

FINANCIAL PLANNING CHALLENGE



PRESENTING ORGANIZATIONS



Financial Planning Challenge 2021

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 form and comprehensive financial plan by **Midnight May 24, 2021**. 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%.

Opposites Attract

Meet your new clients, Nick Beverly (35) and Krista Conley (29). While Nick has interacted with his company's 401k representative, this is the first time he and Krista will be working with a Financial Planner. They are excited to get the process started with you.

For Krista, Instagram is a way of life. After dropping out of college she spent her early twenties as a full-time nomad and found a way to build a 6-figure blog to support a lifestyle that enabled her to travel around the world and get paid to post about it. Krista "lives for the now." She is free-spirited, creative, talented and warm; people naturally gravitate to her.

Nick is a respected Senior Project Engineer and followed a more traditional and very rigorous path. He attended Massachusetts Institute of Technology, graduating with a degree in Urban Science and Planning with Computer Science and minor in Energy Studies. After completing his work at MIT, he went on to earn an MBA. He is determined, fiercely loyal and likes to take things one step at a time. Nick really enjoys his work at EnCorp and is excited for the future.

In early 2017, at the suggestion of a college buddy, Nick joined Instagram to follow socially responsible investors and companies. After a few weeks of exploring Nick found Krista and began liking her photos. They then exchanged flirty "likes" and DMs and spent hours on Facetime. One month later they met in person and it was love at first sight. They were married in June 2017 in Bora Bora on the beach and have been blissfully married for three and half years.

After a two-month honeymoon they purchased a beautiful \$750,000 home in Scottsdale, AZ that checked all their boxes, even though it was a little over their budget. Their mortgage is a 30-year term with a balance of \$510,000 at a 6% interest rate. They've had some trouble with their credit in the past but have been working diligently to improve it. Krista even reached out to a credit building service to see if they wanted to sponsor her.

Krista's career as a self-employed travel blogger has been wildly successful resulting in an annual income of \$350,000/year (1099 income). She earned an additional \$25,000 from sponsorship contracts. Unfortunately, the 2020 pandemic hit Krista hard. Many of her contracts fell through and her income dropped to \$30,000. Although encouraged by other influencers, bloggers and Nick to create a SEP IRA, she forgot to do this and now doesn't think it's worth the effort with her income level.

EnCorp has been the perfect company for Nick; he manages a remote team and is able to work remotely. He feels equally empowered, excited and challenged in his work at the firm and even received a recent promotion. His annual salary is \$225,000. Nick's recent promotion at EnCorp awarded two different types of stock options. Nick isn't sure what all of these options mean but signed up for each of them. Nick receives an

annual grant of 500 shares as an Incentive Stock Option (ISO), which vests over 4 years at 25% each year. EnCorp is currently valued at \$60/share and the growth is projected to be 15% each year for the next five years. Nick received his ISOs at a 15% discount from the \$60/share price when the options were issued.

In addition to the Incentive Stock Plan, Nick received Restricted Stock Units (RSUs). Each year in Nick's role, he will receive \$15,000 in RSUs that will vest in four years. The number of shares will be based on what the share price would be. For this year, Nick received 250 shares that will vest in four years.

Nick's company offers a 100% match for the first 3% and a 50% for the next 5% he contributes to his 401k; however, Nick stopped contributing with Krista's decreased income.

Krista and Nick both appreciate the finer things in life. They are aware of their spending habits and open to budgeting but do not want to feel stifled. Organic grocery delivery is one area that cannot be compromised. Krista's influencer partnership with Hello Fresh requires it. Nick just made the last payment on his Prius and Krista leases a Range Rover for \$899/month. With the Prius paid off, Nick has the goal of purchasing a Tesla Model X. Their credit card debt reached \$20,000 in December 2020.

Nick is particularly interested in socially responsible investing and has dabbled with it a little. Krista is freer with how she invests and prefers to utilize apps like Robinhood to help her. Both Nick and Krista were able to come into their marriage with some money saved. Nick invested their money together in a joint investment account and they had been able to save more money before the pandemic hit. Nick and Krista made several wise investments like buying Tesla before the Tesla stock skyrocketed in 2020. Nick feels like they have missed out on bitcoin and is interested in learning more about whether this would be another wise investment for them to make. Krista doesn't follow the stock market much at all but is interested in bitcoin because of all she's seen on TikTok.

Surprise! Just last week Krista confirmed that she is pregnant their first child. She is due July 2021. They are looking forward to designing the baby's nursery and want to hire a full-time nanny.

Nick is coming to the meeting looking for advice on what he needs to do with his recent stock options. He is also interested in discussing early retirement. The same friend who introduced Nick to Instagram is planning to retire at 40 and is part of the FIRE movement. Nick is interested in this idea and the minimalistic lifestyle but is pretty sure Krista won't have any of it.

Krista's main concern is what her career and future hold. She is playing with the idea of going back to school to finish her degree. She is also considering what doubling down on influencing would amount to or even what a more stable PR/Marketing role

might look like. Ultimately, she wants to live how they did before the pandemic, traveling every other month and enjoying the now.

Both Nick and Krista are anxious to plan for the arrival of their new baby and how they need to handle the severe decrease in Krista's income. They would love to discuss estate planning options and ideas as they have not given much thought to it.

Additional and secondary concerns for the couple are supplemental life insurance options, education funding for the baby and future assistance for Nick's aging parents who may need help down the road, they are not in the best of health.

They are eager to learn and understand what they have and what options they have and look forward to meeting with you for the first time.

Net Worth Statement

As of January 02, 2021

Prepared for Nick Beverly and Krista Conley

ASSETS:	Nick	Krista	Joint	Total	LIABILITIES:	Nick	Krista	Joint	Total
NON-QUALIFIED ASSETS:					LONG TERM LIABILITIES:				
<i>Cash Alternatives:</i>					Krista's Credit Card	--	(\$13,846)	--	(\$13,846)
Joint Checking Account	--	--	\$27,464	\$27,464	Nick's Credit Card	(\$6,482)	--	--	(\$6,482)
					Scottsdale Mortgage	--	--	(\$510,000)	(\$510,000)
					Total: Long Term Liabilities	(\$6,482)	(\$13,846)	(\$510,000)	(\$530,328)
<i>Taxable Investments:</i>					TOTAL LIABILITIES	(\$6,482)	(\$13,846)	(\$510,000)	(\$530,328)
Joint Investment Account	--	--	\$612,629	\$612,629	NET WORTH	\$97,118	(\$13,846)	\$900,593	\$983,865
<i>Insurance Policies:</i>					TOTAL NET WORTH: \$983,865				
Nick's Group Life Insurance	--	--	--	--					
Nick's Group Life Insurance (Spousal Insurance)	--	--	--	--					
Total: Non-Qualified Assets	--	--	\$640,093	\$640,093					
RETIREMENT ASSETS:									
<i>Qualified Retirement:</i>									
Nick's 401(k) Plan	\$103,600	--	--	\$103,600					
Total: Retirement Assets	\$103,600	--	--	\$103,600					
TOTAL LIQUID ASSETS	\$103,600	--	\$640,093	\$743,693					
REAL ESTATE ASSETS:									
Scottsdale Home	--	--	\$748,500	\$748,500					
Total: Real Estate Assets	--	--	\$748,500	\$748,500					
PERSONAL ASSETS:									
2018 Prius	--	--	\$22,000	\$22,000					
Total: Personal Assets	--	--	\$22,000	\$22,000					
TOTAL ASSETS	\$103,600	--	\$1,410,593	\$1,514,193					

Expense Details

Prepared for Nick Beverly and Krista Conley

LIVING EXPENSES

Current Amount (today): \$20,896

Details

Range Rover Lease: \$899

Shopping: \$1,400

Food: \$2,300

Amazon: \$850

Eating Out: \$1,200

Travel Expenses (decreased significantly since pandemic): \$500

Utilities: \$1,400

Entertainment: \$1,200

Mortgage: \$3,597

Health & Fitness: \$300

Insurance: \$800

Personal Trainer: \$650

Pool Maintenance: \$500

Personal Care: \$500

Personal Assistant (for help managing Instagram):
\$1,500

Tax Payment: \$1,800

Housekeeper: \$600

Cash: \$500

Landscaping: \$400

Holdings Detail

As of January 02, 2021

Prepared for Nick Beverly and Krista Conley

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

ACCOUNTS INCLUDED: NICK'S 401(K) PLAN

Name	Ticker	CUSIP	Units	Price	Market Value	Asset Class	% of Portfolio
Nick's 401(k) Plan							
Vanguard Target Retirement 2035 Fund	VTTHX		4,000.000	25.90	103,600.00	Multiple	100.00
Total Holdings					103,600		100.00
Cash Balance					0		0.00
Total Value					103,600		100.00

Joint Investment Account Summary

As of January 22, 2021

Prepared for Nick Beverly and Krista Conley

The Holdings Gain/Loss report provides the tax basis and unrealized gain or loss for your holdings, as well as the total tax basis and total gain or loss for your holdings as of the last update.

ACCOUNTS INCLUDED: JOINT INVESTMENT ACCOUNT

Name	Ticker	CUSIP	Units	Unit Tax Basis	Tax Basis	Price	Market Value	Unrealized Gain/Loss	% of Portfolio
Joint Investment Account									
BrandywineGLOBAL - Global Opportunities Bond Fund Class I	GOBIX		1,500.000	15.65	23,475.00	\$11.89	\$17,835.00	(5,640.00)	2.91
Domini Impact International Equity Fund Class A Shares	DOMAX		1,500.000	8.23	12,345.00	\$9.35	\$14,025.00	1,680.00	2.29
Fidelity 500 Index Fund	FXAIX		750.000	82.82	62,115.00	\$133.64	\$100,230.00	38,115.00	16.36
iShares Global Clean Energy ETF	ICLN		400.000	9.63	3,852.00	\$32.66	\$13,064.00	9,212.00	2.13
Tesla Inc	TSLA		500.000	102.10	51,050.00	\$844.99	\$422,495.00	371,445.00	68.96
Vanguard Wellington Income Fund	VWELX		1,000.000	40.73	40,730.00	\$44.98	\$44,980.00	4,250.00	7.34
Total Holdings					193,567.00		\$612,629.00	419,062.00	100.00

Life Insurance Summary

Base Facts

Prepared for Nick Beverly and Krista Conley

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

Insured: Nick Beverly		
Nick's Group Life Insurance		
Death Benefit: \$225,000	Institution: EnCorp	Policy Number: 1234870224
Purchase Date: Upon Employment	Type: Group	Insured: Nick Beverly
Owner: Nick Beverly	Premium Payer: EnCorp	Annual Premium: N/A
Term (years): n/a	Premium Term (years): Lifetime	Exclusion Amount: \$0
Cash Value: \$0 as of 1/02/2021	Basis: \$0	Cash Value Growth Rate: No Growth (0.00%)
Primary Beneficiaries:		
Krista Conley (100.00%)		
Contingent Beneficiaries:		

Insured: Krista Conley		
Krista's Life Insurance Policy		
Death Benefit: \$125,000	Institution: Ameriprise	Policy Number: 4780004567
Purchase Date: 1/5/2016	Type: Term	Insured: Krista Conley
Owner: Krista Conley	Premium Payer: Nick and Krista (Joint/ROS)	Annual Premium: \$253
Term (years): 15	Premium Term (years): 15	Exclusion Amount: \$0
Primary Beneficiaries:		
Nick Beverly (100.00%)		
Contingent Beneficiaries:		
Nick's Group Life Insurance (Spousal Insurance)		
Death Benefit: \$25,000	Institution: EnCorp	Policy Number: 232-55478
Purchase Date: Upon Employment	Type: Group	Insured: Krista Conley

Owner: Nick Beverly	Premium Payer: EnCorp	Annual Premium: Employer Paid
Term (years): n/a	Premium Term (years): Lifetime	Exclusion Amount: \$0
Primary Beneficiaries:		
Nick Beverly (100.00%)		
Contingent Beneficiaries:		

Disability Summary

Base Facts

Prepared for Nick Beverly and Krista Conley

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	
Nick's Disability Policy – Own Occupation	
Insured: Nick Beverly	
Policy Type: Group Short Term	Institution: EnCorp
Benefit: 60% of Salary	Reduce by Social Security?: Yes
Elimination Period: 14 Days	Benefit Period: 180 Days
COLA: None (0.00%)	Benefit is Taxable?: Yes
Annual Premium: Paid by employer	