

FINANCIAL PLANNING CHALLENGE



PRESENTING ORGANIZATIONS



Financial Planning Challenge 2022

Phase 1: Written Financial Planning Case Study

The first phase of the competition consists of a financial planning case study for a hypothetical client. Students must assess the client's needs and prepare a comprehensive financial plan for the client 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 client's 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 client's 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 27, 2022**. Case submissions should be submitted [HERE](#). If there are any issues in the upload process, please email a copy of the plan to learning@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
- 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



Starving Artist No Longer

Meet your new client, Sky Jay (35). Sky is recently divorced after having obtained success in the textile art industry, and this is her first interaction with a Financial Planner. Sky was referred to you by an art dealer mentor in New York that has consistently told her she needs help with taxes and retirement. She is excited to get the discussion started with you and has many questions. Sky currently lives in Savannah, Georgia, but may be interested in moving, depending upon the direction her career takes her.

Sky became renowned in the art industry for creating mural-size textiles and large installations. She has been documented in major art publications as “up and coming” but, has been creating art for many years both independently and with peers. Sky’s friends and family are in awe at the money she has made over the past several years as interest in her work continues to grow.

For five years, she’s consistently made six figures, and at times, multiple six figures. Sky has been on the cutting edge of NFTs in her field and started selling NFTs on OpenSea after attending an online webinar on the topic.

With her other contracts and signed commissioned textile pieces in place, Sky has a guaranteed \$120,000 in income already in 2022, and with other contracts and conversations she’s having, she expects that number to double. Some of her expected income in 2022 is from physical textiles and installations and the other is from her NFT work. All her income is paid to her as a contractor, meaning she receives no W2 from any of her work.

Sky’s popularity has increased, and she is working on a big installation in New York City that she expects to earn over \$2,000,000 in 2023. Sky was shocked at this number when her agent, who receives a 10% commission, told her what was negotiated. Sky is excited to work on this project, and while this may happen again in the future, she doesn’t expect a big payday like this every year. She does anticipate her income will be at least \$200,000 in 2024 and beyond.

Prior to the last several years, Sky had no substantial income. Her role as a waitress did not assist in building robust savings or encourage positive fiscal behaviors. Sky is free-spirited, creative, talented, and warm; and feels guilty that her success is public while she sees her friends and family struggle financially.

Sky grew up in Atlanta, Georgia, as a middle child of three. Both her older brother and younger sister have children that are very important to her. Sky has obtained more financial success than anyone in her immediate or extended family and feels a responsibility to give back. Since Sky’s recent publicity and public installation opening, family members have asked for support, as they recognize her income potential has started to increase dramatically.

One of Sky's primary concerns is to be able to assist her three nephews, ages 5, 3 and 1, in paying for their college expenses, but is worried she may need to support her family more extensively. Sky would like to purchase a new condo in Atlanta for her mother and father to move into when they reach retirement in 10 years.

Sky began her professional studies and training at the Savannah College of Art and Design. She continues to carry student loan debt and currently owes approximately \$120,000, both in federal and private loans. She was approved for a 20-year Income-Based Repayment plan for her federal loans when she graduated and has consistently made the minimum payments on all her federal loans. But Sky has not been able to see any major progress in the reduction of the amount due after paying her loan for thirteen years. The interest rate of her student loan is 5.5%. Sky has assumed she'll owe on her student loans forever.

Sky's newfound professional success has encouraged her to spend more money on travel, which she credits to inspiring her art and subsequently increasing her income. Travel has become incredibly important to Sky, and she views it as an investment in her work and necessary going forward.

Sky has purchased lavish gifts for her friends, including taking them with her as she travels, and doesn't know if this is something she can continue to afford to do. She feels responsible for those around her and isn't sure how to balance that with her financial reality.

Following TikTok personal finance advice, Sky realized that she wanted her money to always be working for her. She keeps a minimum amount in her checking and savings accounts, then charges all expenses on her credit card. When she gets paid, she'll put some of that money towards her credit card debt, but she is sure to carry a balance of at least \$10,000 to build her credit. She currently has a \$15,000 balance on her credit card, which has a 19.5% interest rate. Sky has \$4,000 in her checking account and \$500 in her savings account. Her income is somewhat sporadic, but within the next two months, expects to be paid \$60,000.

Sky opened an individual Robinhood investment account in 2017 when she started noticing extra money in her checking account. She bought stock in Gamestop, Adasina Social Justice, AMC Entertainment, Etsy, Pinterest, and Vanguard 500 ETF. Sky is interested in socially responsible investing as well as cryptocurrency but knows she doesn't have a strong understanding of investing or a holistic approach to investing.

Sky drives an old model red pick-up truck to carry all her supplies to build installations. The truck has a value of \$2500. Sky also has an interest in purchasing a new vehicle, but everything she's read online has said that now is a terrible time to purchase a new car because of the chip shortage. She expects to buy a new truck in 2024.

Sky also doesn't know if she should be buying a house or a condo, or if she can even afford that. She has only rented. Her assumption was that she would never be able to afford a home, but she has recently thought that purchasing may be an option with her increase in income. Sky doesn't know what's involved in buying a home. She has thought about buying a home in cash when she gets her \$2,000,000 payday next year but doesn't know if that's the best option or if she should get a mortgage. In looking at homes, Sky has seen a couple in the \$500,000 range that are in the area she would want to live. Sky is tired of apartment living and would be excited to buy a house as soon as possible.

One of the main reasons Sky set up the financial planning appointment with you was due to the recognition that change is needed. She loves the idea of building generational wealth but doesn't know what she needs to do. She knows she has spent a lot of money in the past, and at times has had unsustainable spending habits, but is eager to make changes that will help her solidify her financial future.

OTHER:

Insurance is an additional concern. One of Sky's cousins sells life insurance. Eight years ago, she purchased a random cash value life insurance policy that he was selling. The policy is priced at \$250,000. The cash value for the policy is \$12,000. Her monthly payment on the policy is \$140. The policy is still within the surrender period, which ends in 2024. Sky does not have any business insurance but does have a renters insurance policy that was required for her apartment rental. Her health insurance is purchased through the ACA health exchange.

Sky doesn't have a will, or any estate planning items in place. She never thought she needed a will but does want to be sure her nephews' college is paid for, as well as her parent's elderly care for the rest of their lives. Her parent's care would mean an additional \$4,000/month starting when they turn 65 in 10 years.

At present Sky has no business structure in place. She has been selling her art as a sole proprietorship (but has no idea what that means) and is very eager to learn and understand what her options are. Sky didn't file taxes for 2021 and has an IRS payment plan for 2020. The monthly payment is \$750 with a total back tax of approximately \$17,000. Her income in 2021 was roughly \$180,000 and she paid \$30,000 in payments on the IRS's website to hopefully avoid owing more.

Sky does not understand taxes and is terrified about what will happen when she sells the \$2,000,000 art installation. Sky hired an accountant, but she did not enjoy the experience. No retirement accounts are established, and Sky has no idea if social security will be enough for her to live on in retirement. Sky would like to retire early but has no idea what that would look like or what her options are.

Insurance Details | Base Facts

The Insurance Details report lists your insurance policies including life, long term care, disability income, business disability, property/casualty, and medical.

Insurance, Life

Cash Value Life Insurance

Death Benefit: \$250,000

Purchase Date: 5/12/2014

Owner: Sky Jay

Premium Term (years): Lifetime

Cash Value Growth Rate: Use Default - Inflation (3.00%)

Institution:

Type: Whole Life

Premium Payer: Sky Jay

Exclusion Amount:

Proceeds Reinvested: Use Default - Inflation (3.00%)

Policy Number:

Insured: Sky Jay

Annual Premium: \$0

Cash Value: \$12,000 as of 1/21/2022 2:32 PM

Primary Beneficiaries

No beneficiaries listed

Contingent Beneficiaries

No beneficiaries listed

Insurance, Property and Casualty

Car Insurance

Insured Asset: Old Red Truck

Owner: Sky Jay

Purchase Date: 8/15/2021

Renewal Date: 8/15/2022

Annual Premium: \$1850

Indexed At: No Growth (0.00%)

Institution Name:

Policy Type: Auto

Policy Number:

Premium Term (years): 0

Comprehensive Deductible: \$500

Collision Deductible: \$500

Collision Coverage: \$25,000

Property Liability Limit: 25,000

Liability Limit Per Person: 30,000

Liability Limit Per Accident: 60,000

Uninsured Motorist Property Coverage: 25,000

Uninsured Motorist Bodily Injury Coverage: 30,000

Renters Insurance

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Insured Asset: Home furnishing & personal property

Owner: Sky Jay

Policy Number:

Premium Term (years): 0

Institution Name:

Policy Type: Rental

Replacement Value: No

Annual Premium: \$0

Property Coverage: \$20,000

Purchase Date: 1/21/2022

Renewal Date:

Indexed At: No Growth (0.00%)

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Holdings Gain/Loss

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

ACCOUNTS INCLUDED: ALL ASSETS

Name	Ticker	CUSIP	Units	Unit Basis	Basis	Price	Market Value as of 1/21/2022	Gain/Loss	Purchase Date
Robinhood Brokerage Account									
Adasina Social Justice All Cap Global ETF	JSTC		450.000	17.91	8,059.50	\$17.30	\$7,786.44	(273.06)	12/10/2021
AMC Entertainment Holdings, Inc. Class A	AMC		350.000	9.51	3,328.50	\$18.07	\$6,324.50	2,996.00	5/7/2021
Etsy, Inc.	ETSY		500.000	47.29	23,645.00	\$159.29	\$79,645.00	56,000.00	12/28/2018
GameStop Corp. Class A	GME		250.000	17.69	4,422.50	\$102.67	\$25,667.50	21,245.00	1/8/2021
Pinterest, Inc. Class A	PINS		350.000	85.90	30,065.00	\$31.95	\$11,182.50	(18,882.50)	2/19/2021
Vanguard S&P 500 ETF	VOO		55.000	236.90	13,029.50	\$410.76	\$22,591.80	9,562.30	11/17/2017
Vanguard S&P 500 ETF	VOO		100.000	264.52	26,452.00	\$410.76	\$41,076.00	14,624.00	5/10/2019
Vanguard S&P 500 ETF	VOO		185.000	268.78	49,724.30	\$410.76	\$75,990.60	26,266.30	5/8/2020
Total Holdings					158,726.30		\$270,264.34	111,538.04	

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Net Worth Statement | As of January 21, 2022

ASSETS:	Sky	Total
NON-QUALIFIED ASSETS:		
<i>Cash Alternatives:</i>		
Checking Account	\$4,157	\$4,157
Savings Account	\$490	\$490
<i>Taxable Investments:</i>		
Robinhood Brokerage Account	\$270,264	\$270,264
<i>Insurance Policies:</i>		
Cash Value Life Insurance	\$12,000	\$12,000
Total: Non-Qualified Assets	\$286,911	\$286,911
RETIREMENT ASSETS:		
Total: Retirement Assets	--	--
TOTAL LIQUID ASSETS	\$286,911	\$286,911
PERSONAL ASSETS:		
Old Red Truck	\$2,500	\$2,500
Total: Personal Assets	\$2,500	\$2,500
TOTAL ASSETS	\$289,411	\$289,411

LIABILITIES:	Sky	Total
LONG TERM LIABILITIES:		
Credit card	(\$15,267)	(\$15,267)
Student Loan #1 (Federal Loan)	(\$13,421)	(\$13,421)
Student Loan #2 (Federal Loan)	(\$14,325)	(\$14,325)
Student Loan #3 (Federal Loan)	(\$13,954)	(\$13,954)
Student Loan #4 (Federal Loan)	(\$14,078)	(\$14,078)
Student Loan #5 (Federal Loan)	(\$23,850)	(\$23,850)
Student Loan #6 Private Loan	(\$21,498)	(\$21,498)
Student Loan #7 Private Loan	(\$18,532)	(\$18,532)
Total: Long Term Liabilities	(\$134,925)	(\$134,925)
TOTAL LIABILITIES	(\$134,925)	(\$134,925)
NET WORTH	\$154,486	\$154,486

TOTAL NET WORTH: \$154,486

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Living Expense Worksheet

The living expense worksheet lists Sky's current expected monthly living expenses.

Description	Current Value
Rent	\$2,000
Groceries	600
Eating Out	750
Storage for Art	250
Insurance payments	230
Amazon	650
Target	400
Etsy purchases	600
Travel	1,500
Taxes	750
Credit card payment	1,000
Donations	500
Subscriptions	300
Art supplies	1,200
Business expenses	750
Student Loans	800
Totals:	12,280

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