

CASE STUDY:

Mr. & Mrs. Smith A Successful Professional and His Family – A Case Study

I. THE PICTURE

Mr. Smith, a successful professional in his 50s, realized it was time to take a serious look at things. He had a need and desire to work with a team with whom he could trust his wealth. The time had come to create a long-term financial strategy with the goal of becoming Financially Independent. The following section describes what was learned about Mr. Smith and his objectives in the first stage of *The power of strategic thinking™*. Mr. and Mrs. Smith

- No longer had confidence in the large brokerage house representative that oversaw their family's assets and desired an independent, trusted, long-term advisor.
- Felt that they must fund a more substantial retirement plan, but were not sure how much wealth they needed to build to become Financially Independent in 10 to 12 years.
- Wished to establish a plan to leverage as much pre-tax income as possible for wealth accumulation while minimizing the income tax liability associated with their investment portfolio (reduce phantom income).
- Worried about assets being exposed to liability from potential frivolous lawsuits.
- Wanted a long-term plan to protect the family income needs in the event of an untimely death, disability, or long-term care situation.
- Wished to have their legal documents reviewed to ensure they were aligned with their financial goals.
- Worked relentlessly at building a business and career, while raising a family, and time was getting away.

II. ISSUES AND CONCERNS

After the Smiths verified the accuracy and priority of their objectives through RSI's *Goal Confirmation Summary™*, RSI engaged in a complete analysis of their current financial situation, considering and quantifying the side-effects and trade-offs of various strategies. The study revealed the following issues and concerns:

- The Smiths had to increase savings for their retirement goal immediately.
- Mr. Smith had an inefficient and poorly designed qualified retirement plan in place. It did not enable him to shelter sufficiently large sums of money necessary to reach Financial Independence and retire while young enough to pursue and enjoy important endeavors. Investment objectives and asset class ranges had never been established in an Investment Policy Statement.

- No apparent method had been implemented to systematically manage portfolio risks.
- The only estate planning documents in place were simple wills drafted over 10 years ago.
- They hadn't received analysis and advice on their primary life insurance policy in years. The "assumptions" upon which the policy was funded had been invalid for years. The policy would likely fail before Mr. Smith even reached his normal life expectancy.
- If, however, Mr. Smith were to die while the policy was still in force, the full death benefit would be grossed up in his estate, unnecessarily subjecting their combined estates to federal estate taxes.
- A premature death, disability or need for long-term care would be financially devastating to the family.

III. ON TRACK TO REACH FINANCIAL INDEPENDENCE

Through implementation of the agreed-upon strategies and the leadership provided by RSI's professionals, the Smiths have achieved a sense of trust, confidence and financial well-being by:

- **Establishing** two qualified retirement plans that enabled the Smiths to substantially exceed the fully tax deductible contribution limits in their current retirement plan, thus allowing them to save and tax defer the necessary dollars annually to reach their retirement goal.
 - » These assets should be, by law, protected from future potential creditors.
- **Adopting** an *Investment Policy Statement*, setting forth appropriate asset class ranges and a method for evaluating and reporting performance.
- **Applying** strategies to protect their retirement goal by transferring the risks of a premature death, disability or need for long-term care.
- **Implementing** a legacy strategy, coordinated with law and tax professionals, which avoids probate and unnecessary estate taxes and protects assets from future potential creditors.
 - » Changes were made to remedy the potential failure of the life insurance policy and remove the death benefit from both estates.
- **Tracking** future progress toward their goals through the *RSI Goal-Linked Progress and Performance Report™*.