

Financial Planning Challenge 2016

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:

2. Student teams must submit their comprehensive financial plan and other required documents by **May 16, 2016** to Destre Downing, FPA, Learning and Development, at DDowning@OneFPA.org
3. 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.
4. **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%.

PRESENTING ORGANIZATIONS:

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



David and Ellie Callahan

Retirement and Investment Planning Case

PERSONAL INFORMATION AND BACKGROUND

David and Ellie Callahan have come to you for help regarding their primary goal of retirement as well as considering how to address any potential need for long term care. David (56) and Ellie (55), are both non-union employees of Johns Hopkins Hospital (JHH). David joined JHH as an administrator in 1991, and Ellie joined in 2010 in an office role. They have two adult children, Michael (27) and Allison (24). Michael is married to Kelly (27) and they have a son, Brandon (1).

PRIMARY GOALS AND OBJECTIVES

Now that Michael and Allison are out of college, the Callahan's would like to take another look at their goal of retirement. They have each generally figured to retire when David turned 65. However, with David's pension, and a reduction in expenses with both the kids now out of the house, they wonder if they might have the option to retire sooner.

David considers himself to be a moderately aggressive investor. Ellie says she is moderately conservative. They would like your help to align their 403(b) plan's investment options to their risk tolerances and have provided a list of available options.

OTHER GOALS

David and Ellie have both had parents who required long term care, and would like to make sure that they have a plan in place so they don't have to burden Michael and Allison.

David and Ellie would also like to know about options to help by contributing to Brandon's (and other future grandkid's) college education.

The Callahan's know there are trade-offs of covering these goals against their main goal of retiring as soon as possible, and would like your help in finding a comfortable compromise, if possible.

INSURANCE INFORMATION

David and Ellie each have group benefits for disability and life insurance. Johns Hopkins provides group term life insurance equal to 1 times salary. The Callahan's each pay for long term disability ⁽¹⁾ coverage equal to 60% of salary (up to \$8000/mo.) after 26 weeks of a disabling event, until age 65.

David and Ellie each have 30 yr term life insurance policies ⁽²⁾, with \$500,000 death benefits that were issued in 1995.

INCOME TAX INFORMATION

David and Ellie are currently in the 28% marginal federal, and 5.25% marginal state income tax brackets. Their annual property tax on their home is \$6,750.

ESTATE INFORMATION

David and Ellie have simple wills that they did soon after they purchased their home 7yrs ago.

¹ Premiums paid after tax, bi-weekly. (David = \$29; Ellie = \$12)

² Premiums paid after tax, monthly. (David = \$52; Ellie = \$42)

ECONOMIC INFORMATION

Currently, the market, after a 6 year run is starting to show signs of weakness. Concern with potentially rising interest rates and dropping oil prices have contributed to the uncertainty experts have about which direction the market may move in the near term. Average U.S. inflation equals 3.22%, however current inflation equals .5%.

JOHNS HOPKINS PENSION ¹

RETIREMENT FORMULA	
Step 1	1% of your <i>final average compensation</i> PLUS
Step 2	½% of your <i>final average compensation</i> above the <i>Social Security limit</i> TIMES
Step 3	<i>your years of benefit service (up to 40)</i>
PLUS	
Step 4	The annuity equivalent of the balance of your <i>employer matching account.</i>

¹ Annual benefit amount. Refer to JHH Summary Plan Description for details

Statement of Financial position
David and Ellie Callahan
(As of December 31, 2015)

ASSETS

Checking Account: JTWROS	\$ 31,526
Savings Account: JTWROS	\$ 17,865
<i>Total Cash and Cash Equivalents</i>	\$ 49,391
Rollover IRA: David ¹	\$ 142,304
Johns Hopkins 403(b): David ²	\$ 305,764
-JHH Matching Account	\$ 23,247
Johns Hopkins 403(b): Ellie ³	\$ 49,121
Brokerage Account: JTWROS ⁴	\$ 27,797
529: David ⁵	\$ 15,003
<i>Total Invested Assets</i>	\$ 563,236
Personal Residence: JTWROS	\$ 475,000*
Vehicle: David	\$ 22,000*
Furniture and household items: JTWROS	\$ 50,000*
<i>Total Personal Use Assets</i>	\$ 547,000
Total Assets	\$1,159,627

LIABILITIES

Mortgage: Joint	
Original loan amount ⁶	\$ 305,000 @ 5.2%
Monthly PI	\$ 1,674
Monthly PITI	\$ 2,416
Remaining Balance	\$ 226,964
Auto Loan: David ⁷	\$ 17,282 @ 4.5%
Student Loan – Allison ⁸	\$ 78,000 @ 4.8%
Total Liabilities	\$ 322,246
Net Worth	\$ 837,381

* Estimates from the Callahans

¹ Ellie is Beneficiary

² Ellie is Beneficiary

³ David is Beneficiary

⁴ Allocated currently to cash

⁵ Allison is Beneficiary

⁶ December 1, 2002

⁷ Aug 2013 origination

⁸ David co-signed for Allison

Statement of Cash Flows
David and Ellie Callahan
(As of December 31, 2015)

Income - Annual

David \$ 147,000 salary
\$ 38,000 bonus
Ellie \$ 60,000 salary
\$ 10,000 bonus

Taxes, Expenses and Savings - Annual

Taxes – Federal \$ 39,528
Taxes - FICA \$ 11,687
Taxes – Medicare \$ 3,698
Taxes – State \$ 9,531

Total - Taxes \$ 64,444

Mortgage (PITI) \$ 28,992
Auto Payments \$ 8,928
Insurance – Auto \$ 1,800
Insurance – Term Life \$ 1,128
Insurance – LTD \$ 1,076
Benefits \$ 6,600
Utilities \$ 17,250
Medical \$ 2,750
Food – Groceries \$ 11,394
Food – Restaurants \$ 11,928
Auto – Fuel/Repairs \$ 2,964
Clothing \$ 6,200
Entertainment \$ 5,500
Hobbies \$ 5,100
Travel \$ 14,164
Gifts \$ 8,350
Misc - Lifestyle \$ 6,700

Total - Expenses \$ 140,824

Savings

David – 403(b) \$ 12,250
Ellie – 403(b) \$ 8,750
JT – Brokerage \$ 28,732

Total - Savings \$ 49,732

Total - Income \$ 255,000

**Total - Taxes, Expenses,
Savings \$ 255,000**

David and Ellie's Historical JHH Income and Social Security Wage Base

Year	David's Income	Ellie's Income	S.S. Wage Base
1991	78673		53400
1992	81526		55500
1993	84483		57600
1994	87548		60600
1995	90723		61200
1996	94013		62700
1997	97423		65400
1998	100957		68400
1999	104618		72600
2000	108413		76200
2001	112345		80400
2002	116419		84900
2003	120642		87000
2004	125018		87900
2005	129552		90000
2006	134251		94200
2007	139120		97500
2008	144166		102000
2009	149394		106800
2010	154813	58194	106800
2011	160428	60384	106800
2012	166246	62656	110100
2013	172276	65014	113700
2014	178525	67461	117000
2015	185000	70000	118500
2016			118500

JOHNS HOPKINS 403(b) Plan Investment Options

Allianzgi NFJ Dividend Value ADM (ANDAX)

Allnzgi NFJ Small Cap Value ADM (PVADX)

AM Fds EuroPacific Growth A (AEPGX)

AM Fds Washington Mutual A (AWSHX)

Invsco Equity And Income (ACETX)

Jhn Hnk Disciplined Value Mid Cap (JVMTX)

Lincoln Stable Value Account -F08

Mainsty Large Cap Growth Fund Class R1 (MLRRX)

Mg Stnly Inst Mid Cap Growth I (MPEGX)

Oppenheimer Global Y (OGLYX)

PIMCO Total Return Inst (PTTRX)

Prudntl Jennison Small Company Fund, Z (PSCZX)

Vnguard Bd Index Total Bd Mkt Indx Instl (VBTIX)

Vnguard Institutional Index (VINIX)