



John and Jane Smith

FINANCIAL PLAN SUMMARY
June 19, 2020

PREPARED BY:
BCM Advisors, LLC
1018 Harding St., Suite 104
Lafayette, LA 70503
(337) 233-7758

Table of Contents

Table of Contents..... 2
Your Financial Goals 3
Observations 4
Next Steps..... 6

Sample

Your Financial Goals

Prepared for John and Jane Smith

- Determine if living expenses can be supported throughout retirement.
- Evaluate life insurance needs and current policies.
- Determine optimal education funding for Lucas.
- Determine optimal mortgage payment strategy.
- Evaluate Jane's 401k portfolio allocation.

This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.

Observations

Prepared for John and Jane Smith

INSURANCE PLANNING

- **Life Insurance Needs Analysis:** Your life insurance needs are determined by the cost of replacing your income, retirement contributions and paying off any debt if you were to die today. Current life insurance on John is \$450,000. Current life insurance on Jane is \$100,000. The analysis indicates that John needs an additional \$1,200,000 of life insurance coverage until retirement to appropriately cover your needs.
- **Life Insurance Policy Analysis:** After reviewing your life insurance policies, the analysis indicates that John's policy is inefficient for meeting your life insurance needs. Specifically, John's policy contains high premiums and fees compared to similar policies. Our insurance consultant recommends purchasing a 10-year term policy worth \$1,650,000 (estimated premiums of \$1,000 per year) which can more effectively meet your life insurance needs.
- **Long-Term Care Analysis:** The analysis considers annual 24 hour, at-home costs of \$185,117 per person, inflated at 3.65%. Costs are assumed to begin at age 85, lasting two years for John and three years for Jane, with life expectancy ending after these periods. Based on the analysis, your portfolio is projected to support costs for both John and Jane. There are several factors included in the analysis.

CASH FLOW PLANNING

- **Liquidity Analysis:** For savings we typically recommend having 3-6 months' worth of personal expenses in savings. You currently have \$86,000 (approximately 6.88 months) worth of savings. The analysis shows this as adequate for satisfying unexpected expenses due to future events.
- **Mortgage Analysis:** Your housing debt payments make up 23% of your gross income which is within the desired range. However, the current mortgage rate on your home is 4.875% which is high given current interest rates. The analysis recommends consulting with your mortgage broker on refinance rates for your home. This may reduce your monthly mortgage payment, the amount of interest owed on your home.

EDUCATION PLANNING

- **Education Costs:** Lucas' cost of education at UL Lafayette in 2022 is estimated to be \$39,650 annually in today's dollars. Costs cover tuition, books, fees room and board and are inflated at 3.65% annually.
- **Education Funding Strategy:** To meet these costs, the analysis suggests contributing \$6,500 annually into a LOSFA 529 Account from 2020 through 2024. This will create a 2% match (\$650 total) by the state.

RETIREMENT PLANNING

- **Retirement Spending:** To plan for your retirement, it is important to evaluate your current living expenses to determine which expenses will continue during your retirement. Projected retirement ages in 2030 are 68 for John and 67 for Jane. Based on your current and projected living expenses, the assumptions consider an annual spending need of \$120,000 throughout your life expectancy. This also includes, \$15,000 of travel expenses (2030 - 2045), and four years of college for Lucas. All expenses mentioned above are after-tax and consider inflation throughout your life expectancy.
- **Retirement Projections:** Based on your projected retirement assets, Social Security benefits and other retirement income, the analysis shows an 85% probability of satisfying your retirement needs throughout your life expectancy. This currently falls within the acceptable range for meeting your retirement needs throughout your life expectancy.

This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.

RETIREMENT PLANNING

- **Social Security Analysis:** Based on your current resources, expected retirement date and life expectancy, the projections show the optimal claiming strategy for Social Security benefits at age 66 for Jane and age 70 for John. Based on your life expectancy, this strategy projects an additional benefit of \$225,231 and becomes beneficial at age 79 for Jane and 82 for John versus both claiming at your Full Retirement Ages.

INVESTMENT PLANNING

- **Jane's 401k Account:** Jane's 401k account current holds approximately 83% stocks, which is high given your risk tolerance. Additionally, the combined expenses of the funds in the account is 0.98% which is high compared to similarly allocated investments. We would like to review the available investment options with you in order to determine an allocation that fits your retirement needs at a lower cost.

This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.

Next Steps

Prepared for John and Jane Smith

Action Items	Due	Completed
• Contact mortgage broker to evaluate options for refinancing home mortgage.	6/30/2020	<u> </u> / <u> </u> / <u> </u>
• Create LOSFA 529 Account for Lucas.	7/31/2020	<u> </u> / <u> </u> / <u> </u>
• Reallocate Jane's 401k to match risk profile and reduce expenses.	9/30/2020	<u> </u> / <u> </u> / <u> </u>
• Contribute \$6,500 to Lucas' 529 account.	12/31/2020	<u> </u> / <u> </u> / <u> </u>
• Research High Yield Savings accounts with FDIC Insurance coverage to maximize earnings. Maintain between \$37,500 and \$87,500 at all times.	12/31/2020	<u> </u> / <u> </u> / <u> </u>
• Contribute \$6,500 to Lucas' 529 account.	12/31/2021	<u> </u> / <u> </u> / <u> </u>
• Contribute \$6,500 to Lucas' 529 account.	12/31/2022	<u> </u> / <u> </u> / <u> </u>
• Contribute \$6,500 to Lucas' 529 account.	12/31/2023	<u> </u> / <u> </u> / <u> </u>
• Contribute \$6,500 to Lucas' 529 account.	12/31/2024	<u> </u> / <u> </u> / <u> </u>
• John claims Medicare benefits.	1/1/2027	<u> </u> / <u> </u> / <u> </u>
• Jane claims Medicare benefits.	1/1/2028	<u> </u> / <u> </u> / <u> </u>
• Jane claims Social Security benefits at age 66.	1/1/2029	<u> </u> / <u> </u> / <u> </u>
• John and Jane retire!	5/30/2030	<u> </u> / <u> </u> / <u> </u>
• John claims Social Security benefits at age 70.	1/1/2032	<u> </u> / <u> </u> / <u> </u>

This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.