

The Robertson Case Study

Meet Your Clients

The purpose of this document is to provide you with the information needed to write a comprehensive financial plan for your clients, Judy and Glenn Robertson. This case should provide you with all of the information needed to write a comprehensive financial plan. It is critical that you have a clear understanding of the facts and circumstances of the case. It is recommended that you print this case study off and highlight the important information within. While preparing this financial plan, you will learn to identify your client's financial strengths and weaknesses. By taking a deep dive into their situation, you will help ensure that both their stated and unrecognized goals are addressed.

By the end of this process, you should have produced a clearly laid out comprehensive financial plan. This should include a prioritization of goals and objectives, clearly stated recommendations and their impact on cash flow and net worth, and a delineated implementation plan that will enable them to accomplish their primary financial aspirations.

Personal and Family Information

Name: Judy B. Robertson

Age: 56

State of Residence: AL

Citizen: US

SSN: 123-45-6789

Name: Glenn T. Robertson

Age: 50

State of Residence: AL

Citizen: US

SSN: 987-65-4321

Children

Benji, 35 (from Judy's previous marriage)

Grace, 33 (from Judy's previous marriage)

Jacob, 22 (from Glenn's previous marriage)

Mia, 20 (from Glenn's previous marriage)

Parents

Thomas Robertson, 82 (Glenn's dad), in poor health, lives 4 hours away

Sue Robertson, 78 (Glenn's mom), in good health, married to Thomas

Both of Judy's parents died within the last 10 years. She inherited a small Traditional IRA from her mom.

Home Address

98 Oak Avenue

Maplewood, AL, 35999

Employment

Judy

Employer: Blu-Prints and Beyond

Career: Project Manager

Glenn

Employer: AEO Engineering Solutions

Career: Mechanical Engineer

Years Employed: 15

Years Employed: 25

Overview of Family History

The Robertsons are a blended family living in Maplewood, Alabama. Judy and Glenn have been married for 10 years. Both Judy and Glenn were previously married. Judy and her prior husband divorced the year after Grace was born, so she raised Benji and Grace as a single mom until they became fully independent. Glenn and his prior wife divorced 15 years ago, when Jacob and Mia were young (7 and 5). Glenn and his ex-wife shared custody until Jacob and Mia were 18 years old.

Judy and Glenn met 13 years ago at a national industry conference in Alabama; they both arrived early to the keynote presentation and introduced themselves. They quickly discovered they both lived and worked only 20 minutes from each other in Maplewood, AL. What a coincidence!

When they returned home from the conference, they continued their conversations and realized they had even more in common, including their shared experience of raising two young children (boy and girl) as single parents. After dating for 3 years, Judy and Glenn were married and bought a new home together in Maplewood.

Glenn's son Jacob recently graduated from college, started his first career job, and moved into an apartment with his friend. Glenn's daughter Mia enrolled in college after graduating from high school at age 18, but she had trouble staying focused and returned home. As she determines her next steps, she lives as a dependent with Judy and Glenn and works part-time at their local grocery store, earning \$1,000 per month. She is told to save all of her net income and build up a cash cushion as they pay for her current expenses.

Retirement Discussion

Judy and Glenn have been working for as long as they can remember, and they never considered retirement while raising their kids as single parents. Since Judy's children and Glenn's son are fully independent, they're starting to feel like they can focus on their own dreams and goals.

Although Judy's been working as a project manager for most of her career, she's never liked the job. Raising two kids as a single mom without a college degree, she felt fortunate to have a stable career and never complained. But now that most of the kids are out of the house and their expenses are reduced, Judy is considering retiring – permanently if possible. She would like to spend her weekdays volunteering at the local food bank and animal shelter, as well as getting into a healthy exercise routine and restarting one of her favorite hobbies – crocheting.

Glenn loves his current job as a mechanical engineer, and he assumes he'll continue working until age 65 – only because that's when his dad retired. Glenn feels the pressure to continue earning his high salary if Judy retires early, and he has difficulty trusting his own numbers when he runs their retirement analysis. That said, Glenn is encouraging Judy to leave her job and spend her time and energy on activities she enjoys.

Judy and Glenn hired you as their financial planner to help them gain clarity (to understand their comprehensive financial situation) and confidence (to move forward with their intentional next steps).

Assets and Liabilities

Bank Checking (JTWROS) = \$5,300

Current APY: 0.1%

Bank Savings (JTWROS) = \$4,700

Current APY: 0.1%

Bank High-Yield Savings (JTWROS) = \$29,000

Current APY: 4.5%

Judy and Glenn need help understanding how much cash they should set aside for short-term stability and liquidity. This account is earmarked as an emergency fund.

Taxable Brokerage (Glenn - TOD) = \$8,700

100% AEO Engineering Solutions stock

Cost Basis: \$1,200

Taxable Brokerage (JTWROS) = \$85,200

100% Vanguard Total Stock Market Index Fund (VTSAX)

Cost Basis: \$56,700

AEO Engineering Solutions 401(k) (Glenn) = \$1,079,400

Vanguard Large-Cap Index Fund (VLISX): \$611,400

Vanguard Small-Cap Index Fund (VSCIX): \$455,700

Vanguard Total International Stock Index Fund (VTSNX): \$4,600

Stable Value Fund: \$5,500

Vanguard Total Bond Market Index Fund (VBTIX): \$2,200

Pre-Tax Value: \$1,059,300

Roth Value: \$20,100

Blu-Prints and Beyond 401(k) (Judy) = \$342,500

Fidelity S&P 500 Index (FXAIX): \$148,100

Blue-Prints and Beyond Stock: \$140,700

Fidelity Freedom Blend 2030 (FHATX): \$53,700

Pre-Tax Value: \$338,700

Roth Value: \$3,800

Inherited Traditional IRA (Judy) = \$28,800

American Funds American Balanced Fund (ABALX): \$26,300

Cash: \$2,500

Inherited 3 years ago with a 10-year distribution requirement with annual RMD

Family HSA (Glenn) = \$22,300

100% Cash

The HSA includes investment options beyond the default cash position, but they want your guidance on if/how they should reallocate the funds.

Primary Residence = \$366,000

Address: 98 Oak Avenue, Maplewood, AL, 35999

Cost Basis: \$240,000

Judy and Glenn are considering selling their home and moving to a one-story house in a nicer neighborhood (\$400,000 current price) – but only once they are both retired.

Mortgage = -\$188,937

Interest Rate: 3.25%

Principal + Interest Payment: \$870 (no escrow account)

Judy and Glenn don't like debt but aren't sure if they should pay off their mortgage early with a low interest rate. They want to understand the opportunity costs of paying minimally, aggressively, or hybrid (such as \$500 extra per month).

Credit Card = -\$2,500

This is paid in full each statement period.

Current Income**Judy – Blu-Prints and Beyond**

Base Salary: \$68,000

Dental: \$244/yr.

Term Life Insurance: Employer-paid (\$50,000 coverage)

Disability Insurance: \$244/yr. short-term (60% benefit), \$224/yr. long-term (60% benefit)

Roth 401(k): 15% employee elective contributions + 4% employer match

Glenn – AEO Engineering Solutions

Base Salary: \$180,000/yr.

Bonus: \$20,000/yr. anticipated but not guaranteed

Medical: \$5,520/yr.

Dental: \$460/yr.

Family HSA: \$3,000/yr.

Term Life Insurance: Employer-paid (2x salary coverage), \$560/yr. imputed income

Disability Insurance: Employer-paid short-term (60% benefit), no long-term coverage

Roth 401(k): 10% employee elective contributions + 4% employer match

Retirement Income**Social Security**

Review their SSA statements to estimate their future benefits.

Glenn wants to ensure that Judy receives the highest possible Social Security retirement income if he predeceases her, but they aren't sure which claiming strategies to consider.

AEO Engineering Solutions Pension (Glenn)**Monthly Benefit:** \$1,049 (100% taxable, not adjusted for inflation)**Starting Age:** 65**Survivorship Benefit:** 100%**Expenses**

Judy and Glenn never tracked expenses or created a written budget before starting this financial planning engagement. Instead, they've contributed to workplace retirement plans, spent money freely, and saved whatever's left at the end of each month (if there's anything left). They anticipate their retirement expenses to be similar to what they are now (in today's dollars), but they'd like to double their travel expenses with European travel over the next 10 years.

Judy and Glenn created this table with their expenses over the past year:

Food	Periodic Amount	Frequency
Groceries	\$1,200	Monthly
Restaurants	\$600	Monthly
Gifts	Periodic Amount	Frequency
Charity	\$1,500	Monthly
Friends & Family	\$2,500	Annually
Health	Periodic Amount	Frequency
Medical	\$800	Annually
Personal Care	\$200	Monthly
Home	Periodic Amount	Frequency
Utilities Total	\$900	Monthly
Mortgage	\$870	Monthly
Property Taxes	\$6,000	Annually
Home Maintenance/Repair	\$3,500	Annually
Transportation	Periodic Amount	Frequency
Auto Maintenance/Repair	\$2,600	Annually
Fuel	\$175	Monthly
Shopping	Periodic Amount	Frequency
Clothing	\$2,100	Annually
Merchandise/Misc.	\$1,000	Monthly
Entertainment	\$450	Monthly
Pets	\$150	Monthly
Travel	Periodic Amount	Frequency

Travel Total	\$15,000	Annually
Insurance	Periodic Amount	Frequency
Homeowners	\$5,200	Annually
Auto	\$3,240	Annually
Health (pre-tax)	\$460	Monthly

Insurance

Life Insurance: Glenn and Judy have group term life insurance coverage paid by their employers but don't know if their coverage is adequate.

Disability Insurance: Glenn and Judy have limited coverage through work and haven't given this much thought since they don't know anyone who's been on long-term disability. They are also reluctant to buy additional disability insurance since it's more expensive than term life insurance.

Health Insurance: Glenn and Judy are both covered by Glenn's health insurance plan. It is an HSA-eligible high-deductible health plan (HDHP) with a \$12,000 deductible/out-of-pocket maximum. Thankfully, they are in good health and don't visit the doctor often beyond preventative appointments.

Long-Term Care Insurance: Glenn and Judy do not have long-term care (LTC) insurance. Since both of Judy's parents were denied LTC insurance claims when they needed custodial care, she'd prefer to self-fund their future costs (if possible). They are eager to learn more about their various funding options. The current annual cost of a nursing home facility is \$86,000 per person in their area.

Property & Casualty Insurance: Their combined homeowners, windstorm, and flood insurance costs \$5,200/yr., and their auto insurance costs \$3,240/yr. with Mia as an additional driver. They assume their auto insurance premiums will reduce by half if/when Mia becomes independent. Their coverage is bundled with the same company, but they haven't shopped around since buying their home together. They do not have additional liability coverage beyond \$500,000 (homeowners) and \$250,000 per person/\$500,000 per accident (auto). Their deductibles are \$1,000 (homeowners) and \$250 (auto).

Investments

Judy and Glenn have limited investment knowledge. Glenn's work colleague said that he should buy index funds since "they are the best and cheapest way to invest." Glenn tells Judy what to buy within her 401(k) but isn't sure if they've set it up correctly. Judy owns employer stock in her 401(k), and they're scared they'll owe taxes if they sell it before she retires.

Glenn wants to invest aggressively since he feels like they're behind. On the other hand, Judy avoids looking at their investments since she desires financial safety and security. She trusts Glenn but wants your second opinion how they should invest moving forward.

Taxes

Review Judy and Glenn's prior federal income tax return.

Since Judy and Glenn have always paid their income taxes by withholding directly from their paychecks as W-2 employees, they are unclear how to pay taxes in retirement. They don't understand how various retirement account distributions, pension income, and Social Security retirement benefits are taxed or how to cover their future tax liabilities.

Estate Planning

Judy and Glenn do not have any estate planning documents in place and are unsure which variables to consider with their mixed family.

Judy is concerned that Benji and Grace will be disinherited accidentally if she predeceases Glenn, leaving their assets to Jacob and Mia upon Glenn's death. Glenn is concerned about the opposite happening.

Since Mia is not fully independent yet, Glenn and Judy want to assume she inherits their paid-off home, plus \$500,000 (in today's dollars) to supplement her income needs. They don't think Benji, Grace, or Jacob will be expecting or needing anything, and they believe "fair isn't always equal, and equal isn't always fair."

Judy and Glenn have named each other as primary beneficiaries on their investment accounts and life insurance policies, but no contingent beneficiaries have been named.

Glenn expects to inherit a \$450,000 house from his parents, but he doesn't want to rely on it to support their retirement expenses. His parents Thomas and Sue live simply, with Social Security covering their essential spending.

Base Case Assumptions

Inflation Rate: 2.5%

Life Expectancy: Age 95 for both Judy and Glenn