

FINANCIAL PLANNING CHALLENGE



PRESENTING ORGANIZATIONS



Financial Planning Challenge 2019

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 24, 2019**. 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%.

Thank you to Dalton Education for providing the 2019 Case Study.

PRESENTING ORGANIZATIONS:

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



Jamie and Claire Jackson
1234 Oakwood Circle Homewood Heights, OH 45044

Comprehensive Case

Your new clients, Jamie and Claire Jackson have asked for your help with a number of issues facing them as they begin to think about sending their children to university and someday retiring. They have both been in their current jobs since they moved to Ohio 10 years ago to be closer to Jamie's family. Claire's parents both died 12 years ago. They are both happy with their current employment and have no intention of changing jobs in the near future.

Family Information

Jamie is a regional store manager at Apex Groceries, Inc. with an annual gross earned income of \$124,400 and net after-tax income of \$81,342. Claire earns an annual gross earned income of \$59,400 and net after-tax income of \$42,310 from her job as an executive assistant at Boeing, Inc.

Family Member	Age	Relationship	Health
Jamie	40	Husband	Excellent – Nonsmoker
Claire	38	Wife	Excellent – Nonsmoker
Brianna	14	Daughter	Excellent – Nonsmoker
Riley	12	Son	Excellent – Nonsmoker

Earned Income and Tax Information furnished by the Jackson's Federal Income Tax Calculation: Based on Tax Year 2019

Wage Earner	Gross Income	FICA	State	Federal	401(k)	Net Income
Jamie	\$124,400	\$9,516	\$5,598	\$19,236	\$8,708	\$81,342
Claire	\$59,400	\$4,540	\$2,670	\$6,320	\$3,560	\$42,310
Total	\$183,800	\$14,056	\$8,268	\$25,556	\$12,268	\$123,651

Goals and Objectives

In order of priority, the specific goals and objectives of Jamie and Claire are as follows:

1. Retire with an income of \$8,000 per month in today's dollars when Jamie turns 65, with funding for a projected 30-year life expectancy.
2. Education funding for the children.
3. Wedding for Brianna - save \$15,000 by Brianna's age 25. The wedding fund savings will be invested 50% in conservative stocks and 50% in corporate bonds.

Insurance Information

Life Insurance

Insured	Owner	Beneficiary	Type	Amount	Cash Value	Annual Premium
Jamie	Jamie	Claire	20-year term – 5 yrs. old	\$350,000	None	\$263
Jamie	Jamie	Claire	Variable life – 4 yrs. old	\$250,000	\$11,080	\$3,145

Disability Insurance

Insured	Type	Benefit	Premium Payor	Premium	Notes
Jamie	LTD	60% of income to age 65; maximum \$4,200/mo. Benefit	Jamie	\$1,560	Includes residual disability benefit, partial disability benefit, and return-to-work benefit; 90-day wait. Plan uses split definition of disability

Medical Insurance

Owner	Insured	Type	Benefit	Payor	Premium
Jamie	Jackson Family	High Deductible Plan	\$3,000 Family Deductible 75/25 Co-Insurance	Apex Groceries	\$0

Homeowners Insurance

Owner	Insured	Type	Coverage	Payor	Premium
Jamie	Residence	HO-3	\$220,000 dwelling	Jamie and Claire	\$2,100

Auto Insurance

Owner	Insured	Type	Coverage	Payor	Premium
Jamie	Vehicle 1 and 2	PAP	\$300,000 coverage, \$250 deductible	Jamie	1,404

Investment Portfolio Information

Retirement Plans

Jamie has a 401(k) through his employer. Jamie contributes 7% of salary each year and the company contributes 3% each year. Claire contributes 6% of salary each year to her 401(k) at Boeing, and her employer matches 100% of the first 3% and 50% of the next 2% that she contributes. Both Jamie and Claire are 100% vested in the employer contributions.

Owner	Allocation	Fair Market Value	Beneficiary
Jamie – 401(k)	Aggressive Growth Fund	\$47,800	Claire
Jamie – 401(k)	International High-Yield Bond Fund	\$22,300	Claire
Jamie – 401(k)	Emerging Markets Fund	\$30,900	Claire
Jamie – IRA	Growth Fund	\$29,000	Brianna and Riley
Claire – 401(k)	Boeing Stock*	\$32,400	Jamie
Claire – 401(k)	Aggressive Growth Fund	\$20,250	Jamie
Claire – 401(k)	International Growth Fund	\$20,250	Jamie
Claire – 401(k)	Growth Fund	\$8,100	Jamie

*Cost basis in the Boeing stock is \$15,000.

Personal Investments

Name	# of Shares	Price per share	Current Value	Cost Basis
American Motors	250	\$21.50	\$5,375	\$2,437
First Southern Bank Corp.	150	\$46.78	\$7,017	\$2,456
whatsnext.com	1,000	\$24.00	\$24,000	\$20,500
NewTech	900	\$2.00	\$1,800	\$2,500
Equity Growth Mutual Fund	400	\$18.75	\$7,500	\$4,500

Name	Face Amount	Current Value	Interest Rate	Payable	When Matures
NewTech (Bond)) (five bonds)	\$5,000	\$5,169	4%**	Annually	3 years

**Comparable bonds are yielding 4.7%.

Risk Tolerance

Jamie – Aggressive

Claire – Moderate

Estate and Income Tax Information

Jamie and Claire each have a basic will, written after their first child was born. They have done no other estate planning. They would like their assets to be split equally between their children after the death of the surviving spouse.

They are in the 24% federal marginal income tax bracket and 4.5% state income tax bracket.

Education Planning

Jamie and Claire want their children to go to their alma mater, Eastern State University. In-state tuition is currently \$9,000 per year. They want to fund 80% of the cost of a 4-year education, ensuring that the cost is fully funded when the child starts school. Brianna has \$20,000 in a CD. She is the only child with any money currently saved for college. It is set up as an UTMA account.

Assumptions

Client Assumption	Rate of Return/Increase
Safe Retirement Account	6%
Personal Residence	2%
Aggressive Stocks	11%
Conservative Stocks	8%
Corporate Bonds	5%
5-year CDs	2.5%
Inflation	3.5%
College Inflation	7%
Risk-Free Rate	3%
15-Year Mortgage	5.25%
30-Year Mortgage	6.75%
Refinance Costs (points and fees)	4%
Auto Loan	5.75%
Credit Card	18%

Jamie and Claire Jackson
Statement of Financial Position
As of December 31, Last Year

ASSETS		CURRENT LIABILITIES	
<u>Cash/Cash Equivalents</u>		Credit Card Debt ²	\$25,000
Checking (JTWROS)	\$ 800		
Savings (JTWROS)	\$7,000	TOTAL CURRENT LIABILITIES	\$25,000
Money Markets (JTWROS)	<u>\$21,800</u>		
Total	\$29,600	LONG-TERM LIABILITIES	
		Mortgage (Residence) ³	\$175,446
<u>Invested Assets</u>		Vehicle Loan #1 ⁴	\$ 12,877
Stock Portfolio (JTWROS)	\$ 45,692	Vehicle Loan #2 ⁵	\$ 18,857
Equity Growth Mutual Funds (JTWROS) ¹	\$ 7,500	TOTAL LONG-TERM LIABILITIES	\$207,180
Life Insurance Cash Value (H)	\$ 11,080		
Bonds (JTWROS)	<u>\$ 5,169</u>		
Total	\$ 69,441		
		TOTAL LIABILITIES	\$232,180
<u>Retirement Plan Assets</u>			
401(k) ¹ (H)	\$101,000		
401(k) ¹ (W)	\$ 81,000		
IRA ¹ (H)	<u>\$ 29,000</u>		
Total	\$211,000		
		NET WORTH	\$377,961
<u>Use Assets</u>			
Residence (JTWROS)	\$260,000		
Vehicle #1 (JTWROS)	\$ 18,300		
Vehicle #2 (JTWROS)	<u>\$ 21,800</u>		
Total	\$300,100		
		TOTAL LIABILITIES AND NET WORTH	\$610,141
TOTAL ASSETS	\$610,141		

H = Husband

W = Wife

JTWROS = Joint Tenants with Right of Survivorship

¹ See Investment Portfolio Information. Assets presented at fair market value (FMV).

² Average credit card interest rate is 18%.

³ Purchase price: \$220,000, four years ago. Original Mortgage: \$210,000, 15-Year at 7.75%.

⁴ Loan information: \$19,750, 5-year note at 6.25%, taken out two years ago.

⁵ Loan information: \$22,400, 5-year note at 7.25%, taken out last year.

**Jamie and Claire Jackson
Monthly and Yearly Budget
Current Year**

	Monthly	Yearly
Liabilities		
Mortgage payment	\$1,976	\$23,712
Real estate taxes	\$ 185	\$ 2,220
Automobile loan #1	\$ 384	\$ 4,608
Automobile loan #2	\$ 446	\$ 5,352
Charge accounts	<u>\$ 508</u>	<u>\$ 6,096</u>
Total Liabilities	\$3,499	\$41,988
Transportation	\$300	\$3,600
Insurance:		
Life insurance	\$ 284	\$ 3,408
Disability income	\$ 130	\$ 1,560
Auto insurance	\$ 117	\$ 1,404
Homeowners insurance	<u>\$ 175</u>	<u>\$ 2,100</u>
Total Insurance	\$ 706	\$ 8,472
Charitable Contributions	\$ 100	\$ 1,200
Household Expenses	\$1,400	\$16,800
Medical	\$150	\$1,800
Children	\$325	\$3,900
Clothing/Grooming	\$425	\$5,100
Recreation	\$1,558	\$18,696
Gifts	\$250	\$3,000
Miscellaneous	\$380	\$4,560
TOTAL	\$9,093	\$109,116