

FINANCIAL PLANNING CHALLENGE



PRESENTING ORGANIZATIONS



Financial Planning Challenge 2018

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. Teams must prepare a client welcome letter and a one page summary outline. Use of commercially available financial planning software is prohibited.

Submission:

- Student teams must submit their comprehensive financial plan and registration form by **May 18, 2018** to Destre Downing, FPA, Learning and Development, at DDowning@OneFPA.org
- 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.

The written plan should include the following:

- 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.

Judging:

- A panel of judges representing each presenting organization will review the submissions based on a standardized grading rubric to maintain consistency.
- 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



Financial Planning Challenge

Case Analysis: Carl and Naomi Berman

Introduction:

Below is a case study of a fictional family named Berman. They represent a typical family in the wealth building stage of their financial life; two income earners saving for their future and education for their two children at the same time. The case study will allow you to practice analyzing a situation, using financial calculations and writing suitable recommendations. Begin by reading their background and start making note of the Berman's goals and concerns.

Background:

Names:

Carl Berman (46), law school professor

Matthew (14), son

Naomi Berman (43), private junior high school principal

Sarah (11), daughter

Financial situation:

Carl and Naomi have spent the majority of their working years focusing on being fiscally responsible with the healthy income they earn. They consider themselves "do it yourselfers" and have managed their money at local banks, Charles Schwab online and through their 401k's at work. Their only financial relationship is with their State Farm insurance agent who is also their neighbor.

Carl is a professor at the law school at the local university. Naomi is the principal of a private junior high school. They have two children, Matthew (14) and Sarah (11) and they hope to pay for their full college experience out of the savings they have been tucking away for the last ten years.

When they were first married, Carl and Naomi enjoyed a great deal of travel and leisure. Since their children were born they have made saving for the future their primary focus. Now, as they are entering their mid-forties with stable income, very good health and a net worth of over a half a million dollars, they are beginning to ask themselves if they are on track. They have found themselves wondering if fully financing their children's education is truly possible.

They currently own a home in Harrisonburg, VA valued at \$450,000 and dream of one day owning a home in the historic district of the city. They would also love to own a small cabin in the Blue Ridge Mountains of Virginia where they could enjoy the outdoors during retirement. To this point, they have saved money for these accumulation goals into various accounts without any direction from a financial advisor. They are uncertain how much of their savings and future income must be allocated to each of these goals to make them attainable.

A co-worker of Carl's recently passed away leaving his family with very little life insurance. They do not want to fall victim to the same fate should something happen to one of them. They also have a very good understanding of the time value of money and agree that a loss of income, even temporary, could have a dramatic impact on the progress toward attaining their goals. They would like an advisor's recommendations on whether their current life and disability insurance coverage is adequate. If Carl was to pass away he wants

Naomi to still be able to fund all of their goals. If Naomi passes, Carl wants the kid's education covered but would not purchase the cabin. In the event of a disability, they agreed that a reduction of current lifestyle would be priority, but would like to have the income replacement to remain on track with their goals. The Berman's were also embarrassed to admit that they have not yet drafted the appropriate estate documents.

Carl and Naomi were introduced to you by a friend of theirs, a current client of yours, who invited them to your retirement seminar that you hosted. After agreeing to a face-to-face meeting at your office, they prepared the following summary of their financial data and returned it to you.

Net Worth Details

Carl and Naomi Berman

As of: 12/31/2017

	Carl	Naomi	Joint	Total
Non-Qualified Assets				
Bank savings			30,281	30,281
Trading account			107,338	107,338
Total Non-Qualified Assets			137,619	137,619
Qualified Assets				
Carl's Roth	61,431			61,431
Naomi's Roth		66,550		66,550
Carl's IRA	153,577			153,577
Naomi's 401(k)		204,770		204,770
Carl's 401(k)	307,155			307,155
Total Qualified Assets	522,163	271,320		793,483
Lifestyle Assets				
Residence			453,750	453,750
Total Lifestyle Assets			453,750	453,750
Total Assets	522,163	271,320	591,369	1,384,851
Liabilities				
Mortgage			(314,118)	(314,118)
Car Loan			(29,787)	(29,787)
Credit Card			(7,515)	(7,515)
Total Liabilities			(351,421)	(351,421)
Total Net Worth	522,163	271,320	239,948	1,033,430

Cash Flow Details

Carl and Naomi Berman

As of: 12/31/2017

	Carl	Naomi	Family
Cash Inflows			
Earned Income			
Salary	140,000	100,000	240,000
Subtotal	140,000	100,000	240,000
Investment Income			
Interest	386	386	771
Dividends	518	518	1,037
Long-Term Capital Gains	1,744	1,744	3,489
Subtotal	2,649	2,649	5,297
Total Cash Inflows	142,649	102,649	245,297
Cash Outflows			
Lifestyle Expenses			
Discretionary expenses	25,000	25,000	50,000
Fixed expenses (excluding liabilities)	20,000	20,000	40,000
Mortgage payment	15,000	15,000	30,000
Car Loan	3,900	3,900	7,800
Credit Card payment	1,050	1,050	2,100
Subtotal	64,950	64,950	129,900
Non-Qualified Reinvestments			
Reinvestments	886	886	1,771
Reinvested Accrued Investment Expense	1,521	1,521	3,042
Subtotal	2,407	2,407	4,813
Qualified Savings			
401(k) contributions	7,500	0	7,500
Subtotal	7,500	0	7,500
Taxes			
Federal Income Tax	21,449	16,272	37,721
State Income Tax	5,883	4,372	10,255
Social Security Tax - employment	7,831	6,200	14,031
Medicare Taxes	2,030	1,450	3,480
Subtotal	37,193	28,294	65,487
Total Cash Outflows	112,050	95,651	207,700
Surplus/(Deficit)	30,599	6,998	37,597

This information is hypothetical and is not a solicitation to buy or sell any securities referenced nor is it meant to represent actual investment performance of any specific investment or imply any guaranteed rate of return.

Accounts Summary

Account/Symbol	Description	Cost basis	Market value
Savings/Checking	At their local bank		\$30,000.00
401(k) & 403(b) - Equity			
BIGRX	American Century Income & Growth Fund	\$45,000.00	\$55,000.00
PYEQX	Pioneer Equity Income Fund Class Y	\$35,000.00	\$40,000.00
LGILX	Laudus U.S. Large Cap Growth Fund	\$27,000.00	\$30,000.00
PJFZX	Prudential Jennison Growth Fund Class Z	\$23,000.00	\$30,000.00
ARGFX	Ariel Fund Investor Class	\$7,000.00	\$10,000.00
SPVZX	Prudential QMA Mid-Cap Value Fund Class Z	\$6,000.00	\$10,000.00
TWHIX	American Century Heritage Fund Investor Class	\$12,000.00	\$10,000.00
FRC1Z	Franklin Small-Mid Cap Growth Fund Class A	\$18,000.00	\$20,000.00
FSCAX	Nuveen Small Cap Value Fund Class A	\$10,000.00	\$20,000.00
QUASX	AB Small Cap Growth Portfolio Class A	\$27,000.00	\$30,000.00
MDBSZ	BlackRock International Fund Investor A Shares	\$42,000.00	\$35,000.00
COASZ	Columbia Overseas Value Fund Class A	\$34,000.00	\$35,000.00
FNGAX	Franklin International Growth Fund Class A	\$27,000.00	\$25,000.00
			\$350,00.00
401(k) & 403(b) - Bonds			
	U.S. Government Bond		\$50,000.00
	U.S. Investment Grade Corporation Bond		\$40,000.00
	U.S. High Yield Corporate Bond		\$30,000.00
	Emerging Foreign Bond		\$30,000.00
			\$150,000.00
Brokerage/Investment			
SFLNX	Schwab Fundamental U.S. Large Company Index	\$14,000.00	\$18,000.00
TRBCX	T.Rowe Price Blue Chip Growth Fund	\$14,500.00	\$15,000.00
PYPL	PayPal Holdings, Inc.	\$12,000.00	\$18,000.00
DAL	Delta Air Lines, Inc.	\$10,000.00	\$14,000.00
AMZN	Amazon.com, Inc.	\$10,000.00	\$18,000.00
MCK	McKesson Corporation	\$18,000.00	\$12,000.00
V	Visa Inc.	\$8,000.00	\$10,000.00
			\$105,000.00
IRA, SEPS, SIMPLE, ROTH			
GFAFX	American Funds "The Growth Fund of America"	\$27,000.00	\$30,000.00
CHCLX	AB Discovery Growth Fund Class A	\$34,000.00	\$60,000.00
TSCSX	Thrivent Small Cap Stock Fund Class S	\$45,000.00	\$40,000.00
NBQAX	Nuveen International Growth Fund Class A	\$45,000.00	\$70,000.00
AAPL	Apple Inc.	\$38,000.00	\$45,000.00
TSLA	Tesla, Inc.	\$42,000.00	\$30,000.00
			\$275,000.00
			\$880,000.00