Comprehensive Financial Plan

Prepared For:
Beyonce Knowles & Shawn Carter

Prepared By:
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PRIORITIES:

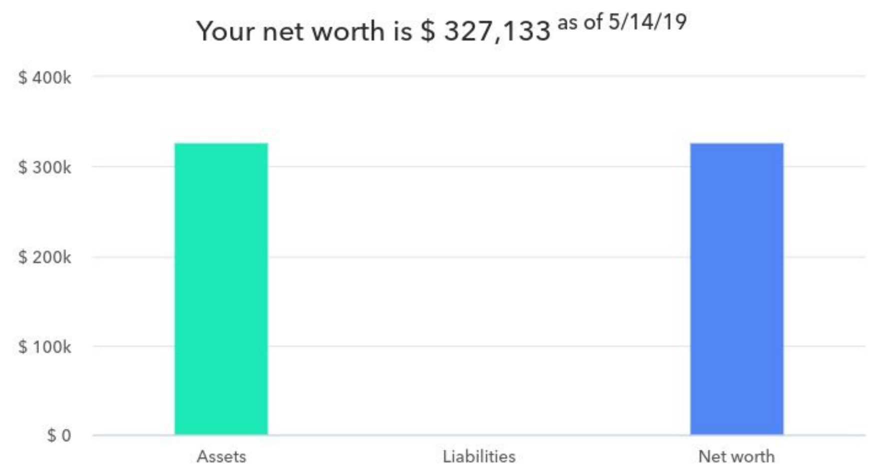
Short Term: 0-2 Years	• Transition to one income while Shawn is in Grad school. • Beyonce takes on a new job • Replace cars, and consider going to one car for a period of time.
Medium Term: 3-7 years	• Resume saving at around 30-40% of income. • Start a family • Continue traveling • Home Purchase
Long Term: 7+ years	• Options on work earlier than age 65; may continue but not because you must • Ensure career has been meaningful, not just lucrative • Spend a long stretch of time traveling or overseas

SWOT ANALYSIS:

Strengths: • Excellent savings rate. • Strong savings built relative to ages • Solid credit scores • Values/habits alignment between the two of you	**Weaknesses:** • Lack of automation in savings.
Opportunities: • Maximize ROTH accounts each year. • Consider Betterment or another Robo Advisor to keep your investments appropriately allocated with as little effort as possible. • Increase auto deductibles.	**Threats:** • Lack of disability insurance for Beyonce, as the sole income for the coming two years. • Lack of estate plans and up to date beneficiary designations.

NET WORTH

Just like any well-run business, your balance sheet should always be in check. Your net worth is the difference between your assets and your liabilities. Assets are everything you own such as your home and investments, and liabilities are everything you owe such as the balance on your mortgage and other debt. We will check in on your net worth once per year to show progress over time.



Assets		Liabilities		Net Worth
Bank	$ 111,104	Credit cards	$ 355	$ 327,133
Invested assets	$ 216,384	Mortgages	$ 0	
Real estate assets	$ 0	Home equities	$ 0	
Life insurance cash value	$ 0	Student loans	$ 0	
Other assets	$ 0	Other debts	$ 0	
Total assets	$ 327,488	Total liabilities	$ 355	

CASHFLOW & SAVINGS

Having an organized system for managing cash flow is the key to success in any financial plan. This is, in effect, the engine behind the plan. Staying below your monthly control spending number ensures that you're paying all of your financial obligations, covering saving for future goals, and covering the day to day expenses.

This is your current cashflow.

Fixed Bucket: This is money that you are comitted to spending each month. Generally these are the hardest bills to change, and stay the same from month to month.		Future Bucket: These "expenses" are savings for future expenses, whether for short term or long term.		Control Bucket: Money you spend on a monthly basis and have a lot of control over. These can be thought of as "lifestyle" expenses.			
Expense	**Costs**	**Expense**	**Costs**	**Expense**	**Costs**		
Housing	$1,600	**Retirement Savings**		**Groceries**			
Income & FICA Taxes	$3,480	**N 401k**	$468	**Dining Out**			
Health Insurance/Other Non Savings Deductions	$291	**K 401k**	$302	**Shopping**		**Gross Monthly Income**	$13,333
Bills & Utilities (Energy, Water, etc.)	$220	**ROTH IRA N**	$300	**Health & Fitness**			
Auto Insurance	$272	**ROTH IRA K**	$300	**Entertainment**		**Monthly fixed Expenses**	**$6,063**
Life Insurance	$0	**Employer Match**	$618	**Travel**		**Monthly future Savings**	**$4,670**
Cellphone	$0	**Other Savings**		**Fees & Charges**		**Monthly Control Expenses**	**$0**
Financial Planner	$200	**Emergency Fund**	$2,000	**Charitable Giving**		**Total Monthly Expenses**	**$10,733**
		Event/Travel Fund	$700	**Gifts**			
		Taxable Investment Account	$600	**Kids**		**Net Monthly Income**	**$2,600**
		HSA		**Pets**			
				Miscellaneous			
Total Fixed Expenses	**$6,063**	**Total Future Savings**	**$4,670**	**Total Monthly Control Expenses**	**$0**		

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CASHFLOW & SAVINGS PLANNING (continued)

OBSERVATIONS & RECOMMENDATIONS

Emergency Fund: If a job loss or other financial hardship arises, an emergency fund helps pay bills without taking on debt. Your emergency fund should by 3-6 months of expenses, and include easily accessible funds like cash or money market funds.	
Observation	You currently have $97,000 in cash on hand, which would cover nearly 18 months of core expenses.
Recommendation	Given graduate school and upcoming reduction in income, no changes at this time. In the future, consider putting more of this money to work in investments and keeping less in cash.

Interest on Savings: Get paid for saving your money. Many banks currently offer 2.25% interest or higher. A full list is here.	
Observation	The bulk of your money is in high interest savings accounts earning 2.2%.
Recommendation	No changes.

Bank Account Architecture/System: Your system depends on personal preference, but should allow you to save for upcoming expenses, and make savings easy. Automate savings/billpay, and ensure both members of a couple have visibility into accounts.	
Observation	You have savings accounts set up for individual buckets (car, emergency, dog car, travel, etc.), along with one core checking account. You're doing much of your saving manually each month.
Recommendation	No changes now. In the future, look to automate as much of the savings as possible to simplify life.

Monthly Spending & Cashflow: While there is no "normal" month, you should know on average what you spend monthly.	
Observation	Your average monthly spending comes to just over $5,000, which is very reasonable on your income.
Recommendation	As you drop to one income, continue to be mindful of spending but also know that you are well positioned to handle this two years even if you keep your spending exactly as it is currently.

Housing Ratio: Experts recommend your housing be no more than 25% of your monthly gross income. Your housing + debt repayment cost should be no more than 36% of your monthly gross income.	
Observation	You're spending 12% of your income on housing, and have no debt at this time.
Recommendation	None at this time. When you look towards purchasing a home, let's keep this 25% target in mind.

Non-Mortgage Debt Repayment: Any non-mortgage debt should have a clear path to repayment, and you should know the timeline for repayment. Upon repayment, the amount being paid should be redirected to savings or other financial goals.	
Observation	You have no debt. It's possible you'll take on some debt during graduate school, but not necessary.
Recommendation	Use your cash on hand to fund grad. school and only turn to loans if your savings drops significantly.

Credit Scores: Your credit score is a reflection of how likely you are to repay debts, and ranges from 350-850. The target should be to keep it above 700, and to aim for 750+ before making major purchases, such as homes, cars, etc.	
Observation	You have credit scores around 725 each. This is a great start.
Recommendation	To prepare for a house purchase, you'll want to increase those scores. Call your credit card companies and ask for a credit limit increase to push up your limit as high as possible, which should boost your scores.

RETIREMENT PLANNING

Saving for a secure retirement is a fundamental part of any sound financial plan. While it is important to enjoy today, it is equally important to save for your long term security. With retirement as the primary long-term goal for most people, the optimal place to save for retirement is through tax advantageous retirement accounts, such as 401(k)'s, IRA's, ROTH IRA's, 403(b)'s, etc.

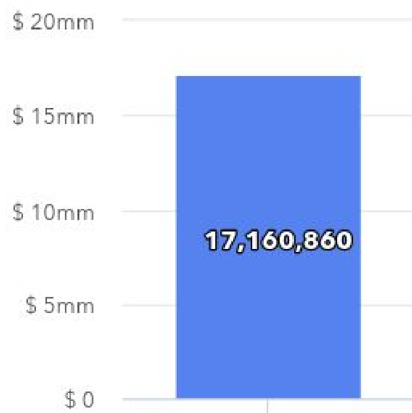
Retirement Savings Rate: While everyone's situation is unique, many experts agree that aiming to save 15% of your income for retirement should get you reasonably close to retiring comfortably in your mid to late 60's. This percentage must increase the longer you wait to start saving, or if you are aiming to retire earlier than in your mid to late 60's.	
Observation	Overall you're saving about 40% of your net income, and 10% of that is going into retirement accounts.
Recommendation	Over time, look to take advantage of the tax benefits of retirement accounts and be saving at least 20% of income into either your 401k or ROTH IRA accounts.

Tax Status of Retirement Accounts: A Roth IRA/Roth 401(k) is funded with after-tax dollars. A regular 401(k) or Traditional IRA are funded with pre-tax dollars. A Roth account is well-suited to people who think they will be in a higher tax bracket in retirement than they are now, meaning they will have more income in retirement than today. Tax rates are historically low currently.	
Observation	 $ 52,098 Taxable asset; $ 118,542 Tax deferred asset; $ 40,540 Tax free asset
Recommendation	Given your lower income in the next two years, fund ROTH IRA's to the maximum possible. We may also consider a "ROTH Conversion" in 2019 and 2020, since those will be your lowest income years for decades.

Pension Analysis: Your pension is an account where your employer takes the investment risk and promises you a set payment, based on a pre-determined formula.	
Observation	Shawn is vested in the Dow Pension and could receive $91/month through his lifetime, or take a lump sum of $23,114 after leaving Dow.
Recommendation	Given your long lifetime and the impact of inflation, I recommend taking the lump sum and transferring it into your traditional IRA.

RETIREMENT PLANNING (continued)

Below is a simulation running 1,000 times on our current projection, giving us an idea of the likelihood of success of your plan.



Financial goals	Proposed	Current
Shawn's planning horizon	90	90
Shawn's retirement age	60	67
Beyonce's planning horizon	90	90
Beyonce's retirement age	60	67
Retirement Monthly Expense	$ 3,700	$ 3,700
Income, savings and expenses		
Joint Taxable	$ 7,000	$ 7,000
Shawn's 401(k)	6 %	6%
Beyonce's 401(k)	7 %	7%
Shawn's Roth IRA	$ 3,700	$ 3,700
Beyonce's Roth IRA	$ 3,700	$ 3,700
Pre-retirement Living Expe…	$ 3,700	$ 3,700

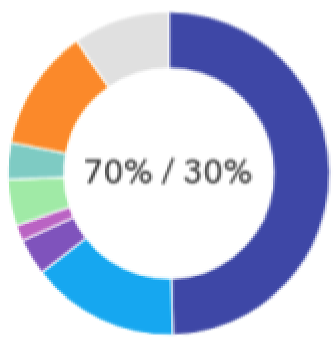
Because so many variables (future earning/spending, retirement age, tax rates, inflation, investment returns, etc.) can alter retirement projections significantly, it's difficult to forecast a realistic retirement picture at such an early age. Therefore, it's important to focus on the things you can control at this point: your savings rate, and asset allocation in the accounts.

INVESTMENTS PLANNING

Investing doesn't have to be complicated. The key to a successful investment plan lies in understanding a few key principles. Some of these principles are: Keep costs low. Stay diversified. Don't try to time the market. Ignore the news. Be mindful of taxes. Keep your allocation in line with your risk tolerance and time horizon. Leave it alone.

Current allocation

All Accounts



Equity / Fixed Income

49.6%	U.S. Equities	38.6%
14.9%	International Equities	14.5%
3.7%	Emerging Markets	4.5%
1.6%	Real Estate	2.5%
4.6%	U.S. Bonds	29.1%
3.7%	International Bonds	4.8%
12.2%	Cash	6%
9.7%	Other	0%

Asset Allocation: This is a reflection of how your money is divided amongst different types of investments. Diversification, or making sure your money is invested in many different types of assets, is a key component of asset allocation.

Observation	You are well diversified, with no single company accounting for a significant part of your investments. You are invested more conservatively than many recommendations, but given your savings rate, that is okay.
Recommendation	• Over time, work to have about 30% of your total investment holdings in international/emerging market stocks. • In your joint taxable account, consider lowering the stock % if you're going to need the money in the coming 3-5 years.

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Investment Costs: All investments carry an underlying cost known as an “expense ratio.” This cost is deducted out of your accounts each quarter or year. High costs have not been shown to lead to better returns, and act as a drag on your investments.	
Observation	Your 401k’s are solid and offer low priced investments. Your investments at Vanguard are also low fee, and you’re taking advantage of “Admiral Shares”, which is Vanguard’s lowest price share offering.
Recommendation	None at this time.

Account Organization & Taxation: Simplicity is key. The goal is to avoid duplication of account types without a strong rationale. In taxable (non retirement) accounts, it’s important to be cognizant of the tax implications of your investments.	
Observation	Each of you has a 401k and a ROTH IRA, in addition to your joint taxable account. Shawn also has his Dow Pension money.
Recommendation	Once Shawn leaves Dow, transfer the Dow Pension and Shawn’s 401k into a Traditional IRA, either at Vanguard or at Betterment.

TAX PLANNING

Federal & State Tax Bracket: Your tax bracket, or marginal tax rate, is the tax rate you pay on your last dollar of earnings.	
Observation	In 2018, you fell in the 22% tax bracket. Your effective tax rate was just under 13%.
Recommendation	In December 2019 and December 2020, consider converting some of your investments to ROTH given your lower tax rate while Shawn is in school.

Standard or Itemized Deductions: For Federal taxes, you choose the standard deduction, (In 2019, $12,200 for a single person or $24,400 for a married couple), or to itemize your deductions. You deduct this amount to determine your taxable income.	
Observation	With no home mortgage interest and living in a relatively low tax state, you'll claim the standard deduction for the foreseeable future.
Recommendation	N/A

Tax Withholding: Income taxes are withheld from your paycheck. The higher the number of allowances you claim, the less tax will be withheld from your check. If you don't have enough tax withheld during the year, you may owe money upon filing your taxes.	
Observation	Shawn claimed 2, and Beyonce claimed 0, for federal taxes. You had a tax refund of $1,600 in 2018.
Recommendation	Continue as you are if you want to avoid possibly owing at year end.

FSA or HSA Options: FSA's and HSA's are accounts that allow you to pay healthcare or dependent care expenses. The rules between the two are different, but both would allow you to pay those expenses with pre tax dollars, saving you money.	
Observation	Each of you has an HSA, but are not currently contributing.
Recommendation	HSA's are excellent accounts to use if eligible, so we'll keep an eye out for that opportunity in the future.

INSURANCE PLANNING

Life Insurance: The primary purpose of life insurance should be to replace one's income if they were to die prematurely. I recommend using term insurance to protect you during your peak earning years.	
Observation	Beyonce has $50,000 of life insurance through Sodexo. Shawn has $95,000 through Dow.
Recommendation	This is adequate given no debt and no children. In the future, purchasing term life insurance will be important if/when you have a home or children. I generally recommend around 8-10x annual income in term life insurance, purchased outside of your employer.

Disability Insurance: Disability insurance replaces your income if you're unable to work due to an accident or sickness. I recommend coverage that replaces at least 60% of your income and will pay for at least five years. It should also include "own occupation" protection, which ensures that you'll be paid if you're unable to perform your current work duties.	
Observation	Shawn has 50% of his salary in long term disability via Work. Beyonce has no short or long term disability coverage.
Recommendation	Beyonce needs to get long term disability insurance at the next open enrollment period. Shawn can go without as a student but should absolutely purchase it once you're back to earning an income again.

Health Insurance: Health Insurance pays for medical expenses that may be unaffordable for you to pay out of pocket.	
Observation	Each of you has health insurance via work that is affordable and adequate.
Recommendation	Once Shawn leaves Dow, compare the cost of COBRA through DOW, getting on the SODEXO plan, or LSU student health insurance.

Auto & Home Insurance: Auto & Home Insurance pays for repair or replacement of your home or auto if something happens to them. They also include protection from financial liability that stems from incidents involving your auto or home.	
Observation	Your auto and renter's insurance is adequate currently.
Recommendation	Consider raising your deductibles from $500 to $1,000 or even $2,000 to save on premiums. Confirm you have a marriage discount on your car insurance; no evidence of it on the declarations pages.

Personal Liability Umbrella Insurance: This extra layer of insurance will protect you against legal fees and damages should you have a personal liability event that exceeds your auto or homeowner's insurance. This insurance will protect your assets and future income as they continue to grow.	
Observation	You do not have a policy at this time.
Recommendation	As your net worth grows, you'll want to increase your personal liability limits on the auto and renters insurance, and buy a PLUP for at least as much as your net worth. I'd say this is not urgent, but something to keep in mind to protect your wealth as it grows.

ESTATE PLANNING

Contrary to popular belief, estate planning is not just for the ultra wealthy. Having up-to-date Estate Planning documents in place is a critical component of having your wishes carried out in the event of a worst case scenario. These documents should be reviewed every couple of years and at any major life event, such as marriage, birth of children, moving, inheritances, etc.

DOCUMENT RECOMMENDATIONS

Will

Need to get

Your will lays out specific instructions for the distribution of your property upon death. Without a will in place, your property would pass to your survivors through the probate system. A will is critical for naming a legal guardian of any minor children.

Living Will

Need to get

A living will communicates your wishes regarding life sustaining treatments. This document tells your loved ones what type of medical decisions you would prefer if you are unable to make them yourself.

Financial & Healthcare Power of Attorney

Need to get

A healthcare power of attorney accompanies the living will. This document names the person who you would want to make decisions on your behalf since a living will is not capable of answering all possible questions.

Beneficiary Designations

Need to review all.

Retirement accounts and life insurance proceeds are passed to the beneficiary regardless of what your will says.

1 Page Account List

Need to create

We live in a digital world, and many people do not have account statements at home. Create a 1 page document with a list of where all your financial accounts are held, and share this list with whomever you name as executor in your will.

Trusts

Speak to Attorney

A trust can be used to maintain control of your assets when they are passed to beneficiaries, to prevent an estate from passing through probate, and minimize the tax impact of a death.

Financial Planning Disclosures

The results presented in this Plan are based in large part on the information you provided plus many assumptions. While these assumptions are felt to be reasonable and prudent based upon current and historical information, no plan or person has the ability to accurately and consistently predict the future. As investment returns, inflation, taxes, cash flow, and other variables differ from the projections, your actual results will vary (in some cases drastically) from those presented in this Plan. Prudent financial planning may increase your chances for success, but cannot guarantee that your goals will be achieved.

When planning over any extended period of time, small differences in assumptions will create large variations in future results. You should use this Plan to help you focus on the factors that are most important to your financial success and to see how decisions you make now might impact your future. Keeping your Plan current will help to provide a course of action to maximize the likelihood of achieving your goals.

The only guarantee provided is that things will change ... possibly on a daily basis. Your situation will continually change over time, the markets, the economy and tax laws will change. You should review and update your Plan periodically, to be sure that it remains current and appropriate for your needs and objectives.
Financial planning is an ongoing process, not a one-time event. This process will help you focus on your most important financial objectives and help you determine how best to deploy your resources to achieve those objectives. Planning also provides the structure and discipline needed to accomplish these objectives. This presentation is not intended to provide legal or tax preparation advice. You should consult qualified advisors for advice specific to those areas.