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Minerva Planning Group

Final Plan Review

Jack and Julie Public

October 21, 2015

Agenda

- Base plan
- Social security maximization options
- Insurance coverage
- Estate documents
- Investment approach and target allocation

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Base Plan Assumptions

- Core Goal - Retirement
  - Assume retirement at 65 and 70 for Julie and Jack respectively (one scenario exception)
- Retirement income
  - Social Security - $29.8k for Julie @ 65 yrs and $33.9k for Jack @ 70
  - Pensions (Jack)
    - University - $3k/mo w/COLA and $660/mo to survivor
    - OPM - $600/mo w/COLA (-1%), no survivor

Base Plan Assumptions

- Portfolio allocation
  - 70/30 pre-retirement (8.9%/3.9%)
  - 60/40 in retirement (8.4%/3.5%)
- Assumed inflation of 4.2%
- Plan end at age 95 for Julie and age 93 for Jack

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Assets and Income

Assets

Description	Owner	Current Value	Annual Additions	Assign - How To Use	
Roth IRA - Account	Julie	$65,636		Fund All Goals	✖
Roth IRA - Account	Julie	$85,082		Fund All Goals	✖
SEP-IRA	Julie	$560,352	$20,000	Fund All Goals	✖
Thrift Savings Plan	Jack	$145,000		Fund All Goals	✖
Traditional IRA - Account	Jack	$127,051		Fund All Goals	✖
Total All Assets		$983,121	$20,000		

Income

Social Security Summary

Description	Value	Assign - How to Use
Social Security	Julie will file a normal application at age 65. She will receive $29,827 in retirement benefits at age 65.	Fund All Goals
	Jack will file a normal application at age 70. He will receive $33,898 in retirement benefits at age 70.	Fund All Goals

Retirement Income Summary

Description	Owner	Value	Assign - How to Use	
University Pension	Jack	$36,000 from 2015 to End of Plan (22% to Survivor)	Fund All Goals	✖
OPM Pension	Jack	$7,200 from 2015 to End of Jack's Plan	Fund All Goals	✖

- Assumed full COLA on University pension, and COLA of inflation less 1% for OPM pension
- Retirement is age 70 for Jack and 65 for Julie
- Plan assumes Julie draws at FRA, and not at retirement (so amount in plan is higher)

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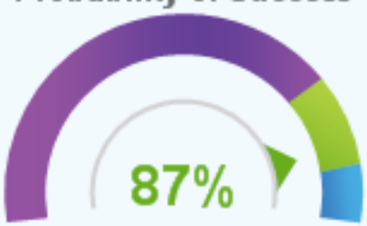
Base Plan Results

Baseline Scenario

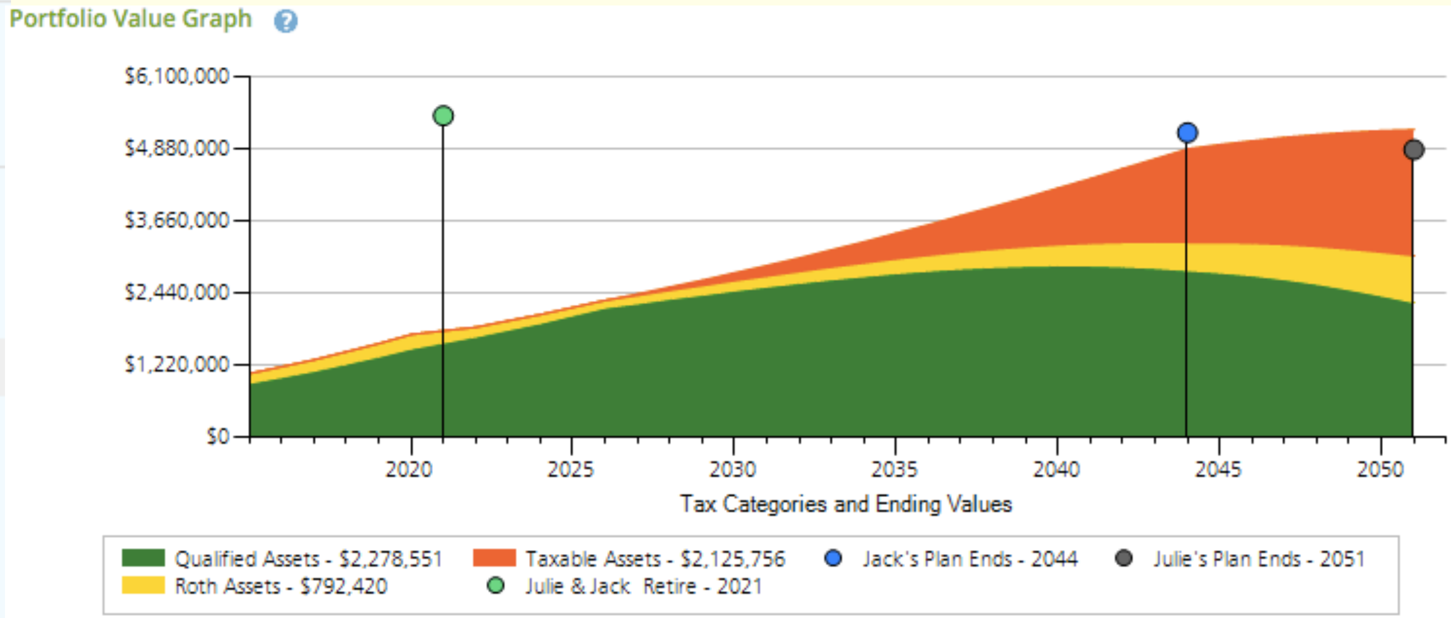
Average Return	Bad Timing
100%	100%
$1,150,255	$612,868
$5,196,727	$2,768,873

Probability of Success



In Confidence Zone

$3,294,000



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Base Plan Details

Event or Ages	Year	Beginning Portfolio Value		Additions To Assets	Other Additions	Post Retirement Income	Investment Earnings	Taxes	Goals - Funds Used	Ending Portfolio Value
		Earmarked	Fund All Goals						Needs 10 Retirement	
59 / 64	2015	$0	$983,121	$20,000	$0	$0	$81,153	$0		$1,084,274
60 / 65	2016	$0	$1,084,274	$20,846	$0	$0	$89,404	$0		$1,194,524
61 / 66	2017	$0	$1,194,524	$21,728	$0	$0	$98,395	$0		$1,314,646
62 / 67	2018	$0	$1,314,646	$22,647	$0	$0	$108,187	$0		$1,445,480
63 / 68	2019	$0	$1,445,480	$23,605	$0	$0	$118,849	$0		$1,587,934
64 / 69	2020	$0	$1,587,934	$24,603	$0	$0	$130,454	$0		$1,742,992
Julie & Jack Retire	2021	$0	$1,742,992	$0	$0	$87,446	$127,988	$13,447	$141,752	$1,803,226
66 / 71	2022	$0	$1,803,226	$0	$0	$90,997	$132,381	$13,838	$147,649	$1,865,117
67 / 72	2023	$0	$1,865,117	$0	$0	$140,050	$139,724	$22,529	$153,791	$1,968,572
68 / 73	2024	$0	$1,968,572	$0	$0	$145,784	$147,495	$23,602	$160,189	$2,078,060

- Once both Jack and Julie are retired, retirement income is taxed at progressive rate

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Survivor Plans

Julie Survivor		Survivor/Inheritance		Jack Survivor	
Average Return	Bad Timing	Average Return	Bad Timing	Average Return	Bad Timing
100%	100%	100%	100%	100%	100%
$1,150,255	$612,868	$1,992,156	$1,403,646	$1,450,934	$946,930
$5,196,727	$2,768,873	$9,000,345	$6,341,521	$6,555,164	$4,278,126
Likelihood of Funding All Goals					

$3,294,000	$3,294,000	$3,294,000

- Retire at age 66
- Purchased LTC for Julie
- Spend $90k/year net in retirement

- Retire at age 66
- Inherit $500k in 2018
- Spend $96k/year net in retirement

- Julie retires at 65 and Jack retires at 70
- Spend $96k/year net in retirement

Social Security Maximization

- Longevity
  - The greater the longevity, the greater the value of delaying benefits (but not beyond 70)
  - You can reach a breakeven point at which total payments are equal

Table 4: The Effect of Certain Variables on the Break-Even Age—FRA vs. Age 70

Income Tax Rate	Rate of Inflation	Rate of Return	Rate of Return > Inflation	% Benefits Taxable	Months to Break-Even	Age at Break-Even
25%	2%	5%	3%	85%	177	84.8
25%	2%	6%	4%	85%	192	86
28%	2%	4%	2%	85%	163	83.6
28%	2%	5%	3%	85%	174	84.5
28%	2%	6%	4%	85%	188	85.7
28%	2%	7%	5%	85%	205	87.1
28%	3%	6%	3%	85%	170	84.2
28%	3%	8%	5%	85%	199	86.6
28%	4%	8%	4%	85%	178	84.8
33%	2%	5%	3%	85%	170	84.2
33%	2%	6%	4%	85%	182	85.2
33%	2%	7%	5%	85%	196	86.3
33%	3%	7%	4%	85%	176	84.7
35%	2%	5%	3%	85%	168	84
35%	2%	7%	5%	85%	193	86.1

Doug Lemons, *Journal of Financial Planning (date unknown)*

In this example, living beyond the breakeven age would favor delaying

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Insurance

- Life Insurance
  - Optimal use is typically for income replacement and/or debt pay down
  - Julie’s $500k policy is reflected in plan
- Disability
  - Short term - often, most economical to have emergency fund
  - Long term disability - costly, and more challenging to purchase if income is highly variable

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Insurance

- Long term care - will review Julie's policy
- Property and Casualty
  - Auto - confirm comfortable with deductible
  - Homeowners insurance
    - Ensure deductible at acceptable level
    - Confirm coverage is sufficient for replacement cost
  - Umbrella - should be 1 to 1.5 times net worth

Estate Documents

- Will
- Powers-of-attorney
  - Georgia Advanced Health Directive
  - Financial power of attorney - springing/non-springing
- Beneficiary designations
  - Retirement accounts
  - Life insurance and annuities (latter not applicable)

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Investment Approach

Strategic Allocation
* Safety of Principal
* Diversification
* Mean return
* Maximum drawdown

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Tactical Allocation
* Probability analysis
* Fat pitch/unfavorable risk/return

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Fund Selection
* Low cost
* Clear strategy
* Focus fund
* Value tilt
* Tenured Manager
* Shareholder focus

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Rebalance
* If client needs change
* When outside tolerance
* If fund change needed

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Portfolio Review

- Ensure allocations match target

Sector	Actual	Target
Cash	4%	3%
Bond	34%	27%
Stock	62%	64%
Alternative	0%	6%

- Under-allocated to international
- Would consider shortening bond duration
- Highly concentrated in large cap U.S.

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