

FINANCIAL PLANNING CHALLENGE



PRESENTING ORGANIZATIONS



Financial Planning Challenge 2023

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 30, 2023**. 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



The Rogers Retire

Meet your new clients, James (58) and Pamela (55) Rogers. James and Pamela have worked with several planners over the last 15 years. They have received conflicting, and sometimes incorrect, advice. They are looking to settle in with someone they can trust and who can offer thorough and consistent direction to help them achieve their goals.

The Rogers have lived in Katy, Texas since 1992. Both born and raised in Colorado, the Rogers met in college while attending University of Colorado Boulder. Following graduation, they married and moved to Texas to pursue a job opportunity for James. They've resided in Katy, Texas ever since.

The Rogers have two children, Emily (30) and Tyler (26). Emily followed in her mother's footsteps and became a teacher. She is married, has a two year old son, and is expecting her second. She and her family live in Boulder, Colorado. Tyler just earned an MBA. He is married and his wife is expecting their first child later this summer. They live in Dallas, Texas.

James is a Senior Pharmacist at Frank's Specialty Pharmacy and receives an annual salary of \$142,000. He would like to retire in the next few years. Pamela recently retired from teaching third grade at the local elementary school. Pamela worked in high school as a barista, but since then, her only career has been in education, specifically at her current school. Her yearly retirement income from the Texas Teacher Retirement (TRS) fund will be \$36,000 when Pamela turns 67. James thought Pamela might be eligible for social security on his benefits, but he doesn't know how that works. On James' latest social security statement, it said he would receive \$3,167/month if he were to start drawing social security at age 67. James and Pam aren't sure of what Pam's social security benefit will be, if anything. Their primary concern is to have a strong retirement. James and Pamela are worried about inflation, given the recent high inflation numbers. Pamela is also concerned as she's heard that her TRS won't increase with inflation.

Pamela is also worried about what would happen if something happened to James. Relocating is something they are seriously considering upon James' retirement as they want to be available to help aging parents and spend time with grandkids. If they were to relocate, they would relocate to the Denver, Colorado area.

James assumes he'll retire between ages 65 and 67, but with his current workload doesn't know if it will be possible for him to work until then. His work is stressful and his dream would be to retire by the time he is 60. He has seen how much Pamela has enjoyed retirement and wants to join her!

James and Pamela's current expenses are between \$8,000-\$10,000 per month, including their mortgage. The extra \$2,000 is discretionary spending where James and Pamela will visit their grandchildren or take a vacation. They want to keep this same level of spending throughout retirement. In preparation for their conversation with you, they pulled a summary of how they

spend money last month for you to see. That month didn't include any of their extra travel expenses that sometimes occur.

James does not have a pension, but has a 401k that he has contributed to since he started working. He is at the point where he is maxing out his 401k and getting a 3% company match. James has picked the investments inside of his 401k and will ask various people for what types of investments he should use and would then add them to his 401k.

James and Pamela have a savings account with \$75,000 in it. They don't know if it is wise to have this in cash right now or what they should be doing. This account is at their local bank in a checking account not gaining any interest. Pamela inherited some money, including several investments from her grandmother, which are in James and Pamela's joint investment account.

James currently has short-term disability with his company, but elected to not pay for the long-term disability. James reasoned he is close enough to retirement, so the cost was not worth the value. James and Pamela have a high deductible health insurance plan through Frank's Speciality Pharmacy. They have been healthy so far and haven't had any big claims, so they have appreciated the lower premiums. They are worried about what would happen to their budget if they started needing health care with their deductible and maximum out of pocket at \$13,900 for both of them. Their plan has an HSA, but they were advised years ago to avoid that. They don't remember the reason why, but they haven't looked into it any further.

James and Pamela have been in the same house since 2002. They owe \$190,623 on their mortgage, interest rate of 6.54%. James and Pamela's original mortgage was a 30 year mortgage for \$350,000. Their parents encouraged them to not pay extra on their mortgage payment and spoke of the dangers of refinancing their loan, so James and Pamela have the original loan, which will be paid off in 2032. The couple's cars are paid in full, however, they will need to replace one car in the next five years and anticipate needing roughly \$30,000 for that expense and expect to buy a new car every five years with a similar expenses.

Five years ago, James and Pamela attended a live recording of *The Price is Right*. James was over the moon to be selected as a contestant. He did really well on the show and won an RV! The Rogers have loved traveling in their RV. Quick weekend trips or longer cross country vacations allows them freedom, spontaneity, and flexibility. The RV is valued at \$65,000.

James currently has an individual term life insurance policy of \$1,000,000 with \$1,100/year premiums through age 65. Every year he debates whether or not he should stop paying the premium because the \$1,100 seems like a lot for him to pay. James also has a 1.5x salary life insurance policy through his employer. Pamela does not have any life insurance policy.

One of Pamela's regrets has been that they did not help pay for their children's college education. It was difficult to watch their kids struggle to cover tuition, room and board, and all the other expenses that come with college. Because of this, she would really like to be able to fund their grandchildren's college education. In talking through this, Pamela would want to focus on paying for a public school in Texas and wants to plan to pay for their public school tuition,

leaving the room and board to their grandchildren to cover. Pamela doesn't know what school they would want to attend, but suggested using the University of Houston as an example.

Both James' mother and Pamela's father are both living in Colorado. James' mother is 82 years old and lives with her daughter (James' sister). If James' mother were to need an assisted living facility, there would likely be a \$3,500 per month gap in her expenses. While James and his sister haven't explicitly discussed this yet, James expects he and his sister would split the monthly cost to be sure his mother is taken care of. Pamela's father is 81 years old and lives in an assisted living facility. His social security and military retirement covers the majority of his expenses. Being able to help care for and financially support their parents is a top priority for the Rogers.

Knowing both James' mother and Pamela's father have needed assisted living, James and Pamela are concerned that they may be in a similar situation. They know they have more resources than their parents, but don't have a good understanding of what their potential needs would be or how to plan and do not want their children to worry about them as they age.

An additional concern for James is the fact that their will was never finalized. A draft was put together in 2010, but probably needs to be revisited. They both agree that estate planning needs to be addressed in the near future. While the majority of their assets will go to their two children, Pamela volunteers through an elementary age literacy program, which is a 501(c)(3) and saw someone recently bequest \$100,000 to this program upon their death. She was struck by the impact this money had on the children they served and would like to do something similar.

Net Worth Statement | As of February 17, 2023

ASSETS	James	Pamela	Joint	Total
NON-QUALIFIED ASSETS				
<i>Cash Alternatives</i>				
Savings Account	—	—	\$75,000	\$75,000
<i>Taxable Investments</i>				
Joint Account	—	—	\$234,189	\$234,189
Total Non-Qualified Assets	—	—	\$309,189	\$309,189
RETIREMENT ASSETS				
<i>Qualified Retirement</i>				
James' 401(k)	\$1,004,971	—	—	\$1,004,971
Pamela's 403(b)	—	\$321,750	—	\$321,750
Total Retirement Assets	\$1,004,971	\$321,750	—	\$1,326,721
Total Liquid Assets	\$1,004,971	\$321,750	\$309,189	\$1,635,910
REAL ESTATE ASSETS				
Home	—	—	\$650,000	\$650,000
Total Real Estate Assets	—	—	\$650,000	\$650,000
PERSONAL ASSETS				
James' Car	—	—	\$25,000	\$25,000
Pamela's Car	—	—	\$10,000	\$10,000
RV	—	—	\$65,000	\$65,000
Total Personal Assets	—	—	\$100,000	\$100,000
Total Assets	\$1,004,971	\$321,750	\$1,059,189	\$2,385,910

LIABILITIES	James	Pamela	Joint	Total
LONG TERM LIABILITIES				
Mortgage	—	—	(\$190,623)	(\$190,623)
Total Long Term Liabilities	\$0	\$0	(\$190,623)	(\$190,623)
Total Liabilities	\$0	\$0	(\$190,623)	(\$190,623)
Total Net Worth	\$1,004,971	\$321,750	\$868,566	\$2,195,287

Total Net Worth \$2,195,287

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	Units	Unit Basis	Basis	Price	Market Value	Gain/Loss	% of Portfolio
James' 401(k)								
Vanguard Diversified Equity Fund Investor Shares	VDEQX	3,548.000	\$39.54	\$140,287.92	39.54	\$140,287.92	\$0.00	8.99%
Vanguard Energy Fund Admiral Shares	VGELX	503.000	\$86.82	\$43,670.46	86.82	\$43,670.46	\$0.00	2.80%
Vanguard Inflation Protected Securities Fd Insti Shs	VIPIX	9,584.000	\$9.51	\$91,143.84	9.51	\$91,143.84	\$0.00	5.84%
Vanguard Market Neutral Fund Investor Shs	VMNFX	4,594.000	\$12.29	\$56,460.26	12.29	\$56,460.26	\$0.00	3.62%
Vanguard Specialized Portfolios Health Care Fund	VGHCX	459.000	\$209.69	\$96,247.71	209.69	\$96,247.71	\$0.00	6.17%
Vanguard STAR Fund	VGSTX	4,392.000	\$25.68	\$112,786.56	25.68	\$112,786.56	\$0.00	7.23%
Vanguard Strategic Small-Cap Equity Fund Investor Shares	VSTCX	4,758.000	\$35.25	\$167,719.50	35.25	\$167,719.50	\$0.00	10.74%
Vanguard Target Retirement 2035 Fund	VTTHX	4,953.000	\$20.41	\$101,090.73	20.41	\$101,090.73	\$0.00	6.48%
Vanguard Target Retirement 2060 Fund	VTTSX	2,739.000	\$41.40	\$113,394.60	41.40	\$113,394.60	\$0.00	7.26%
Vanguard Whitehall Funds, Selected Value Fund	VASVX	2,975.000	\$27.62	\$82,169.50	27.62	\$82,169.50	\$0.00	5.26%
Joint Account								
Apple Inc.	AAPL	250.000	\$45.90	\$11,475.00	153.71	\$38,427.50	\$26,952.50	2.46%
Coca-Cola Company	KO	1,000.000	\$37.40	\$37,398.00	59.22	\$59,220.00	\$21,822.00	3.79%
CVS Health Corporation	CVS	500.000	\$43.69	\$21,845.00	87.97	\$43,985.00	\$22,140.00	2.82%
Vanguard Total Stock Market ETF	VTI	450.000	\$188.89	\$85,000.00	205.68	\$92,556.00	\$7,556.00	5.93%
Pamela's 403(b)								
Fidelity Contrafund	FCNTX	25,000.000	\$12.87	\$321,750.00	12.87	\$321,750.00	\$0.00	20.61%
Total Holdings	—	—	—	\$1,482,439.08	—	\$1,560,909.58	\$78,470.50	100.00%

Insurance Details

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

Insurance, Life

Life Insurance

Death Benefit: \$213,000	Institution: —	Policy Number: —
Purchase Date: 1/1/2023	Type: Group Life	Insured: James Rogers
Owner: Frank's Specialty Pharmacy	Premium Payer: James Rogers	Annual Premium:
Premium Term (years): While employed	Exclusion Amount: —	Cash Value: N/A
Primary Beneficiaries		
Pamela Rogers (100.00%)		
Contingent Beneficiaries		
None Listed		

Life Insurance

Death Benefit: \$1,000,000	Institution: —	Policy Number: —
Purchase Date: 2/27/2005	Type: Term Life	Insured: James Rogers
Owner: James Rogers	Premium Payer: James Rogers	Annual Premium: \$1,100
Premium Term (years): 20	Term (years): 20	
Primary Beneficiaries		
Pamela Rogers (100.00%)		
Contingent Beneficiaries		
None Listed		

Insurance, Disability

Short Term Disability Policy

Benefit: 50% of James' Salary	Institution: —	Policy Number: —
Purchase Date: 1/1/2023	Policy Type: Group Short Term	Insured: James Rogers
Owner: James Rogers	Premium Payer: James Rogers	Annual Premium:
COLA: No Growth (0.00%)	Benefit is Taxable?: Yes	COLA Type: Compound
Maximum Initial Benefit Cap: \$6,000/month	Maximum Annual Benefit: —	Elimination Period: 7 Days
Benefit Period: 5 months	Own Occupation?: No	Simple COLA Base: —

Insurance, Property and Casualty

Homeowner's Insurance

Insured Asset: Home	Institution Name: —	Property Coverage: \$650,000
Owner: James and Pamela (Joint/ROS)	Policy Type: Homeowner's	Personal Property Coverage: \$175,000
Purchase Date: 1/1/2023	Policy Number: —	Replacement Value: No
Renewal Date: 1/1/2024	Premium Term (years): 0	Medical To Others Deductible: \$1,000
Annual Premium:	Property Deductible: \$6,500	Medical To Others Coverage: \$2,500
Indexed At: No Growth (0.00%)	Personal Property Deductible: \$500	Liability Limit: \$250,000

James' Car Insurance

Insured Asset: James' Car	Institution Name: —	Collision Coverage: \$1,000
Owner: James and Pamela (Joint/ROS)	Policy Type: Auto	Property Liability Limit: \$50,000
Purchase Date: 1/1/2023	Policy Number: —	Liability Limit Per Person: \$50,000
Renewal Date: 1/1/2024	Premium Term (years):	Liability Limit Per Accident: \$150,000
Annual Premium: \$0	Comprehensive Deductible: \$1,000	Uninsured Motorist Property Coverage: \$50,000
Indexed At: No Growth (0.00%)	Collision Deductible: \$1,000	Uninsured Motorist Bodily Injury Coverage: \$50,000

Pamela's Car Insurance

Insured Asset: Pamela's Car	Institution Name: —	Collision Coverage: \$500
Owner: James and Pamela (Joint/ROS)	Policy Type: Auto	Property Liability Limit: \$50,000
Purchase Date: 1/1/2023	Policy Number: —	Liability Limit Per Person: \$50,000
Renewal Date: 1/1/2024	Premium Term (years):	Liability Limit Per Accident: \$100,000
Annual Premium: \$0	Comprehensive Deductible: \$500	Uninsured Motorist Property Coverage: \$50,000
Indexed At: No Growth (0.00%)	Collision Deductible: \$500	Uninsured Motorist Bodily Injury Coverage: \$50,000

RV Insurance

Insured Asset: RV	Institution Name: —	Policy Amount: \$50,000
Owner: James and Pamela (Joint/ROS)	Policy Type: Other	Annual Premium: \$0
Purchase Date: 1/1/2023	Policy Number: —	Indexed At: No Growth (0.00%)
Renewal Date: 1/1/2024	Premium Term (years): 0	

Monthly Spending Report

Description	Monthly Spending
Mortgage	\$2,721
Shopping	1,725
Food	1,325
Bills & Utilities	720
Car Repairs	450
Insurance	426
Home	325
Pets	258
Housecleaner	250
Entertainment	155
Medical	257
Totals:	8,612