CREATIVE PLANNING®

CASE STUDY

John & Jane Sample

This case study is intended to demonstrate Creative Planning's methodology. As such it includes hypothetical recommendations based on a hypothetical, but specific, set of facts and circumstances. It is an example for illustrative purposes only and does not depict actual results of any specific client nor is it intended to imply or guarantee that the reader would have a similar experience.

Any performance data, including inflation rates, rates of return, etc., are not to be construed as guarantees of future performance.

This is not investment advice, nor is it a recommendation of any particular strategies, portfolios, or plans. Investing in securities involves the risk of loss. There can be no assurance that the future performance of any specific investment, investment strategy or product recommendation will assure a profit or avoid a loss. Please consult a credentialed wealth manager to obtain recommendations tailored to your needs.

AT A GLANCE

Primary Concerns

- Maintaining lifestyle in retirement
- Ensuring proper insurance coverage and clear plan for spouse in case of unexpected death

Solutions

- Use Creative Planning's VisionBuilder tool to assess current assets and future income needs
- Outline detailed recommendations from specialists in investing, taxes, business law, insurance, and more
- Provide comprehensive plans and documents in organized binder for easy reference

Potential Results

- Confidence in their ability to maintain their lifestyle in retirement
- Clear, personalized instructions on how to support their goals
- Reduced risk in their investment portfolio
- Savings from cancelling unnecessary insurance coverage
- More enjoyment of current wealth

The Situation

John and Jane Sample, ages 63 and 61, respectively, are in their prime earning years and have their eyes set on retirement. They came to Creative Planning with questions in two key areas:

1 Financial Independence

They've grown accustomed to a comfortable lifestyle that sees them requiring about $200,000 of income per year.

- Are they on track to be able to maintain this lifestyle in retirement?

2 Risk Management

They are both in good health, but they'd like to ensure they have enough insurance coverage to support a continuation of their lifestyle in the event of an unexpected death.

- What protection do we need to maintain our lifestyle if one of us passes away?

Analysis & Recommendations

Financial Independence

Goal: $200,000 a year at John's age 65 and Jane's age 63.

Their Wealth Manager, Barbara, collects information from John and Jane about their current savings and investments.

They have a healthy mix of investments across savings vehicles such as profit-sharing plans, 401(k) plans, business interests, Roth IRAs, and standard brokerage accounts [Exhibit 1].

EXHIBIT 1

John & Jane Sample's Personal Balance Sheet

Personal Balance Sheet

As of January 1, 2021

	Rate of Return	Market Value
Bank Accounts		
Anytown Bank		
John & Jane's Checking Account	0.00%	5,000
John & Jane's Savings Account	0.00%	30,000
		35,000
Qualified Accounts		
Creative Planning		
John's Roth IRA – Schwab	6.00%	250,000
John's ABC, Inc. Cash Balance Plan – Fidelity	6.00%	375,000
Jane's Roth IRA – Schwab	6.00%	300,000
ACME, Inc.		
Jane's 401(k) – Fidelity	6.00%	1,275,000
		2,200,000
Non-Qualified Annuities		
Fidelity		
Jane's Variable Annuity x1443	6.00%	18,867
		18,867
Taxable Investments		
Creative Planning		
John's Investment Account - Schwab	6.00%	225,000
Jane's Investment Account - Schwab	6.00%	270,000
John & Jane's Investment Account - Schwab	6.00%	420,000
Anytown Bank		
Jane's CD; Matures 11/1/2021	1.00%	50,000
TD Ameritrade		
John's Investment Account	6.00%	295,000
		1,260,000

	Owner	Rate of Return	Market Value
Real Estate			
1234 Happy Lane	John & Jane	--	450,000
			450,000
Personal Property			
2019 Chevy Silverado	John	--	35,000
2020 Toyota 4Runner	Jane	--	35,000
Home Contents	John & Jane	--	45,000
			115,000
Business Assets			
ABC, Inc.	John	0.00%	1,200,000
			1,200,000
Life Insurance Cash Values			
New England - Whole Life x8008; 2/18/1988	John	--	200,958
New England - Whole Life x8589; 11/7/1983	John	--	34,664
New England - Whole Life x7119	Jane	--	13,695
			249,317
Total Assets			**$5,528,184**

LIABILITIES	Owner	Interest Rate	Current Balance
Loan for 1234 Happy Lane 30 year Fixed; Orig. 1/1/2015	John & Jane	4.125%	300,000
Loan for 2019 Chevy Silverado; 5 year; Orig. 1/1/2019 (Auto Loan)	John	1.500%	20,000
Loan for 2020 Toyota 4Runner; 5 year; Orig. 1/1/2020 (Auto Loan)	Jane	4.000%	4,000
Total Liabilities			**$324,000**

Total Net Worth	**$5,204,184**

With John and Jane's input, Barbara creates the Samples' plan in our VisionBuilder tool, which allows them to see the potential impact of their decisions on potential outcomes in real-time. They see that as they modify their goals, their plan changes accordingly. The three of them collaborate, using the tool as a guide, until all are satisfied that the plan accurately reflects their long-term objectives.

They're also good savers, contributing the maximum amount to each tax-efficient account as they can each year. Barbara notes that they will continue to do so through their target retirement year of 2023.

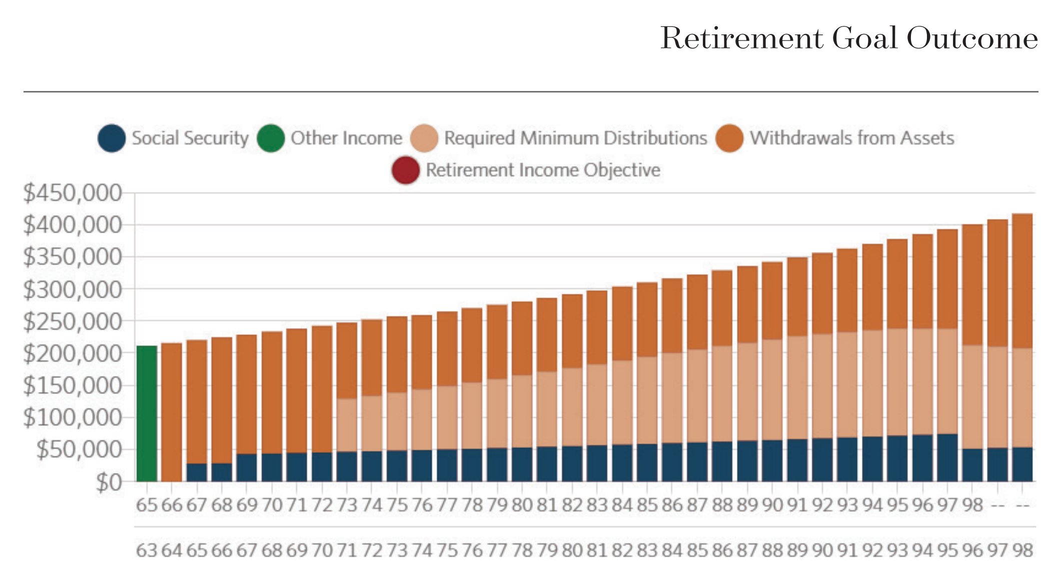
To complete the analysis, she inputs a few key assumptions:

- John will receive $2,297/month from Social Security beginning at age 67 (2025), with an annual cost of living increase.
- Jane will receive $1,148/month from Social Security beginning at age 67 (2027), with an annual cost of living increase.
- They will receive approximately $1.2 million from the sale of their business interests in 2025.

Using a 6% rate of return on investments until retirement, a 6% return after retirement, and an inflation rate of 2%, Barbara demonstrates in VisionBuilder that **they are on track to achieve their goal of having $200,000/year in retirement** [Exhibit 2]. Furthermore, they'll have a projected surplus of nearly $2 million at retirement.

EXHIBIT 2

John & Jane Sample's Projected Income Needs and Sources



While having a surplus is great at face value, it opens a discussion to see where John and Jane may be overexposed when it comes to market risk.

Although John and Jane scored “Aggressive” on their Investor Profile Questionnaire, the team recommends a more conservative allocation because **they’ll still have a high probability of achieving their goals—albeit with much reduced risk.**

If John and Jane become clients, Barbara will place their investments in a mix of taxable, tax-deferred, and tax-exempt vehicles to **minimize taxes as the Samples begin to draw down on their accounts.** She also recommends they work with Creative Planning’s Tax team to do projections that will help them determine optimal distribution strategies.

Finally, Barbara also recommends leveraging Creative Planning’s Business Valuations team to help **ensure John’s business interests are properly valued for the planned sale in 2025.**

Recap

- Based on current assets and assumptions about continued savings, market returns and future income sources, John & Jane are on track to achieve their goal of having $200,000/year in income in retirement—with a healthy surplus.

Key Recommendations

- Reallocate investment mix to both reduce risk and maintain return.
- Relocate investments across taxable, tax-deferred, and tax-exempt investment vehicles to minimize tax impact upon withdrawal.
- Work with Creative Planning’s Business Valuations team to help ensure sale of business interests goes smoothly.

Risk Management

To address their second key question, Barbara examines their current life insurance coverage and notes the following:

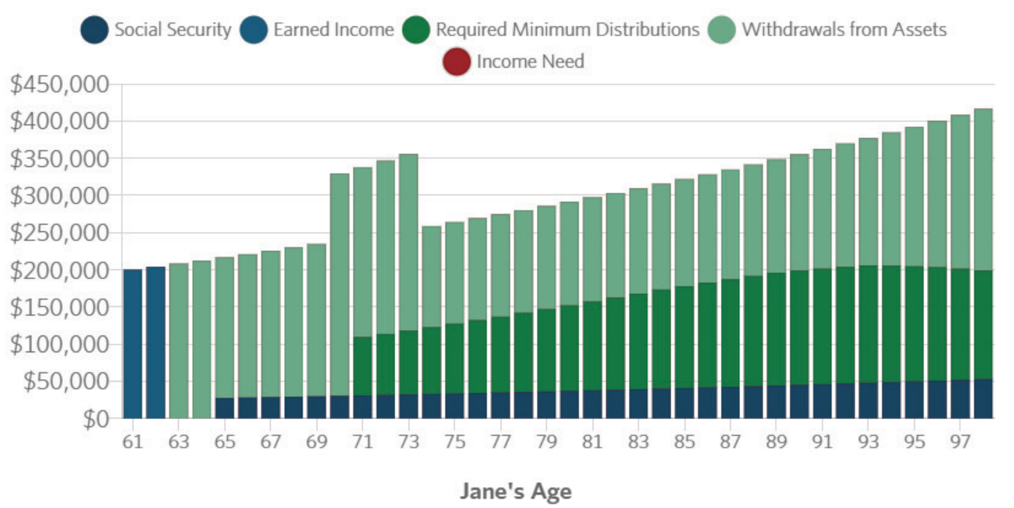
- In the event of John's death, Jane would require $200,000 per year to maintain the family's lifestyle, after paying off all outstanding family debts and after paying for their children's college education. Their assets and insurance are enough to meet this need [Exhibit 3].

EXHIBIT 3

Jane Sample's Projected Income Needs and Sources in the Event of John's Death

Insurance Needs Analysis

In The Event of John's Death



Income Needs	Phase 1	Phase 2	Total
at Jane's Age	61	63	
Desired Annual Income	$200,004	$208,084	
Capitalized Assets Needed	$394,294	$4,509,194	$4,903,488
Capitalized Applied Income Sources	$394,294	$497,468	$891,762
Amount Needed from Assets	$0	$4,011,726	$4,011,726
First Year Portfolio Balance			$3,605,367
Life Insurance			$1,729,608
Liabilities & Bequests			-$324,000
Total Available Assets			$5,010,975
Capitalized Applied Assets			$4,011,726
Surplus			$999,249

These results are hypothetical and are not a promise of future performance

The material herein is based on information provided by the client. Projected values are for planning purposes only and are not a promise of future performance.

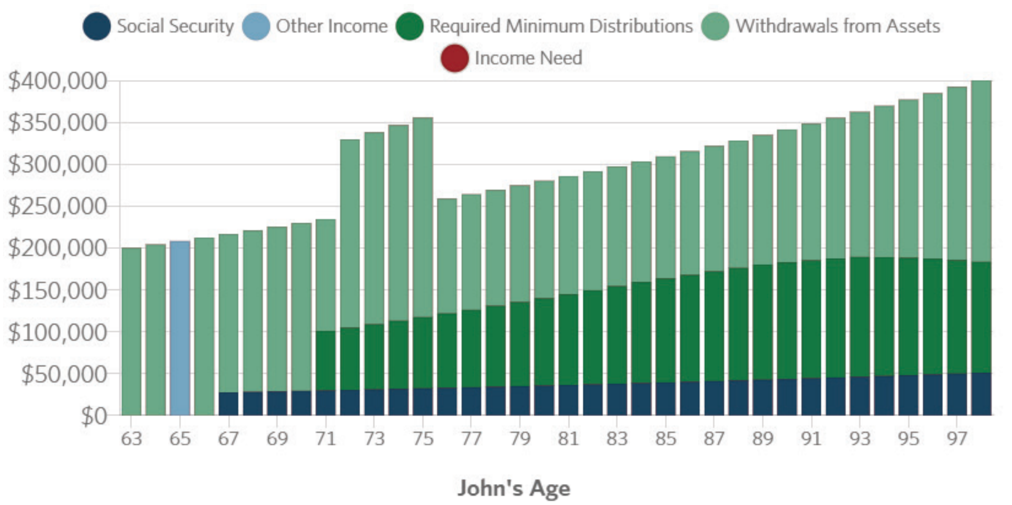
In the event of Jane's death, John would require $200,000 per year to maintain the family's lifestyle, after paying off all outstanding family debts and after paying for their children's college education. Their assets and insurance are enough to meet this need [Exhibit 4].

EXHIBIT 4

Jane Sample's Projected Income Needs and Sources in the Event of Jane's Death

Insurance Needs Analysis

In The Event of Jane's Death



Income Needs	Phase 1	Total
at **John's Age**	63	
Desired Annual Income	$200,004	
Capitalized Assets Needed	$4,764,617	$4,764,617
Capitalized Applied Income Sources	$668,525	$668,525
Capitalized Applied Reinvested Income	$899,697	$899,697
Amount Needed from Assets	$3,196,395	$3,196,395
First Year Portfolio Balance		$3,605,367
Life Insurance		$550,959
Liabilities & Bequests		-$324,000
Total Available Assets		$3,832,326
Capitalized Applied Assets		$3,196,395
Surplus		$635,931

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Since she has determined there is no need for additional life insurance, Barbara examines the policies they currently own.

The Samples have the following life insurance policies:

- John's whole life policy provides a $669,608 death benefit, has a $200,958 net cash value, with a $6,765/year premium. Jane is listed as the primary beneficiary.

- John's other whole life policy provides a $60,000 death benefit, has a $34,664 net cash value, with a $708/year premium. Jane is listed as the primary beneficiary.

Working with Creative Planning's Insurance team, Barbara sees that at preferred non-tobacco rates, the Samples could use the cash value ($235,622) in John's two policies to purchase a single premium paid-up policy with a death benefit of $1,317,034. Since they still need life insurance to provide for Jane, and they do not need these dollars for retirement, this exchange will **give them a higher death benefit than their current policies combined and it will save them $7,473/year in premiums.**

- John's yearly renewable term policy provides a $500,000 death benefit with a $1,736/year premium. Jane is listed as the primary beneficiary.

Barbara notes that they do not need this policy for survivor's needs. Since they are in good health, the team recommends they consider **dropping this life insurance coverage and saving the annual premium.**

- Jane's whole life policy provides a $50,959 death benefit with a $13,695 net cash value. John is listed as the primary beneficiary.

Barbara notes that at preferred non-tobacco rates, they could use the **cash value in this policy to purchase a single premium paid-up policy with a death benefit of $294,218.**

Jane's yearly renewable term policy provides a $500,000 death benefit with a $864/year premium. John is listed as the primary beneficiary.

Based on their savings, Barbara notes that they do not need this policy for survivor's needs. If they are in good health, the team recommends they consider **dropping their life insurance coverage and saving the annual premium.**

Barbara also recommends leveraging Creative Planning's extended Insurance team **to help identify other gaps where the Samples may not be properly insured.** There may be needs to shore up disability, long-term care, health, and property & casualty policies to further support the Samples' goals by protecting them from catastrophic risks in a cost-efficient manner.

Recap

- Using the VisionBuilder tool that demonstrates current assets, future income and withdrawals, Barbara confirmed that both John and Jane would be able to maintain their lifestyle in the event of their spouse's passing.
- Based on current assets and assumptions about continued savings, market returns and future income sources, John and Jane could potentially save several thousands of dollars a year by leveraging more cost-effective solutions to manage risk.

Key Recommendations

- Use the cash value from John's current whole life insurance policies to purchase a single premium paid-up policy with a higher death benefit and save on annual premiums.
- Use the cash value from Jane's current whole life insurance policy to purchase a single premium paid-up policy with a higher death benefit.
- Work with Creative Planning's Insurance team to further examine other potential risk exposures in disability, long-term care, health, and property & casualty coverage.

Potential Outcomes

Having received answers to the two key questions they came in with, John and Jane Sample sign on to become clients of Creative Planning. Barbara leads them through acting on the recommendations she outlined during their first meeting, specifically reducing their investment risk—which helps them rest easier at night—and restructuring their insurance policies, which saves them tens of thousands of dollars.

Through the years, Barbara and Creative Planning's extended team of credentialed, educated, experienced and action-oriented financial specialists continue to guide the Samples through specific recommendations to help ensure their financial picture is complete – and because the team knows that documentation is key to helping the Samples feel confident, they put it all together in one neatly organized binder so that John and Jane can easily refer to it when necessary.

The Samples feel relieved knowing that they have an entire team of financial professionals overseeing their plans. With the newfound clarity that this guidance brings, they're better able to enjoy their wealth today without feeling concerned that they're making a misstep that could derail their financial future.

All names, figures and stories outlined in the above are hypothetical and are not meant to imply any guaranteed outcomes.

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