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

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 at 65 years and $33.9k for Jack at 70
- Pensions (Jack)
  - University: $3k/mo w/COLA and $660/mo to survivor
  - OPM: $600/mo w/COLA (-1%), no survivor

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

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

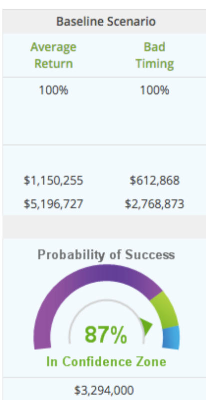
Description	Value	Assign - How to Use
Social Security	Julie will file a normal application at age 65. She will receive $29,827 in retirement benefits at age 65.	Fund All Goals
	Jack will file a normal application at age 70. He will receive $33,898 in retirement benefits at age 70.	Fund All Goals

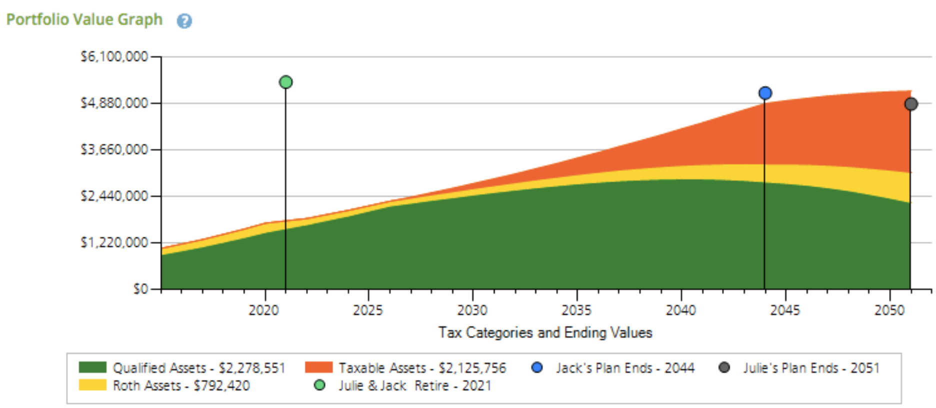
Retirement Income Summary

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)

BASE PLAN RESULTS





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

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					
Probability of Success 87% In Confidence Zone		Probability of Success 99% Above Confidence Zone		Probability of Success 93% Above Confidence Zone	
$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
- In the following example, living beyond the breakeven age would favor delaying

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)

Strategy for couples

- Restricted application: file to draw on spouse's benefits (let your benefit grow to age 70)
- Possible when (a) person filing restricted benefit is at FRA, and (b) spouse has already applied for their benefit
- Particularly useful if working beyond FRA

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

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)

INVESTMENT APPROACH

Strategic Allocation
- Safety of principal
- Diversification
- Mean return
- Maximum drawdown

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

Fund Selection
- Low cost
- Clear strategy
- Focus fund
- Value tilt
- Tenured manager
- Shareholder focus

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

PORTFOLIO REVIEW

Ensure allocations match target

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

SECTOR	ACTUAL	TARGET
Cash	4%	3%
Bond	34%	27%
Stock	62%	64%
Alternative	0%	6%

Schedule a complimentary consultation with an experienced financial advisor.