Financial Planning Summary

Prepared For
John and Jane Doe

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Meet John and Jane Doe

John and Jane Doe are approaching retirement with a strong financial foundation and several important transition decisions ahead. John is a business owner who plans to retire in 2030 at age 65, with Jane following in 2032 at age 65. As retirement approaches, the plan focuses on coordinating their existing investment assets, retirement income, real estate, and tax strategy.

A major planning consideration is the future of Doe Construction. Rather than selling the business, John and Jane intend to gradually transfer ownership to their son, Joe, beginning at retirement through annual gift-splitting. The business transition is incorporated into the broader estate plan so that ownership can move to the next generation while John and Jane maintain sufficient resources for retirement.

The plan also assumes their rental property is sold when John retires, providing additional liquidity as employment and business income decline. Their retirement strategy includes delaying Social Security benefits to age 70 and using the lower-income years before benefits begin for targeted Roth conversions.

The plan is designed to help John and Jane move from their working years into retirement while balancing sustainable income, tax-efficient withdrawals, business succession, and the preservation of assets for future heirs.

Financial Plan Overview

Net Worth Summary

Total Assets	**$2,408,238**
Total Liabilities	**($185,000)**
Total Net Worth	**$2,223,238**
Out of Estate	—

John and Jane are in a strong overall financial position, with a current net worth of $2,223,238 and portfolio assets totaling $1,108,238. Under the current strategy, the plan is projected to last through Jane's age 95, with approximately $47,093 remaining at the end of the planning period. Under the proposed strategy, the plan is also projected to last through Jane's age 95, with approximately $835,528 in portfolio assets remaining at the end of the plan. The proposed strategy improves the projected ending portfolio value by approximately $788,435.

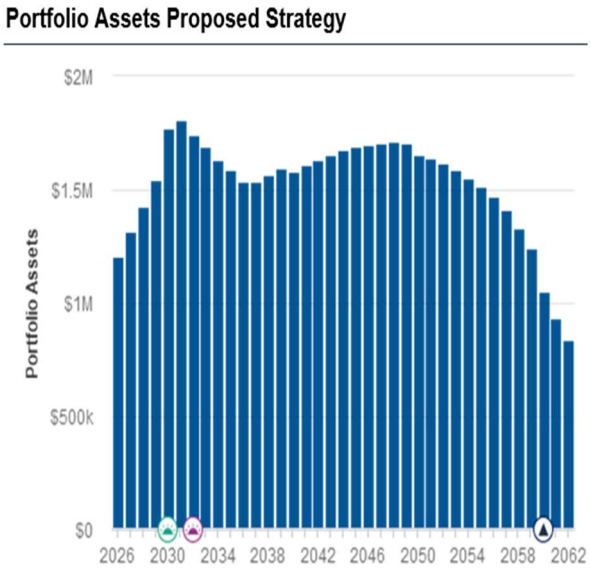
The proposed strategy improves the plan by delaying Social Security benefits to age 70, completing targeted Roth conversions, updating the liquidation strategy, and preserving Roth IRA assets for long-term growth and potential transfer to heirs.

Retirement Planning

A more detailed retirement analysis is provided on **page 7**.

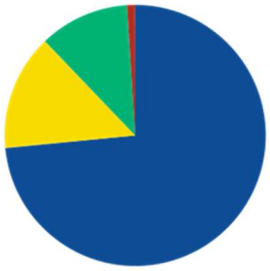
Key points:

- John is assumed to retire in 2030 at age 65.
- Jane is assumed to retire in 2032 at age 65.
- The current plan assumes Social Security begins at retirement.
- The proposed plan delays Social Security to age 70.
- Delaying Social Security increases long-term income and reduces later portfolio withdrawal pressure.
- The proposed strategy takes advantage of lower-income years prior to Social Security to convert pre-tax retirement assets into tax-free Roth accounts.
- Under the current strategy, approximately $47,093 remains at the end of the plan.
- Under the proposed strategy, approximately $835,528 remains at the end of the plan.



Investment Planning

A more detailed investment analysis is provided on **page 8**.



Equities	73.46%
Tax Exempt Bonds	0.05%
Taxable Bonds	14.35%
Cash	11.14%
Other	1.01%

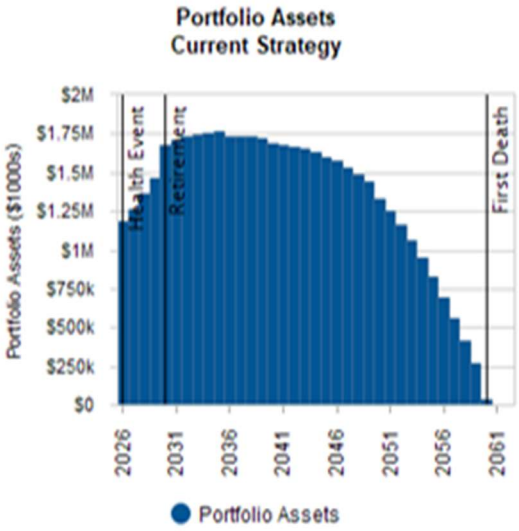
Key points:

- John and Jane have a strong portfolio base, with approximately $1,108,238 in portfolio assets.
- The current asset allocation is growth-oriented, with 73.46% allocated to equities and 26.54% allocated to cash/fixed income.
- The liquidation strategy is updated to prioritize lower-tax-impact withdrawals first.
- Assets are then reviewed for performance, with lower-performing assets used where appropriate.
- Roth IRAs are preserved for long-term growth and potential transfer to heirs.
- A net growth rate of 6% is assumed before retirement, shifting to a more income-focused portfolio with a projected 4% return during retirement.

Insurance Planning

A more detailed insurance analysis is provided on **page 9**.
Key points:

- The plan includes life insurance, disability insurance, long-term care insurance, medical coverage, property and casualty coverage, and umbrella liability coverage.
- Current life insurance coverage appears sufficient under the assumptions used in the analysis.
- Under the current strategy, a disability event is projected to result in assets being depleted approximately two years early, with portfolio assets exhausted at age 93.
- Under the current strategy, a long-term care event is projected to create a five-year shortfall, with portfolio assets exhausted approximately five years before the end of the planning period.
- Medical expenses and Medicare premiums are modeled separately from core living costs.

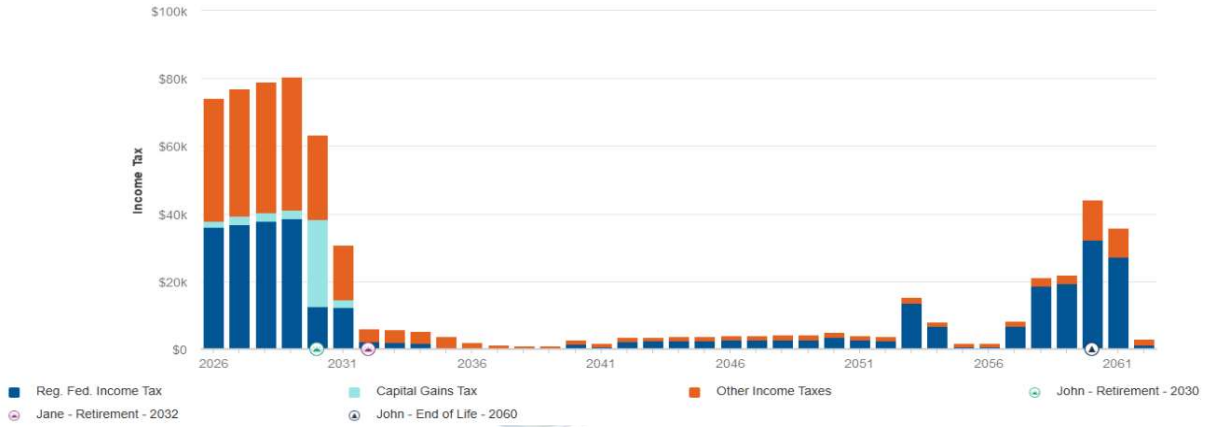


Tax Planning

A more detailed tax analysis is provided on **page 10.**

Key points:

- The proposed plan uses early retirement years for targeted Roth conversions.
- Roth conversions are designed to fill the 10% federal tax bracket until John turns 70.
- Roth conversions may increase taxes in the conversion years but can improve long-term tax flexibility.
- Delaying Social Security may create a tax planning window before benefits begin.
- The strategy should be reviewed annually based on actual income, tax brackets, deductions, Medicare thresholds, and market performance.

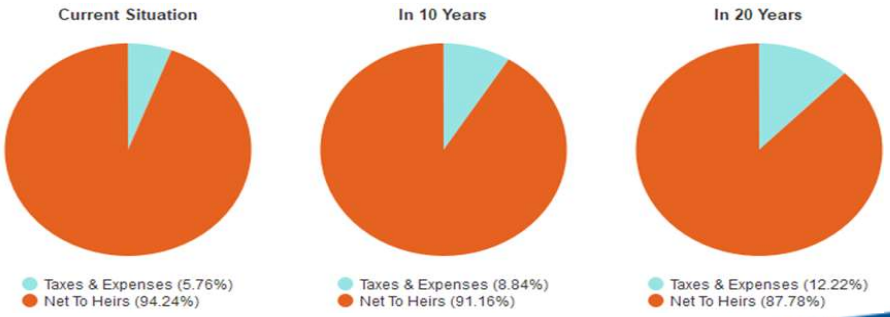


Estate Planning

A more detailed estate analysis is provided on **page 11**.

Key points:

- The proposed strategy preserves Roth IRAs for growth and tax-efficient wealth transfer.
- At John's death, $1,997,311 is projected to pass to Jane.
- At retirement, John and Jane use annual gift-splitting to transfer Doe Construction to Joe.
- Review estate documents to coordinate wills, titling, and beneficiary designations.



Conclusion

The proposed strategy provides a stronger and more flexible retirement framework than the current plan.

Key recommendations include:

- Selling the rental property at retirement
- Delaying Social Security benefits to age 70
- Completing targeted Roth conversions during the early retirement years
- Updating the liquidation strategy to improve tax efficiency
- Preserving Roth IRAs for long-term growth and estate planning
- Reviewing supplemental disability insurance to help protect earned income prior to retirement
- Reviewing supplemental long-term care insurance to help address potential healthcare costs later in life

The plan should be reviewed regularly as actual spending, tax laws, investment returns, healthcare costs, Social Security decisions, insurance needs, and estate planning goals evolve over time.

Retirement Analysis

Retirement planning evaluates whether current assets, income sources, and investment growth are projected to support spending needs throughout retirement.

- John retires in **2030 at age 65**; Jane retires in **2032 at age 65**.
- Portfolio assets are currently **$1,108,238** and are projected to grow to **$1,546,199** by John's retirement.
- Assumed net returns are **6.0% pre-retirement** and **4.0% during retirement**.
- The rental property is sold at John's retirement, with proceeds invested in a non-qualified account for early retirement liquidity.

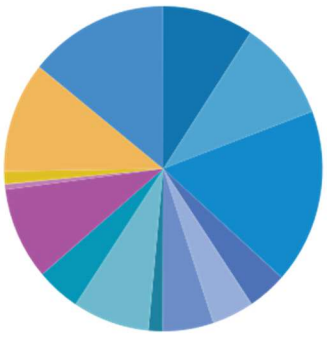
- Beginning at retirement, John and Jane use annual exclusion gift-splitting to gradually transfer Doe Construction to Joe.

Current vs. Proposed Strategy

- Social Security begins at 65 under the current strategy and 70 under the proposed strategy.
  - **John, first full year: $34,822** at 65 vs. **$54,098** at 70.
  - **Jane, first full year: $48,269** at 65 vs. **$75,435** once both delayed benefits are fully in payment.
  - Lifetime Social Security income increases from **$2,356,085** to **$3,011,294**, an increase of **$655,209**.
- Portfolio withdrawals decline from **$3,303,751** to **$2,575,223**, primarily due to higher Social Security income.
- Ending portfolio value at Jane's age 95 increases from **$47,093** to **$835,528**, an improvement of **$788,435**.
- Projected lifetime taxes increase by only **$204**, which is negligible compared with the improved ending portfolio value.
- At Jane's age 95, proposed portfolio assets consist of **$829,462 in Roth IRA assets** and **$6,066 in annuity assets**.
  - Preserved Roth IRA assets may provide heirs with tax-free distributions over the 10-year inherited Roth IRA period. Other projected assets, including real estate and non-portfolio assets, total approximately **$2.54 million**, bringing total projected assets to **$3.37 million**.

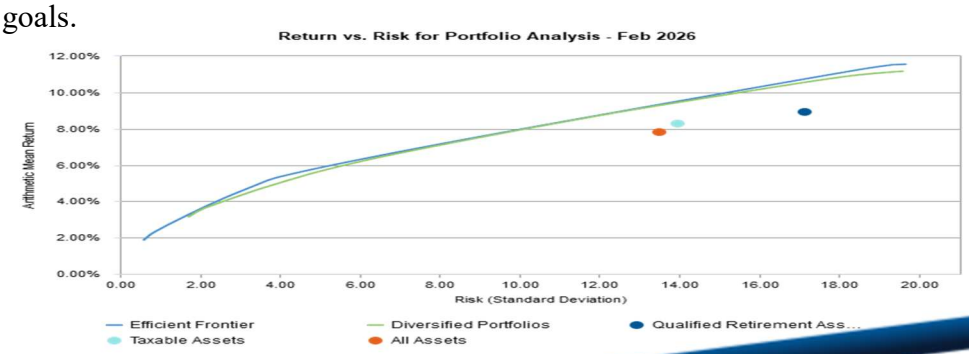
Investment Analysis

Investment planning evaluates whether the portfolio is appropriately diversified and positioned to maximize expected return relative to the level of risk being taken.



Large Growth	9.22%	International	9.21%
Large Value	10.05%	Emerg Mkts	0.50%
Large Blend	17.39%	Sht Trm Mun	0.00%
Mid Growth	3.98%	Int Trm Mun	0.02%
Mid Value	4.28%	Long Trm Mun	0.02%
Mid Blend	5.15%	Hgh Yld Bnd	1.26%
Small Growth	1.43%	Inv Grd Bnd	11.04%
Small Value	7.80%	Other	14.20%
Small Blend	4.45%		

- Total portfolio assets are **$1,108,238**, while total net worth is **$2,223,238**. Real estate holdings total **$1,100,000**, representing nearly **46% of total assets**.
- A significant portion of the balance sheet is tied up in real estate, creating an opportunity to reinvest a portion of these assets into the non-qualified portfolio to improve liquidity and diversification.
- The Efficient Frontier analysis indicates the current portfolio falls below the efficient frontier, suggesting the portfolio may be taking more risk than necessary for the return it is expected to generate.
- The portfolio has a projected **6.57% rate of return** with **13.48% standard deviation**, reflecting a growth-oriented allocation.
- The portfolio is allocated approximately **73.46% to equities**, **14.35% to taxable bonds**, **11.14% to cash**, and **1.05% to other assets.**
- Large-cap blend represents approximately **17.39%** of total portfolio assets, while emerging markets represent only **0.50%**, indicating a concentration in U.S. large-cap equities and limited exposure to developing international markets.
- A portion of cash reserves may be better allocated to the non-qualified investment portfolio to improve long-term growth potential.
- Non-qualified assets have a total cost basis of **$241,700** and a market value of **$336,100**, resulting in an unrealized gain of approximately **$94,400**.
- The largest unrealized gains are in **QQQ**, **VOO**, and **VIOV**, while **CVS**, **Verizon**, and **Walt Disney** currently reflect unrealized losses.
- Taxable accounts contain both gains and losses, creating opportunities for tax-efficient rebalancing and tax-loss harvesting where appropriate.
- Ongoing monitoring and periodic rebalancing can help improve portfolio efficiency, align risk with expected return, and support long-term retirement and estate planning goals.

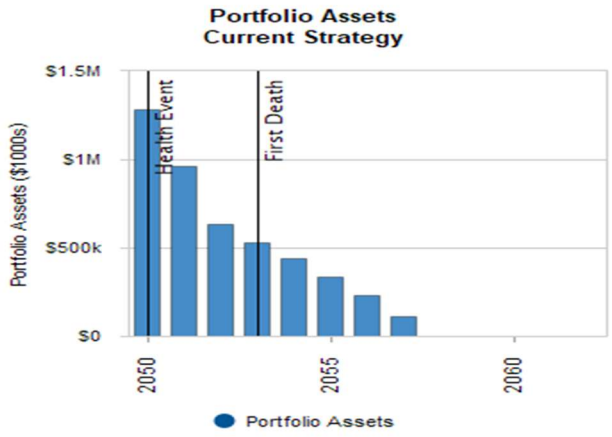


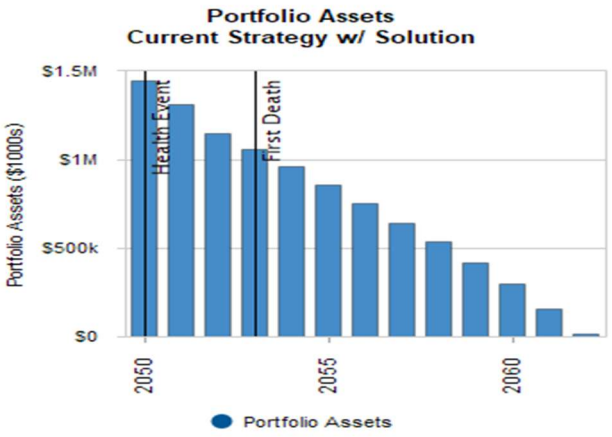
Insurance Analysis

Insurance planning evaluates whether current coverage is sufficient to protect income, assets, and long-term financial goals from premature death, disability, and extended care needs.

- Current life insurance coverage appears sufficient under the assumptions used in the analysis, with **no additional life insurance recommended** for John or Jane.
- John currently has disability insurance providing approximately **$70,000 per year**. His disability analysis shows **2 unfunded years** under the current strategy. Additional disability coverage of **$45,000 per year** would eliminate the shortfall and result in **0 unfunded years**.
- Jane currently has disability insurance providing approximately **$70,000 per year**. Her disability analysis also shows **2 unfunded years** under the current strategy. Additional disability coverage of **$37,000 per year** would eliminate the shortfall and result in **0 unfunded years**.
- John's long-term care analysis shows **5 unfunded years** under the current strategy. Additional long-term care coverage of **$82,000 per year** would eliminate the shortfall and result in **0 unfunded years**.
- Jane's long-term care analysis shows **5 unfunded years** under the current strategy. Additional long-term care coverage of **$150,000 per year** would eliminate the shortfall and result in **0 unfunded years**.
- Medicare and Medigap costs are modeled separately at approximately **$4,000 per person per year** and are assumed to increase at **5% annually**, reflecting healthcare costs that typically rise faster than general inflation.
- Property and casualty coverage, along with umbrella liability insurance, should be reviewed periodically to help protect personal assets from major liability claims.
- Insurance needs should be reviewed regularly as income, net worth, family circumstances, and healthcare costs evolve over time.

Current Strategy with LTC is Needed - John

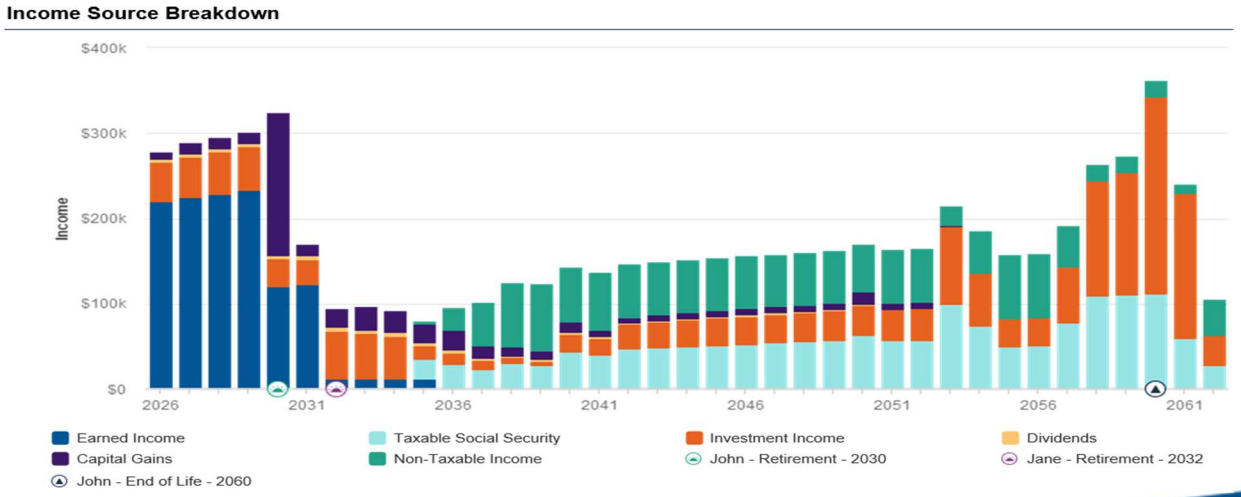




Tax Analysis

Tax planning evaluates how the proposed strategy may affect lifetime taxes, retirement income flexibility, and the long-term tax treatment of remaining assets.

- Current portfolio assets include approximately **$489,266 in taxable/liquid assets, $719,335 in tax-deferred assets, and $89,872 in Roth IRA** assets.
    - Diversifying by account type is important because taxable, tax-deferred, and tax-free accounts are taxed differently, providing greater flexibility when managing withdrawals, Roth conversions, required minimum distributions (RMDs), and future tax liabilities.
- The proposed strategy uses the early retirement years for targeted Roth conversions while taxable income is lower and before Social Security benefits begin.
- Roth conversions are designed to fill the **10% federal income tax bracket** until **John turns 70.**
    - Although Roth conversions may increase taxes in the years they are completed, they can improve long-term tax efficiency by shifting assets from tax-deferred accounts to Roth IRA assets, where future qualified withdrawals are generally tax-free.
- Projected lifetime taxes **increase by only $204,** which is negligible compared with the **$788,435 improvement** in projected ending portfolio value under the proposed strategy.
- Delaying Social Security to age **70** creates a valuable planning window for Roth conversions before higher Social Security income begins.
- The proposed strategy preserves approximately **$829,462 in Roth IRA** assets at **Jane's age 95**, creating a potentially more tax-efficient asset for future heirs.
- Taxable investment accounts should be reviewed for tax-loss harvesting opportunities, which involve selling investments that have declined in value to realize capital losses that can offset current or future capital gains and potentially reduce overall tax liability.
- The strategy should be reviewed annually based on actual income, deductions, tax brackets, Medicare premium thresholds, market performance, and changes in tax law.



Estate Analysis

Estate planning evaluates how assets are expected to transfer to beneficiaries, estimates the impact of taxes and settlement costs, and helps ensure that property is distributed according to your wishes.

- The Estate Growth and Tax Impact analysis projects gross estate values of **$4,020,883 currently, $4,375,006 in 10 years**, and **$3,281,253 in 20 years**, reflecting how estate values may change as assets are spent, transferred, and repositioned.
- At John's death, $**1,987,311 is projected to pass to Jane**. Jane's estate is then projected to **total $3,445,423**, illustrating how assets may continue to grow before ultimately transferring to heirs.
- Under the proposed strategy, $**5,596,697** is projected to pass to heirs, **including assets transferred** through **the estate and business interests transferred outside the estate**.
    - Doe Construction is assumed to be transferred to Joe through annual exclusion gifts over time.
    - Cumulative gifts are projected to total **$498,681**, with **no taxable gifts or gift tax due**.
    - Future growth is projected to occur outside the taxable estate.
    - **If the business remained in the estate**, its projected value would be **$2,534,134** and could be subject to Pennsylvania inheritance tax upon transfer to Joe.
- Pennsylvania inheritance tax and income tax on income in respect of a decedent **(IRD)** are projected to total **$186,430**. In addition, **$10,000 is assumed for funeral** and final expenses, for total taxes and expenses of **$196,430**.
- **Roth IRA assets** are projected to total **$766,884** at John's death, providing a more tax-efficient asset for beneficiaries.
- Wills, powers of attorney, healthcare directives, trusts, and beneficiary designations should be reviewed periodically to ensure they remain aligned with current goals and ownership structures.
- Business succession planning for Doe Construction should be coordinated with legal and tax professionals to ensure ownership transfers are implemented as intended.
- Estate planning strategies should be reviewed regularly as family circumstances, asset values, tax laws, and personal objectives evolve over time.