

Wealth Enhancement and Preservation

Case Study: Retirement Preparation / Wealth Transfer

The Wealth Enhancement and Preservation process is a powerful financial planning tool that was specifically developed to analyze our clients' finances, assess their current and future needs, and identify strengths, weaknesses and opportunities. Here we outline one of our many success stories of helping our clients live well for today and plan meaningful legacies for future generations.

THE CLIENTS

Our clients, a **62-year old executive** and his wife, a **55-year old company employee**, were both preparing to retire within six months. In addition to **\$4.5MM** in company 401(k) plans, they also had a **\$500K** after-tax investment account, **\$500K** in Options, **\$1MM** of deferred executive compensation, and a **\$1.5MM** executive retirement plan from which to draw retirement income. With an overall net worth of **\$10MM** and a **\$2MM** primary residence, they had clearly saved and invested diligently throughout their careers. Even so, they had many questions about how they could **best position their assets to reach their retirement goals**.

THE NEED

Our clients came to us seeking a firm that could provide them with **comprehensive financial planning** and **collaborative asset management**, but also act as a **trusted advisor** throughout the retirement process. They had concerns about how they could draw from each asset in the most optimal way and wanted more guidance about what they could continue to spend comfortably. During our initial meeting, our clients brought us the following questions that we often hear:

- **Do we have the asset base to retire?**
- **How do we structure and allocate our assets to sustain our income level?**
- **With this plan, how much will we have left to pass on to our children?**
- **How can we build a plan to minimize our income and ultimate estate tax exposure?**

THE SOLUTION

We analyzed income, savings and growth goals to advise how to receive **optimal payouts** from the deferred compensation and executive retirement plan. We ran **multiple projections** to illustrate tax effects, return rates, and exposure to loss by structuring the plans in various ways. Through **detailed cash flow and corresponding net worth projections**, we were able to recommend an optimized payout plan. We also created an **after-tax Revocable Family Trust Investment account** to capture monthly surplus cash flow from the retirement payouts. With the executive compensation being directly deposited into the trust account, we established a way to distribute a net amount to our clients' checking account to pay bills and invest the balance. Additionally, we allocated a portion of the 401(k) plans to an **income and growth oriented investment portfolio** to meet income and wealth preservation goals. Finally, the healthy couple was able to secure a cost effective **life insurance policy**, held outside of their estate in an **Irrevocable Life Insurance Trust** so that the death benefits would be income and estate tax free. This tool allows them to either leave a significant amount more to their heirs, or spend more during their lifetime and have the insurance proceeds replace what they have used during their lifetimes.

THE OUTCOME

Using a conservative allocation approach aligned with their risk tolerance, we were able to ensure \$3MM of the couple's 401(k) balance could be managed with minimal **downside risk while securing a strong income stream**. Our detailed financial plan projection reports gave our clients a **high level of confidence** that our conservative strategies would **help them preserve their income in line with their spending and estate planning goals**. Relying on particular investment products to provide steady income in replacement of the couple's executive retirement plan and deferred compensation income will help maintain an increasing asset base and net worth over our clients' lives, even with conservative investment management approaches.