

**2017**

**FINANCIAL  
PLANNING  
CHALLENGE**



PRESENTING ORGANIZATIONS



# Financial Planning Challenge 2017

## 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 other required documents by **May 26, 2017** to Destre Downing, FPA, Learning and Development, at DDowning@OneFPA.org
- Each team should submit their financial plan and other required documents as one (1) compiled document in PDF format with the school and team member names on the title page.
- **Important:** Please do not include your school's name or team member names on any pages other than your title page.

### 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%.

# Financial Planning Challenge 2017

## Case Study: Jake and Amy Edwards

### Introduction:

Below is a case study of a fictional family named Edwards. They represent a high net worth family nearing retirement. They are a high complexity case, requiring advanced advice in estate planning, concentrated positions and tax planning. The case study will allow you to practice analyzing a complex situation.

Jake and Amy Edwards have entered your office to have a second pair of eyes to look over their financial situation. They currently live in Bloomington, MN and plan on staying there through their retirement.

Begin by reading their background and start making note of the Edwards' goals and concerns. Then review their financial information on pages 3 and 4.

### Background:

#### **Names:**

Jake Edwards (60), Vice President, Deluxe Corp

Amy Edwards (58), Sr. Vice President, Hormel

#### **Children:**

April Dunlevy (34), daughter

Spouse: Adam (33)

Chelsie Hubert (32), daughter

Spouse: Mark (34)

Ryan Edwards (30), son

Spouse: Julie (30)

#### **Grandchildren:**

Ashley (8) and Megan (5)

Parents: April and Adam

Steven (3)

Parents: Chelsie and Mark

### **Primary goals and objectives**

Jake and Amy are nearing retirement and would like to figure out how much is needed for retirement and long term care. Also they would like to verify they are properly investing their funds to place them in the best taxation situation possible. Jake and Amy would like to retire in seven years when Amy reaches 65.

With retirement quickly approaching Jake and Amy both have a risk tolerance of “moderate”. They are ok with losing a little bit of money here and there in the stock market but want to make sure they have a net profit and not a net loss over the coming years.

Jake and Amy are concerned with a potentially large estate, and the estate tax liability that may present itself upon their death.

### **Other goals**

- Jake and Amy have a history of donating to United Way. They want to leave funds upon their death.
- Jake and Amy would like to make sure money and assets are efficiently distributed to their children and grandchildren. They are open to a discussion about making gifts during their lifetime.
- The Edwards believe education is important and would like to fund their grandchildren’s education.
- The Edwards are also concerned that they are not a burden on their children in case of a prolonged illness and want to ensure they leave something to their children.

### **Insurance information**

Jake and Amy both have universal life insurance and have group disability insurance plans with their employers. Jake and Amy both purchased a \$1,000,000 Universal Life insurance 10 years ago. Jake has a premium of \$5,486.04 per year while Amy has a premium of \$3,421.56. Jake and Amy both plan on stop making payments around age 65.

The Edwards currently have no long term care insurance.

### **Income tax information**

The Edwards’ are in the highest federal tax bracket at 39.6%, and 8.97% marginal state income tax brackets. Their annual property tax on their home is \$19,000.

### **Estate information**

Jake and Amy have simple wills created for the distribution of their assets. They also have a durable power of attorney for healthcare proxy directive executed naming each other as health care representative and their oldest child, April, as alternate. Jake and Amy have their accounts all under their own names, but both Jake and Amy are beneficiaries of the entire Edwards’ accounts.

**Statement of Financial position  
Jake and Amy Edwards**

(As of December 31, 2016)

**ASSETS**

Checking Account: Jake <sup>1</sup>	\$ 40,000
Checking Account: Amy <sup>2</sup>	\$ 20,000
Savings Account: Jake <sup>1</sup>	\$ 100,000
Savings Account: Amy <sup>2</sup>	\$ 120,000
<i>Total Cash and Cash Equivalents</i>	<b>\$ 280,000</b>
Rollover IRA: Jake	\$ 450,000
Rollover IRA: Amy	\$ 480,000
Deluxe 401(k): Jake	\$ 900,000
-Deluxe Matching Account	\$ 40,000
Hormel 401(K): Amy	\$ 1,200,000
-Hormel Matching Acct.	\$ 100,000
Hormel Cash Balance pension plan	\$ 350,000
Brokerage Account:	\$ 2,000,000
-see appendix for detail	
529: Jake <sup>3</sup>	\$ 112,000
Deferred compensation: Jake <sup>2</sup>	\$ 85,000
<i>Total Invested Assets</i>	<b>\$ 5,717,000</b>
Personal Residence:	\$ 1,200,000
Lake Home:	\$ 500,000
Boat:	\$ 80,000
Jet Ski:	\$ 5,000
Vehicle: Jake	\$ 70,000
Vehicle: Amy	\$ 50,000
Furniture and household items:	\$ 600,000
<i>Total Personal Use Assets</i>	<b>\$ 2,505,000</b>
<b>Total Assets</b>	<b>\$ 8,502,000</b>
<b>LIABILITIES</b>	
Auto Loan: David	\$ 18,240 @ 4.5%
<b>Total Liabilities</b>	<b>\$ 18,240</b>
<b>Net Worth</b>	<b>\$ 8,483,760</b>

<sup>1</sup>Jake is beneficiary

<sup>2</sup>Amy is beneficiary

<sup>3</sup> Education beneficiaries are the grandchildren

**Statement of Cash Flows****Jake and Amy Edwards**

(As of December 31, 2016)

**Income - Annual**

Jake \$ 160,000 salary  
\$ 30,000 bonus  
Amy \$ 360,000 salary  
\$ 130,000 bonus  
\$ 160,000 deferred comp

## Investment income

\$ 68,000 Capital gain  
\$ 32,000 ordinary div  
\$ 25,000 qualified dividend

**Taxes, Expenses and Savings - Annual**

Taxes – Federal \$ 187,918  
Taxes – Social Security \$ 14,694  
Taxes – Medicare \$ 12,875  
Taxes – State \$ 39,648

**Total - Taxes****\$ 255,135**

Auto Payments \$ 9,600  
Insurance – Auto \$ 3,260  
Insurance – Home \$ 7,000  
Insurance – UL - Amy \$ 3,421  
Insurance – UL – Jake \$ 5,486  
Insurance – LTD \$ 2,000  
Benefits \$ 7,687  
Utilities \$ 25,000  
Medical \$ 8,000  
Donation to United Way \$ 12,000  
Property tax (primary) \$ 19,000  
Property tax (lake home) \$ 7,000  
Food – Groceries \$ 8,000  
Food – Restaurants \$ 12,000  
Auto – Fuel/Repairs \$ 5,400  
Clothing \$ 10,000  
Entertainment \$ 16,000  
Hobbies \$ 7,000  
Travel \$ 37,020  
Gifts \$ 17,608  
Charity \$ 46,971  
Misc. - Lifestyle \$ 11,500

**Total - Expenses****\$ 281,365****Savings**

Jake – 401(k) \$ 24,000  
Amy – 401(k) \$ 24,000  
JT – Brokerage \$ 83,500  
Deferred Comp \$ 160,000  
Capital gain/div reinvests \$ 125,000

**Total - Savings****\$ 303,500****Total - Income \$ 840,000****Total - Taxes, Expenses,  
Savings****\$ 840,000**

### Brokerage account statement

Symbol/CUSIP	Investment description	Cost basis	Current market value
<b>Cash</b>		\$100,000.00	\$100,000.00
<b>stocks</b>			
GOOG	Google, Inc.	\$50,000.00	\$500,000.00
MMM	3M Co	10,000.00	18000.00
AMZN	Amazon.com Inc	5000.00	8000.00
AMGN	Amgen Inc	18,000.00	20000.00
BRK-B	Berkshire Hathaway Inc DEL	20,000.00	23000.00
CAT	Caterpillar Inc	30,000.00	29000.00
CSCO	Cisco Systems Inc	26,000.00	26000.00
C	Citigroup Inc	6000.00	7000.00
COST	Costco wholesale corp	11,000.00	13000.00
FB	Facebook Inc	42,000.00	50000.00
GILD	Gilead Sciences Inc	25,000.00	21000.00
GS	Goldman Sachs Group Inc	22,000.00	22000.00
JNJ	Johnson & Johnson	19,000.00	20000.00
NKE	Nike Inc	12,000.00	21000.00
ORCL	Oracle Corp	20,000.00	17000.00
PG	Procter Gamble co	13,000.00	11000.00
QCOM	Qualcomm Inc	10,000.00	10000.00
V	Visa Inc	15,000.00	20,000.00
<b>ETFs</b>			
TIP	iShares TIPS Bond ETF	160,000.00	153,000.00
IVV	iShares S&P 500 ETF	155,000.00	152,000.00
IWR	iShares Russell Mid-Cap ETF	125,000.00	132,000.00
PFF	iShares US Pref Stock ETF	168,000.00	135,000.00
XLB	Select Sector SPDR materials ETF	48,000.00	25,000.00
VXUS	Vanguard Total International ETF	35,000.00	47,000.00
<b>Fixed income</b>			
172967FW6	Citigroup 4.45% 01/10/2017	\$48,000.00	\$50,000.00
19416QEA4	Colgate-Palmolive 1.95% 02/01/2023	22,000.00	24,000.00
25179MAH6	Devon Energy Corp 6.3% 01/15/2019	53,000.00	53,000.00
278642AE3	Ebay Inc 2.6% 07/15/2022	48,000.00	49,000.00
38141EA58	Goldman Sachs 5.375% 03/15/2020	53,000.00	55,000.00
565849AF3	Marathon Oil Corp 5.9% 03/15/2018	51,000.00	52,000.00
72447XAC1	Pitney Bowes 5.75% 09/15/2017	24,000.00	25,000.00
871503AJ7	Symantec Corp 2.75% 06/15/2017	33,000.00	35,000.00
883556AX0	Thermo Fisher Sci 2.75% 03/01/2021	26,000.00	27,000.00
912828N22	US Treasury 1.25% 12/15/2018	45,000.00	50,000.00
		<b>\$1,548,000.00</b>	<b>\$2,000,000.00</b>