Case Studies

Senior Living

Can I afford to move to a continuing care community?

After raising their family in a four-bedroom house and a full ten years after the last child moved out, Nancy (79) and Al (80) faced a dilemma. The house was too big for the two of them and they wanted to downsize to reduce maintenance and property tax costs. Furthermore, Al recently faced some health challenges so they were concerned about future healthcare needs. They decided to inquire about a Continuing Care Retirement Community (CCRC) due to its social and healthcare benefits. CCRCs offer various living options as a resident's needs change including independent living, assisted living, and nursing care. Once they concluded that they would be comfortable in a CCRC, there were several purchase options and financial questions to consider. Should they choose the Traditional purchase plan or the 90% Refund plan and how will the decision affect their heirs? Can they afford the upfront purchase price plus the monthly service fees? What about other personal expenses not covered by the monthly fee? We analyzed their assets, income, and expenses and helped them determine the best purchase option for their specific circumstances.

Self-Employed Business Owner

How can I save more and lower my tax burden?

Sue (55) was a long-time employee of a pharmaceutical company when she grew tired of the corporate life. She decided the flexibility of her own consulting practice was a better option for her and after only two years, the business was a financial success. Sue realized she had the cashflow to contribute significantly more than the $61,000 that the standard 401k/Profit Sharing Plan allowed. Her goal was to save more now while she was in a 35% tax bracket and then make withdrawals later in retirement when she was in a lower tax bracket. With help from a Third-Party Administrator (TPA), our team was able to customize a retirement plan that met her savings needs. Sue established a Solo 401k/Profit Sharing Plan plus a Cash Balance plan that allowed her to contribute $141,000 and defer approximately $50,000 of Federal taxes. In just a few years, she was able to significantly boost her retirement savings in a tax favorable way and retire full-time at age 63.

Corporate Executive

Should I have most of my wealth in my company's stock?

As a corporate Director, Pat was eligible to participate in the executive compensation program that includes Restricted Stock Units (RSUs) and Stock Options. Over time, as these awards became a significant portion of Pat's net worth, she began to question, "How much is too much?" It is often difficult for an employee to be objective about company stock which, in many cases, has been the primary driver of personal wealth. In addition, there is usually a certain level of comfort in the familiarity of owning company stock. However, Pat had heard stories about employees in other companies who had the majority of their wealth in company stock only to see its value plunge and materially affect their financial futures. Some employees had to delay retirement for several years while they struggled to build their savings back up again. Besides single stock risk, there were other issues to consider with RSUs and Stock Options like vesting and income taxes. We worked with Pat to estimate her marginal tax rate under different exercise strategies. Then we compared the potential tax impact to the downside risk of owning a significant amount of company stock. At the end of the day, Pat was able to develop a company stock strategy that balanced the risk-reduction benefits of diversification with the cost of income taxes.

Widow

How will my expenses and income change and can I afford to live on my own?

Jean came to our office with her son shortly after the passing of her husband after 42 years. She was distraught over the loss and was feeling uncertain about her financial future. Thoughts of financial insecurity and doubt caused her to continually question, "Will I be okay?" and "Who will help me now that my husband is gone?" Her son was willing to help, but he admitted that some of the tasks were beyond his expertise, and his own family life and career limited his ability to provide all of the help that Jean needed. After reviewing her income sources and working with her on an expense budget, it was clear that Jean's Social Security benefit and survivor pension were insufficient to cover her living expenses, so we completed a financial projection to determine an appropriate withdrawal plan from her investment accounts while minimizing income taxes. Next, we helped her simplify by consolidating nine accounts at four different custodians down to two accounts at one custodian and agreed on an investment allocation that was comfortable for her. Finally, we reviewed all of her estate planning documents to see if revisions were needed. By the end, Jean felt more financially confident because she had a plan and her son was fully involved in the process.