

FINANCIAL PLANNING CHALLENGE



PRESENTING ORGANIZATIONS



Financial Planning Challenge 2020

Phase 1: Written Financial Planning Case Study

The first phase of the competition consists of a financial planning case study for two hypothetical clients. Students must assess the client's needs and prepare a comprehensive financial plan for the clients based on the data provided. Use of commercially available financial planning software is prohibited.

The written plan should include the following:

- A client welcome letter.
- One-page summary outline.
- Assess the clients' current financial condition.
- Identify the major Strengths, Weaknesses, Opportunities, and Threats (SWOT).
- Identify and disclose specific assumptions used in analyzing each goal and need.
- Discuss the resolution of any conflicts between the clients' goals and needs, and the ability to satisfy them due to financial or other constraints.
- Identify the extent to which other professionals are required to implement any recommendations.
- Note: Teams are encouraged to make assumptions where details are not provided - be creative.

Submission:

- Each team should submit their financial plan as one (1) compiled document in PDF format.
- **Important:** Please do not include your school's name, location or team member names on any pages of your case submission.
- Submit the online registration from and comprehensive financial plan by **May 14, 2020**. Case submissions should be sent to Destre Downing, FPA Learning and Student Initiatives, at DDowning@OneFPA.org.

Judging:

- A panel of judges representing each presenting organization will review the submissions based on a standardized grading rubric to maintain consistency.
- Please reference the Phase 1 Grading Rubric online at www.OneFPA.org/FPC
- Each submission will be assigned a point value based on the quality of their submission. The phase 1 score has a weighted score of 30%.

PRESENTING ORGANIZATIONS:

AMERIPRISE FINANCIAL, *FOUNDING CORPORATE PARTNER*
CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS, INC.
FINANCIAL PLANNING ASSOCIATION



The Unlikely Couple Margaret Miner and James John

Your new clients, Margaret Miner and James John have decided that they need to start working with a financial planner that they trust and are excited to start their journey with you.

Margaret and James are an unlikely couple. Margaret was coming off a bad divorce from her husband, Frank four years ago and met the dashing firefighter, James at a local Dallas community event. She immediately was taken by James and knew there was something special about him. Two years later, James proposed, and they have been happily married for two years now.

While their marriage has been blissful, their situation is simply put, complicated. Margaret inherited her family diamond business, The Sparkling Gem, and has been the sole owner and manager since her parents died ten years ago. Margaret worked to restructure the company based on the advice of her attorney, so The Sparkling Gem is an S-Corp and LLC.

The Sparkling Gem's insurance required a business valuation this year and the valuation was set at \$10,275,000. While the number was initially impressive to Margaret, what she really wants is to be able to have her daughter, Molly run the company when Margaret decides to retire. It's made a bit complicated with Margaret's son, Maverick, who despite all of Margaret's best efforts, has been struggling and Margaret just doesn't see a scenario where he would be able to help run the business. She does want him to have some ownership shares in the company, possible with some regular distributions throughout his life or the span of the business. All that to say, she has considered a number of different options, but would ideally want an income stream from the business for the rest of her life, just like her parents had planned to do.

Margaret really enjoys running the business and doesn't see herself retiring until she is 65, which will be in 14 years. She and James want to retire at the same time so they can enjoy their retirement fully and together. They want to be able to maintain their standard of living throughout the rest of their lives.

Margaret and James currently live in Margaret's home in Dallas, which is valued at roughly \$1,500,000 with no outstanding mortgage. While the home is beautiful, Margaret and James want to build a home together that can be theirs. They have found a property they want to buy and start building within the next two years - this is largely why they are coming to work with you. In talking with the architect and contractors, they expect the project to be \$3,000,000 all in. They aren't sure the right approach financially and are looking to you to provide them with insights into the best option.

After Margaret's divorce with Frank, she decided that she was going to do something special for herself. With the money from Frank in the divorce, Margaret bought a vacation cabin in Colorado for \$2,500,000. There is no mortgage on this home and the home is listed in her name. She has heard some success stories of renting out homes in Colorado, but hasn't explored that as an opportunity yet.

James is a simple man. He has his paid-off, beat up 1997 Chevy truck (Margaret makes him park it in the garage) that he loves, but is unreliable. He currently shares the car with his son, Jesse, but knows he is going to need a new car soon. James has never viewed himself as

“good with money” and carries roughly \$10,000 on a credit card, which is at 18.5% interest. James heard that it was a good idea to carry a balance on a credit card to help improve your credit and thought it may be helpful as they are looking at the new house.

James lived through the tech bubble and the Great Recession and was burned in each. After those experiences, he re-examined his life and realized his great calling in life - firefighting. He loves every day he goes to work and can't imagine doing anything different. James current salary is \$70,000 and he has a pension through the Dallas Police and Fire Pension. His projected monthly income from the pension is \$6,000/month. He keeps hearing that the pension is in trouble, but doesn't really know what that means.

James has a son, Jesse, who is 16 years old. James shares custody of Jesse with Jesse's mom. James is on good terms with Jesse's mom and they split all expenses 50/50. Neither James nor Jesse's mom have saved money for Jesse's college.

To celebrate James turning 40 next year, Margaret wants to go on a three-week African safari with him to celebrate this milestone. She anticipates that the total cost will be \$45,000 and a trip of a lifetime!

In coming to their meeting with you, Margaret and James ran the numbers and their total monthly expenses were roughly \$54,000 and pretty steady at that level. Margaret's salary from The Sparkling Gem is \$290,000 and receives yearly distributions ranging from \$200,000 to \$450,000.

While Margaret and James are the perfect match, they realize that they are an unlikely couple. They worked with an attorney to create a pre-nup agreement where everything prior to their marriage is separate property. Everything earned during their marriage is joint. If Margaret and James were to divorce, James would receive \$1,000/month for every year they were married up to \$10,000/month for the rest of Margaret's life.

Both Margaret and James value higher education. Margaret and her ex-husband, Frank, put money aside for each of their children. The money is currently in two joint accounts - one with Molly and the other with Maverick.

Molly, who will be 25 at the end of the year, ended up attending a good undergraduate university and is working at an entry level job as a marketing agency. Molly is interested in the family business, but still isn't sure if it's something that she would want to do long-term. Margaret was concerned about Molly's safety and ended up buying a house for Molly to live in. The house is located in Dallas and was originally purchased for \$340,000 and has a mortgage of \$200,000, which is at a 5.5% interest rate and a 30-year loan. Both Molly and Margaret are listed on the deed and mortgage. Margaret has also been giving Molly an additional \$1,000/month.

Maverick is going through a rough patch and is currently living with Margaret and James. He dropped out of college and has sporadic employment. Margaret has found herself supporting him through the years. Maverick has a daughter named Maddie and he shares custody of Maddie with her mom. Maddie is 2 and was recently diagnosed with autism. Margaret is a proud and supportive grandmother. While no one is certain yet of how much support Maddie will need in the future, Margaret is determined that Maddie will be provided for and taken care of.

Margaret has worked with financial planners in the past, but it was always Frank's advisor and she never really felt a connection. After her divorce, she was just too busy, but as life has slowed down a bit, she is ready to be more involved in the financial planning process. She knows she's well off, but feels disorganized. She likes to view things at a high level and doesn't like to get bogged down with details.

James has never worked with a financial planner, but is eager for the meeting to learn and understand what they have.

In looking at their values, both Margaret and James value higher education and giving back. Margaret wants to continue supporting the Diamond in the Rough Foundation and James wants to support Sons of the Flag Foundation.

In thinking through their estate, Margaret wants to be sure that if anything were to happen to her that James would be taken care of. Margaret doesn't want to leave James with nothing, but definitely wants the majority of her wealth to go with her bloodline. Both Margaret and James are in good health.

Net Worth Statement

As of February 6, 2020

Prepared for Margaret Miner and James John

ASSETS:	Margaret	James	Joint	Total	LIABILITIES:	Margaret	James	Joint	Total
NON-QUALIFIED ASSETS:					TOTAL LIABILITIES	\$0	\$0	\$0	\$0
<i>Taxable Investments:</i>					NET WORTH	\$20,846,775	\$0	\$0	\$20,846,775
Brokerage Account (Margaret)	\$4,224,393	--	--	\$4,224,393					
Joint Account with Maverick	\$247,964	--	--	\$247,964					
Joint Account with Molly	\$76,894	--	--	\$76,894					
<i>Insurance Policies:</i>									
Firefighter Life Insurance Policy	--	--	--	--					
Life Insurance	\$76,000	--	--	\$76,000					
Total: Non-Qualified Assets	\$4,625,251	--	--	\$4,625,251					
RETIREMENT ASSETS:									
<i>Qualified Retirement:</i>									
SEP Account (Margaret)	\$446,524	--	--	\$446,524					
Total: Retirement Assets	\$446,524	--	--	\$446,524					
TOTAL LIQUID ASSETS	\$5,071,775	--	--	\$5,071,775					
BUSINESS INTERESTS:									
The Sparkling Gem	\$10,275,000	--	--	\$10,275,000					
Total: Business Interests	\$10,275,000	--	--	\$10,275,000					
REAL ESTATE ASSETS:									
Colorado Cabin	\$2,500,000	--	--	\$2,500,000					
Dallas Home	\$1,500,000	--	--	\$1,500,000					
Total: Real Estate Assets	\$4,000,000	--	--	\$4,000,000					
PERSONAL ASSETS:									
Inherited Jewelry Collection	\$1,500,000	--	--	\$1,500,000					
Total: Personal Assets	\$1,500,000	--	--	\$1,500,000					
TOTAL ASSETS	\$20,846,775	--	--	\$20,846,775					

TOTAL NET WORTH: \$20,846,775

Expense Details

Base Facts

Prepared for Margaret Miner and James John

The Expenses Details report lists your expenses.

Living Expense Details	
Dallas Property Tax	\$30,000
Income Tax Payments	\$108,000
Dallas Home Maintenance	\$35,000
Colorado Cabin Maintenance	\$25,000
Molly Expenses	\$45,000
Colorado Cabin Property Tax	\$14,000
Car Lease (Lease ends 12/2020)	\$9,600
Insurance	\$25,000
Diamond in the Rough Foundation	\$18,000
Sons of the Flag	\$6,000
Food/Groceries	\$18,000
Dallas Utilities	\$12,000
Colorado Cabin Utilities	\$13,000
Restaurants	\$35,000
Boat Cost	\$30,000
Annual Family Vacation	\$50,000
Cowboys Season Suite	\$50,000
Clothing	\$20,000
Season Pass for Ski Lift	\$10,000
Dallas Country Club Dues	\$18,500

Holdings Detail

As of February 06, 2020

Prepared for Margaret Miner and James John

The Holdings Detail report lists your holdings, and each holding's percentage of the total portfolio as of the last update.

ACCOUNTS INCLUDED: ALL ASSETS

Name	Ticker	CUSIP	Units	Price	Market Value	Asset Class	% of Portfolio
Brokerage Account (Margaret)							
Alphabet Inc. Class A	GOOGL		350.000	1,446.05	506,117.50	Large Growth	10.13
Facebook, Inc. Class A	FB		500.000	210.11	105,055.00	Large Growth	2.10
iShares MSCI Poland ETF	EPOL		3,000.000	20.63	61,890.00	Multiple	1.24
iShares Russell 1000 Value ETF	IWD		2,500.000	137.75	344,375.00	Multiple	6.89
Microsoft Corporation	MSFT		250.000	179.90	44,975.00	Large Growth	0.90
Morgan Stanley Institutional Fund, Inc Capital Growth Ptf, CI I	MSEQX		1,500.000	50.49	75,735.00	Multiple	1.52
Neuberger Berman Commodity Strategy Fund-Class A	NRBAX		95,000.000	5.55	527,250.00	Commodities	10.55
Parametric Commodity Strategy Fund Institutional Class	EIPCX		115,000.000	4.98	572,700.00	Commodities	11.46
SPDR S&P 500 ETF Trust	SPY		3,000.000	332.86	998,580.00	Multiple	19.99
T. Rowe Price New Horizons Fund	PRNHX		1,500.000	63.43	95,145.00	Multiple	1.90
Tesla Inc	TSLA		150.000	734.70	110,205.00	Large Growth	2.21
Van Eck CM Commodity Index Fd CI A	CMCAX		3,000.000	4.30	12,900.00	Commodities	0.26
Vanguard Total Stock Market ETF	VTI		2,500.000	169.21	423,025.00	Multiple	8.47
Vanguard Total World Stock ETF	VT		3,000.000	82.23	246,690.00	Multiple	4.94
White Oak Select Growth Fund	WOGSX		950.000	105.00	99,750.00	Multiple	2.00
Joint Account with Maverick							
JPMorgan Trust II US Government Money Market Fund Morgan	MJGXX		247,964.000	1.00	247,964.00	Multiple	4.96
Joint Account with Molly							
JPMorgan Trust II US Government Money Market Fund Morgan	MJGXX		76,894.000	1.00	76,894.00	Multiple	1.54
SEP Account (Margaret)							
Amazon.com, Inc.	AMZN		150.000	2,039.87	305,980.50	Large Growth	6.12
Brown Advisory Sustainable Growth Fd Inst Shs	BAFWX		1,250.000	29.81	37,262.50	Multiple	0.75
Fidelity Select Biotechnology Pt	FBIOX		350.000	22.57	7,899.50	Multiple	0.16
Harbor Capital Appreciation Fund Insti CI	HACAX		600.000	81.94	49,164.00	Multiple	0.98
T. Rowe Price Blue Chip Growth Fund, Inc.	TRBCX		350.000	132.05	46,217.50	Multiple	0.93
Total Holdings					4,995,775		100.00
Cash Balance					0		0.00
Total Value					4,995,775		100.00

Life Insurance Summary

Base Facts

Prepared for *Margaret Miner and James John*

This report lists your life insurance policies and shows the amount of coverage for each person insured.

Insured: Margaret Miner		
Life Insurance		
Death Benefit: \$2,000,000	Institution:	Policy Number:
Purchase Date: 2/6/2011	Type: Term	Insured: Margaret Miner
Owner: Margaret Miner	Premium Payer: Margaret and James (Joint/ROS)	Annual Premium: \$2,700
Term (years): 10	Premium Term (years): Lifetime	Exclusion Amount: \$0
Proceeds Reinvested: Inflation (3.00%)		
Primary Beneficiaries:		
Other Heirs (100.00%)		
Contingent Beneficiaries:		
Other Heirs (100.00%)		
Life Insurance		
Death Benefit: \$250,000	Institution:	Policy Number:
Purchase Date: 2/6/2020	Type: Whole	Insured: Margaret Miner
Owner: Margaret Miner	Premium Payer: Margaret and James (Joint/ROS)	Annual Premium: \$0
Term (years): n/a	Premium Term (years): Lifetime	Exclusion Amount: \$0
Cash Value: \$76,000 as of 2/6/2020	Basis: \$54,000	Cash Value Growth Rate: Inflation (3.00%)
Proceeds Reinvested: Inflation (3.00%)		
Primary Beneficiaries:		
Other Heirs (100.00%)		
Contingent Beneficiaries:		
Other Heirs (100.00%)		

Insured: James John		
Firefighter Life Insurance Policy		
Death Benefit: \$140,000	Institution:	Policy Number:
Purchase Date: 2/6/2020	Type: Group	Insured: James John
Owner: James John	Premium Payer: Margaret and James (Joint/ROS)	Annual Premium: \$0
Term (years): n/a	Premium Term (years): Lifetime	Exclusion Amount: \$0
Cash Value: \$0 as of 2/6/2020	Basis: \$0	Cash Value Growth Rate: No Growth (0.00%)
Proceeds Reinvested: Inflation (3.00%)		

Primary Beneficiaries:

Margaret Miner (100.00%)

Contingent Beneficiaries:

Other Heirs (100.00%)

Total Insurance

Insured	Payable to Spouse or Estate	Payable to Irrevocable Trust	Payable to Heirs	Total Benefit
Margaret Miner	\$0	\$0	\$2,250,000	\$2,250,000
James John	\$140,000	\$0	\$0	\$140,000
Survivorship	\$0	\$0	\$0	\$0
Total Insurance Coverage	\$140,000	\$0	\$2,250,000	\$2,390,000

Disability Summary

Base Facts

Prepared for Margaret Miner and James John

The following is a summary of the general details of the selected disability event. It also displays lost income sources and disability policies, as these are the main items that impact disability analysis.

Existing Disability Insurance

Firefighter Disability

Insured: James John

Policy Type: Group Long Term

Benefit: \$35,000 Annually

Elimination Period: 0 Days

COLA: Inflation (3.00%)

Annual Premium:

Institution:

Reduce by Social Security?: Yes

Benefit Period: Age 65

Benefit is Taxable?: No

Premium Term: 0 years