer:**

Figures stated in the attached report are based on an agreed upon set of assumptions and information provided by you, the client. This plan is not intended to be a guarantee, but rather a framework that will be used for us to make decisions regarding your finances and long term financial plans. The assumptions and information used in the plan will change over time. Hence, it is imperative that we review your financial plan regularly to ensure it is up-to-date and addresses your current needs.

Information provided in the attached report is general in nature and should NOT be construed as providing legal, accounting and/or tax advice. Should you have any specific questions and/or issues in these areas, please consult your legal, tax and/or accounting advisor.

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## Key Assumptions

1. Net Investment return: 6%
2. Inflation: 2.5%
3. Life Expectancy: 92 for both
4. Effective Tax Rate on Portfolio Withdrawals: 20%
5. Effective tax rate on social security: 15%
6. Annual Increase in Social Security Income: 2.5%

It is important to distinguish between what we do and do not have control over. Assumptions must be used for those factors that we ultimately do not control and cannot predict.

This is a summary of the key assumptions that are used in your personal financial plan. These are not predictions or guarantees of what will happen (again, we do not control these factors). In all likelihood, there will be a gap between the assumptions used and what the future holds. The difference between the two can impact the success of the financial plan (both positively and negatively). It is important that we meet on a regular basis to make any necessary revisions to the plan and to be as proactive as possible. In the end, we cannot predict the future.

## ***PERSONAL INFORMATION***

**Henry Smith: 7/15/67**

**Jane Smith: 5/18/66**

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***STATED FINANCIAL GOALS***

1. Henry would like to retire at age 67 (in 2034). Jane would like to retire that same year at age 68.
2. Move to smaller home in AZ upon Henry's retirement for warmer weather and less upkeep
3. Want to leave at least \$1,000,000 to each of their children when they are gone.
4. Upon Henry's retirement, be able to spend \$120,000 (in 2034 dollars) per year not including taxes
5. Projected taxes are \$25,800 – total annual costs are \$145,800
  - a. Social security and pension income are projected to be \$79,020 per year
  - b. Withdrawals from portfolio are projected to be \$66,780 per year total
    - i. Portfolio will need to be approximately \$1,900,000 by 2034 for a 3.5% withdrawal rate

## ***PROJECTED RETIREMENT CASH FLOW***

### **Monthly Social Security Income (in 2017 dollars)**

Henry at 62:	\$1,800
<b>Henry at 67:</b>	<b>\$2,700</b>
Henry at 70:	\$3,400
Jane at 62:	\$700
<b>Jane at 68:</b>	<b>\$1,000</b>
Jane at 70:	\$1,300

Year 2034 future value of SS Income after 2.5% annual increases and after 15% effective tax (please refer to key Assumptions) **\$4,668**

### **Monthly Pension Income**

Jane collects at 60:	<u>\$500</u>
<b>Jane collects at 68:</b>	<b>\$1,100</b>
Pension Income (net of assumed tax):	\$880

<b>Total Net From Stable Sources of Income</b>	<b><u>\$5,548</u></b>
<b>Monthly After Tax Expenses (not including taxes)</b>	<b>\$10,000</b>
<b>Shortfall needed from portfolio</b>	<b>\$4,452</b>
<b>Taxes on portfolio withdrawals (20% effective tax)</b>	<b>\$1,113</b>
<b>Total needed from portfolio including taxes</b>	<b><u>\$5,565</u></b>

## ***RETIREMENT SAVINGS & INVESTMENT STRATEGY***

When both are fully retired in 2034, they will both be drawing social security and will need total of \$66,780 from their portfolio to cover their remaining living expenses including taxes. A 3.5% annual withdrawal rate from a portfolio valued at \$1,900,000 would provide the income needed.

Note: Flexibility should be given to the total portfolio amount needed at retirement depending on where we believe we are in the market cycle. The number may be higher or lower and we will review the situation at that time.

Starting from 2018, if they continue to add \$53,400 (current account additions including company matches) to their portfolio valued at \$211,400 (2018 value), they will need a compound rate of return that averages out at approximately 6% annually.

We agreed that as certain living expenses decrease, the savings will be offset by increases in other expenses such as healthcare. So we anticipate a level spending pattern throughout the plan.

Our target allocation will be between 75/25 to 80/20 stocks to bonds. As retirement approaches, we will gradually begin to move more into a short term fixed allocation based on anticipated portfolio withdrawals. By the time Henry is 62, we want at least two years of withdrawals in a cash/short term fixed allocation.

The trust account will be invested more for growth than the pre-tax accounts in an attempt to avoid large required minimum distributions at 70 ½. This may also help with their social security taxability.

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***PRE-RETIREMENT RETIREMENT CASH FLOW & ACCOUNT ADDITIONS*****Current Salary**

Henry: \$200,000

Jane: \$25,000

**Total Gross Annual Income: \$225,000****Current Annual After-Tax Expenses: \$124,000****Medical Insurance Payroll Deductions: \$3,600****Total Expenses Excluding Tax: \$127,600****Annual Retirement Account Additions****Henry:****Personal 401(k): \$24,000 (fully funding)****401(k) Company Match: \$11,400****HSA \$5,000****Jane:****Personal 401(k): \$17,500****State 401(k): \$500****Total Annual Account Additions: \$53,400****Amount left to pay taxes: \$50,900 (22.6% of income)**

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***CURRENT BALANCE SHEET***

***HENRY'S 401(K) - \$100,000***

***LIVING TRUST - \$111,400***

***TOTAL LIQUID INVESTMENTS FOR RETIREMENT - \$211,400***

Sample

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## ***ESTATE PLAN***

**Attorney:** Bob LaBlaw

**Healthcare Advocates:** Spouses are each other's Healthcare Advocates

**Financial POA:** Spouses are each other's Financial POA's

**Will:** Updated 2010

**Trust:** Living Family Trust DTD 2015 – split between children evenly

**Beneficiary Designations:** Spouses are each other's primary beneficiary.  
Contingent beneficiary is the trust on all retirement accounts.

## ***INSURANCE***

### **Life Insurance:**

Henry has \$1,000,000 term through work

Jane has \$350,000 term through work

### **Disability Insurance:**

Each has long and short term disability through work covering 60% of their salary if they are unable to perform job duties of current job

**Medicare Supplement:** n/a

### **Retiree Healthcare:**

Jane has retiree healthcare benefits through the state of MI

**Long Term Care:** neither are covered

**Liability Insurance:** Umbrella liability policy for \$2,000,000

**Insurance Agent:** John Smith

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## ***TAXES***

**Status: Filing Jointly**

**Itemized Deductions**

**Loss Carry Forwards: none**

**Marginal Bracket: 28% - 2016 tax return**

**Account Distribution Strategy: TBD – will consult with CPA upon retirement**

**CPA: They still use Turbo Tax**

**We project that they will be in a lower tax bracket upon retirement so all contributions will be directed towards pre-tax accounts to defer.**

Sample

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