



COMPANY CASE STUDY

RETIREMENT PLANNING

OBJECTIVES

Jack, age 60, has worked for the same company for 30 years and his wife Susan, is 58 owns her own small business. They both realized it was finally time to put pen to paper to formulate their retirement plan and start living the life they had been saving and investing for all these years. Like many investors, busy with their lives, they had simply operated with the mindset of constantly saving, but without any specific milestones or goals to measure against. It was finally time to sit down with someone to discuss how to transition from accumulating, to using those assets to generate income now while growing their assets enough to keep pace or exceed the rate of inflation, all while wanting to leave a legacy. Making sure they identified the right advisor/financial planner was critical; they had both worked hard for 30+ years making plenty of sacrifices along the way.

Maintaining their present lifestyle was their first priority, but with two children, being able to leave them something meaningful is important. They look at the environment today being even more challenging for their kids with the cost of childcare, education and housing expenses eating up much of their income. While charity may start at home, they also share a strong sense of community so being able to continue to donate to those causes dear to them was a consideration.

PLANNING

For Jack and Susan, the first step was creating an actual living plan and to do so they went through a very comprehensive exercise itemizing assets and liabilities along with income and expenses. Capturing this information in a digital format will allow them to check back on the information and make changes with the help of their advisor rather than start from scratch every time they want to revisit their plan, which had been a deterrent in the past. The accurate data was critical in allowing their financial planners to create different retirement projections with their current savings and estimated expenses as well as manipulate a host of assumptions from market conditions, to the rate of inflation, their longevity and the amount they spend/give. While it was clear that they were "on track" today, having realistic expectations on what the future may bring coupled with specific direction around their ongoing savings and a very personalized investment strategy had them feeling very positive.

REVIEW

After putting together the retirement plan, the team at Breakwater advised on the proper asset allocation (mix between stock, bonds, and cash). For years, Jack and Susan had been investing in the same type of investments and their allocation looked as aggressive as it did when they started over 3 decades ago. Just because they were getting older and closer to retirement didn't mean we had to shift their entire portfolio into less volatile investments like bonds or certificates of deposit, but reducing their exposure to stocks from today 90%+ to 70% will better allow them to weather short term volatility but still have ample exposure to assets with a clear objective of growth. It was about optimizing risk and return versus solely focusing on return. We also identified key areas where they could broaden their diversification and lower internal operating expenses.

AT A GLANCE

CLIENT FACTS

- \$3 million in retirement assets, between IRAs, a 401(k) plan and SEP IRA for Susan
- \$2 million in non-retirement assets, mainly in brokerage accounts and mutual funds, along with a healthy balance in their savings account and a checking account for their day to day expenses
- Home worth \$850,000 fully paid off
- Term Life Insurance Policy on Susan that will expire at age 65
- Life Insurance for Jack at work that will automatically cancel when he retires
- 2nd to die whole life policy that they took out many years ago, the death benefit is \$500,000 and the cash value of the policy is sufficient to pay the policy premiums

GOALS

- Maintain current lifestyle
- Leave a legacy to their two children
- Continue to donate to charity
- Travel
- Maintain their home
- To meaningfully be able to contribute towards their 4 grandchildren's college savings plans.

RETIREMENT PLANNING



We implemented the outlined investment strategy, accommodating some special requests to maintain positions that they had for many years and had been inherited from Susan's father. More importantly, we established a clear understanding of our role and responsibilities around oversight, trading investments and scheduling periodic reviews to discuss progress and observations.

Now with investment strategy in place, as part of our more holistic offering, we'll review tax returns, estate planning documents, and insurance policies for a comprehensive review. For instance, Susan had expressed some interest in better understanding long term care insurance and whether or not it was right for them. At Breakwater Capital, our goal is to ensure everything is working in a complementary capacity versus disparate parts assembled along the way which may no longer be relevant or prudent. Any opportunity to improve their plan means we were moving them that much closer to their optimal outcomes.

Having a financial quarterback or family CFO who understands you and your needs is essential. At Breakwater Capital, where your success is our success, we can help you proactively plan for both current and future needs, and most importantly, we can help you spend more time living the life you have worked so hard to achieve. We believe your best years lie ahead!

CONCLUSION

As part of Jack and Susan's plan Breakwater Capital Group partnered on the following:

- Jack and Susan's long-term financial projections to forecast how their assets would perform in the most appropriate asset allocation under various market/economic conditions.
- Net Worth and cash flow statements
- Adjusted investments across their 7 different investment accounts, juggling taxes now and ongoing along with preferences and limitations. This process was implemented over several months .
- Helped to identify which accounts would be the best source of income, which to continue to defer for now.
- Helped to simplify their financial lives by gathering all of their documents securely, in one place, so that their beneficiaries and executors only have one place to go to for information.
- Documented their gifting, college funding and leaving a legacy goals to review realistic expectations on how much they can comfortably give and how to fund each goal.
- Future/Ongoing Efforts
- Scheduled time with an estate attorney to discuss implementing changes to their will, which had not been looked at since their children were minors. They do not have a relationship presently so they have asked us for a referral.
- Discussed with their accountant some suggestions around Susan's business when it comes to the present tax situation and possible sale of the business in the future.
- Scheduled time with their children, now adults to get a jump on their planning, something Jack and Susan wished they had done many years ago.

The couple is now feeling confident with a well thought-out and comprehensive wealth management strategy and look forward to collaborating with us along the way.

Assumptions:

- 2.5% for inflation
- 5% for healthcare inflation (Budgeting \$15,000 per year for out of pocket Medicare expenses)
- \$150,000 annual budget
- \$10,000 travel budget for the first 10 years of retirement



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DISCLOSURES

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