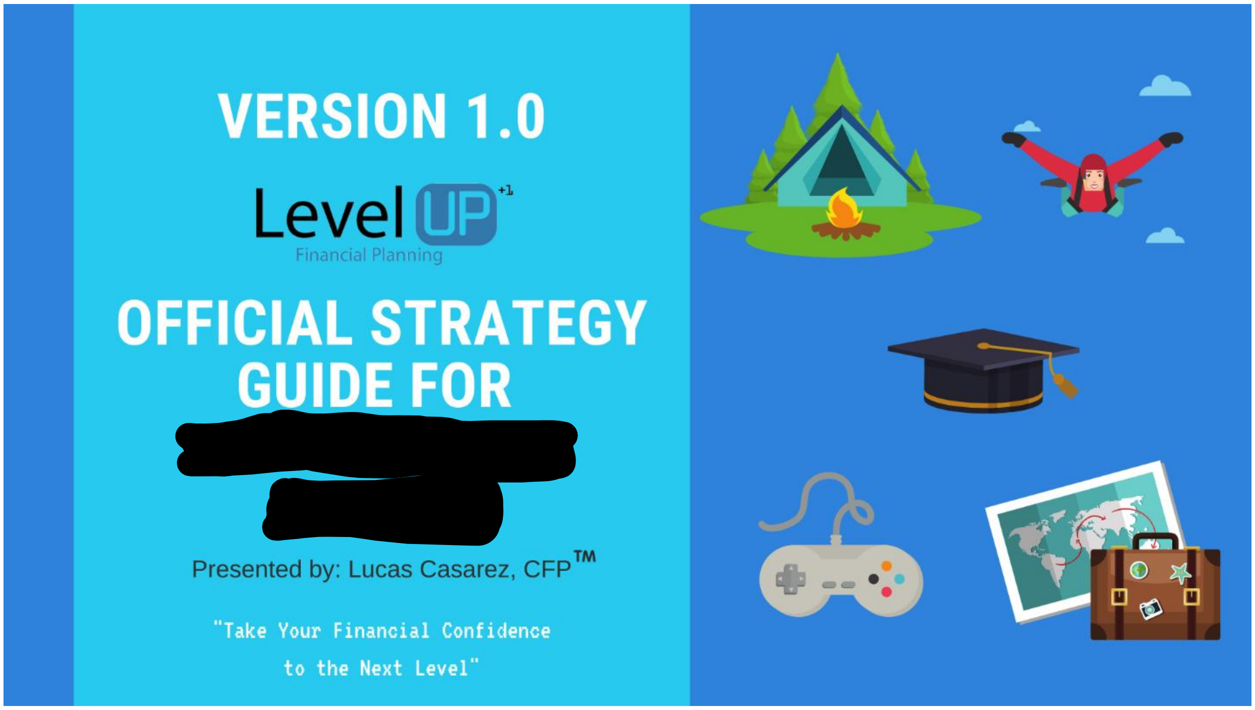


Strategy Guide Quick Navigation Version 1.0 Created 11.08.2019

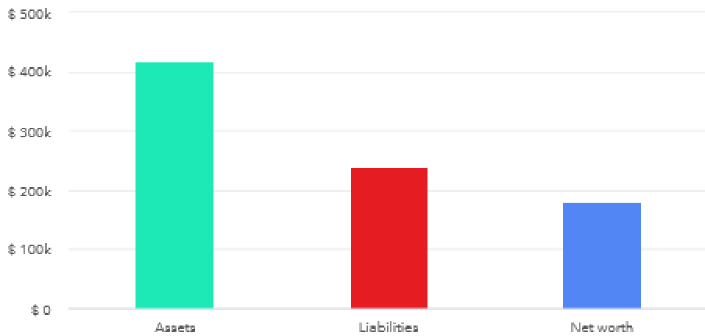
Summary

GOALS

1. **CHILD 1'S EDUCATION**
2. **RETIRE @ 60**
3. **ANNIVERSARY TRAVEL EVERY 5 YEARS @ $8,000**
4. **FAMILY TRAVEL EVERY OTHER YEAR @ $3,000**
5. **VEHICLE REPLACEMENTS EVERY 10 YEARS @ $10,000 EACH**
6. **2ND CHILD'S EDUCATION**

Current Stats

Your net worth is $ 179,863 as of 11/6/19



DETAILS

Assets

Bank	$ 16,329
Invested assets	$ 59,217
Real estate assets	$ 344,000
Life insurance cash value	$ 0
Other assets	$ 0
Total assets	$ 419,546

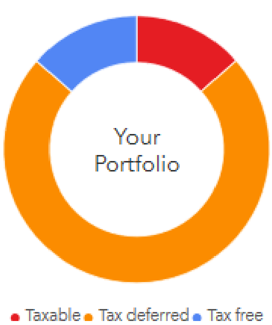
Liabilities

Credit cards	$ 10,419
Mortgages	$ 229,264
Home equities	$ 0
Student loans	$ 0
Other debts	$ 0
Total liabilities	$ 239,683

Net Worth

$ 179,863

Tax allocation summary



$ 7,954	$ 43,290	$ 7,973
Taxable asset	Tax deferred asset	Tax free asset

SWPT Analysis

Strengths

Debt free other than mortgage. Home payment is 20% of gross income, which is low and awesome. Manage your existing budget well to maximize credit card rewards. Expected vehicle replacements are very reasonable. You both enjoy your work.

Weaknesses

Funding college expenses puts a lot of stress on your current plan. CURRENT life insurance coverage is insufficient. Long-term savings rate is a little low.

Possibilities

Fun travel where you can explore the world and taste good food. Child 1 graduating debt free. Having a second child.

Threats

Not having enough life insurance coverage. Current coverage would protect family for about two years before Client 2 would have to look for work, which would also be associated with a dramatic impact to lifestyle. Estate documents to outline wishes for assets and Child 1's care. Recession and loss of job.

Overall Plan Projections

Assumptions:

Your Controlled Variables:

- Retire @ 60
- Spending *$1,700*/Month + **Life Insurance + Mortgage + Auto + Taxes + Retirement, 529, & ESP Savings + <u>Below Goals + Synchrony</u>**
- Child 1's College Goal (~$22,261 x 4)
- 2nd College Goal (~$22,261 x 4)
- Family Semi-Annual Vacations @ $3,000
- Anniversary Travel: every 5 years @ $8,000
- Vehicle Replacements: two vehicle replacements every 10 years @ $10,000

Non-Controllable Variables:

- 3% Inflation Rate
- Age 100 Life Expectancy
- Social Security: Using $0 using an estimate based on current income it would add 15% to probability.
- Retirement Health Care Costs
- Long Term Care Costs
- Keysight Pension Estimated 11% annual income x max 30 years = $283,800 vs. $11,300 in fidelity?

Projected Funding Success Probability:

42% Probability of Success

How to Increase Probability of Success

Alternate Scenarios

- Delay Retirement to age 67 (69%)
- Reduce spending Current & Retirement by $400 (60%)
- Increase income by $15,000 & Save (68%)
- Combo: Retire at 65 & Reduce Current & Retirement Spending by $200 (69%)

Strategy Recommendations

Cash Flow

- Increase ESP Plan to 10%
- Switch to contributing to Child 1's 529 semi-annually matching up with the ESP purchase and sale.
- Begin to save monthly for future vehicle purchases if you prefer to pay cash.
- Recommended emergency savings for 6 months of expenses. (~$30,000)
    - Hold off until Synchrony is paid off, then use that monthly payment.
- Explore cost comparison of paying auto insurance in full versus monthly. (may be significant savings)
- Establish a savings plan to fund vacations. Bonuses may help, but with current targets would be insufficient to cover the full travel costs.
- Estimated tax refund of $3,700 which would be nearly $300 a month that could be used for cash flow, especially with ESP contribution.

Debt Management

- Pay current mortgage as scheduled.
- Keep leveraging credit card rewards card.

Life Insurance

- Replace Client 1's current whole life policy
    - $500,000 15-year term
    - $750,000 25-year term (Asset Projections at 25-Years ~ $1.395 Million Median)

- Client 2 may want to have a policy to cover childcare expenses.
    - Employer provided (may be able to avoid medical screening, but lose if you leave Keysight)
    - Separate policy or as rider (may require a health screen, but can be in place for 10-15 years to cover the gap in time when childcare would be needed)

Disability Insurance

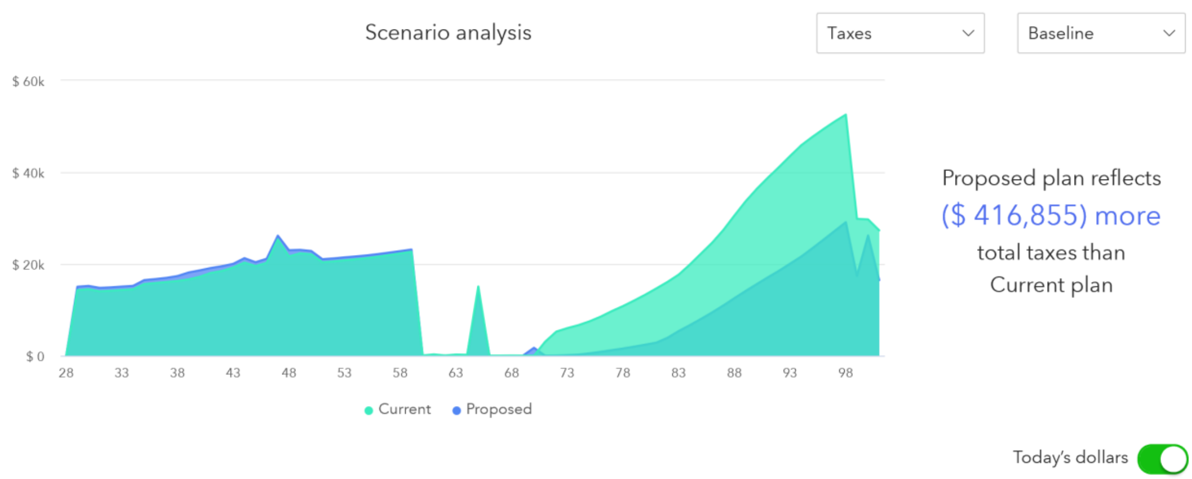
- Coverage currently paid for through Keysight.
- Additional policy with State Farm, would be helpful to review policy to gauge added value.

Estate Planning

- Update estate documents to make sure your wishes are carried out. (Wills, General Power of Attorneys, Medical Power of Attorneys, and Living Wills)

Tax Planning

- Instead of Non-Retirement Vanguard contributions, transition additional savings to be applied to Roth account for Client 2.
- Currently in the 12% tax bracket
    - Strong case to be made for ROTH 401(k) contributions until you reach 22% bracket. (estimated ~$416,000 in tax savings in retirement)



Retirement Planning

- It will be important to find ways to meaningfully increase 401(k) contributions. A great target would be 11%.

Investments

- Review investor profile assessments together.
- Child 1's 529 is the current plan I'd recommend.

Level Up Action Items

Sign Investment Management Agreement (Docusign)

Client 2 to finalize ROTH transfer request that was created.

- Vanguard account to be liquidated and sent to checking account
  - Then fund Client 2's 2019 Roth contribution with $6,000

Client 1 to complete life insurance process.

- Once in place, cancel current coverage

Client 1 to review insurance options of Client 2 and initiate process.

Add Client 1 as primary beneficiary to new ROTH account.

Review disability quote and existing disability policy to find best fit.

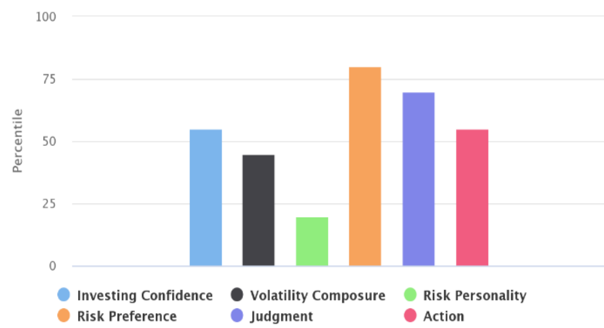
Update Estate Documents (legal guardianship is the main purpose).

Investment Discussion

Client 1

Risk Tolerance

55/100 Moderate Growth



Client 2

Not Completed