

## **Tom & Debbie Smith**

### **Getting Ready for Retirement and What's Next**

Tom and Debbie Smith have been married for over 30 years. Tom is 61 and Debbie is 59. They have three grown children and two grandchildren. Tom has been with his company for 20 years and enjoys his job. He has a 401k and contributes 10% of his salary. Debbie works for a local hospital in administration. She returned to full time about 10 years ago when their children entered college. She contributes 6% of salary to her 403b plan. They both started Roth IRAs but haven't added to them lately. Debbie has a CD at their bank from a small inheritance. They have been adding to a savings account that has been growing with regular contributions but it isn't earning much interest. They feel they have been good savers, but don't know if they have saved enough. They have a home mortgage and have paid off about half of the original amount. They love to travel and want to do more of it. Spending time with their children and grandchildren is important to them.

#### **Tom and Debbie came to Bucholtz Consulting with questions:**

- Do we have enough? Can we do what we want and be financially secure?
- Is there anything we can do to lower the amount of tax we pay each year?
- Are we missing anything in our financial plan? Do we have any "holes"?
- How can we get the most from Social Security and our retirement plans?
- Tom has a pension decision from a former employer and is being offered a lump sum or annuity payments. What should he do?
- How can they earn more on their savings accounts?

#### **By working through our Financial Planning Process Tom and Debbie were able to better define their goals. Here is what we learned:**

- Tom doesn't see himself completely retiring but wants work optional within 5 years. Work optional to Tom means they saved enough to stop working and still be okay.
- Tom and Debbie want to be certain they are saving enough money for the future but want to balance that with doing things now.
- Debbie would like to work part-time if possible so she can spend more time with and help with their grandchildren who live locally.
- Tom and Debbie do not see themselves moving but would like to make some improvements to their home of twenty years while they are still working.
- They want to make certain they maintain their financial independence and make things as simple as possible for their children as they get older.
- Tom and Debbie would like to take at least two vacations per year. They want one to be spent with each other visiting places they haven't been and the other week would include their children and grandchildren. Tom and Debbie would like to pay for the majority of this vacation since their kids are just starting out.
- Having a mortgage bothers Debbie and she has wanted to pay it off for some time. Tom isn't as concerned and believes the tax deduction of the interest is a benefit.
- Both Tom and Debbie would like to earn more on their savings accounts.

**The financial plan designed by Bucholtz Consulting focused on achieving the goals Tom and Debbie have for their future. Here are topics covered in our four meetings:**

- We discussed and documented Tom and Debbie's goals to stay focused on what was most important to them.
- We constructed a one page "financial snapshot" to track Tom and Debbie's complete financial position. This allowed Tom and Debbie to measure their progress over time and keep on track towards their goals.
- We re-positioned part of their excess savings to reduce debt costs while maintaining an emergency fund. This met Debbie's goal of paying down debt while helping Tom feel better about using their savings more effectively.
- We found opportunities to lower their tax bill in the future by reviewing their tax return and making some adjustments.
- We reviewed all their investments including Tom's 401k and Debbie's 403b to lower expenses and decrease risk. We showed Tom and Debbie the strengths and weaknesses of their current portfolio and found possible areas of improvement.
- Bucholtz Consulting provided a retirement income plan that pulled together all of Tom and Debbie's retirement accounts, Social Security benefits, and sources of income to estimate how much monthly income they could rely on. This helped Tom and Debbie to understand how much income they could expect in retirement and how to safely draw income from what they had saved.
- Based on the Retirement Income Plan, Debbie felt comfortable moving to part-time if she worked for another year or so to increase their savings
- We evaluated their life insurance policies and adjusted their insurance coverage to their current needs. We also recommended some changes to their house and car insurance that provided additional savings.
- We made certain that their assets were titled properly and the beneficiaries were updated to be certain their assets were passed on as they wished with as little headache as possible. We also covered the basics of estate planning including wills, power of attorneys, living wills, and trusts.

At the conclusion of our meetings, both commented "I wish we had done this sooner". Our financial planning process provided Tom and Debbie with greater confidence in their future. Tom and Debbie chose to have us implement the changes that were recommended through the plan to make sure that action was taken and continue our relationship. They now have their goals written down, we review the goals each time we meet, have a plan in place to move towards their goals, and are able to track their progress over time. All the pieces of their plan are now in place.

*This is a hypothetical case study and is for illustrative purposes only. Actual performance and results will vary.*