

Early Retirement Case Studies

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Goals and Coverage

Two cases of clients looking toward an early retirement

1. Immediate Considerations
2. Risks
3. Opportunities for Success
4. Priority List

Live analysis of early retirement modeling



Case 1: Aspiring Early Retiree

Age 30



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Case 1 Profile

- Young Physician Couple
 - Age 34/36
 - 2 kids ages 4 and 6
 - \$1m in investments
 - \$800k home, 2 cars, \$100k in savings account
 - Mortgage, student loans, one car payment

 - Aspirations: Vacation home, college support, option to retire at 55
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Opportunities for Success

- There are many financial decisions that require advice, but not necessarily asset management:
 - Backdoor Roth Conversions
 - Asset Location
 - Estate Planning
 - College Savings
 - Tax Loss Harvesting
 - Behavior and Accountability

All can have major tax implications. Execution should not be the roadblock.

Opportunity: Asset Location

- Take a portfolio approach
 - Accounts outside of direct management play an important role in tax efficiency i.e. 403(b), 401(k), 457, trusts, 401(a)
 - Your goal allocation should not be repeated in each account. Instead, focus should be on asset location
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■ Bonds ■ Large Cap ■ Small Cap

Example Goal Allocation based on RRTLLU

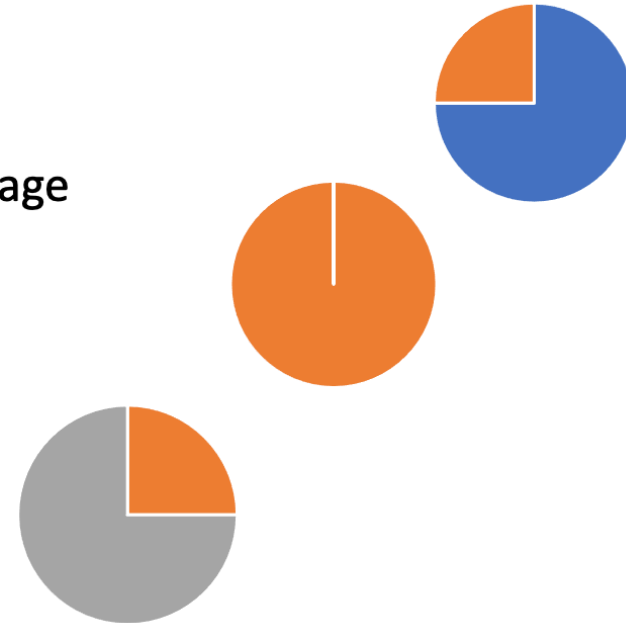
25% bonds, 50% large cap, 25% small cap
\$75,000 Bonds, \$150,000 Large Cap, \$75,000 Small Cap

Traditional Model

- IRA/401k - \$100,000
 - 25% Bonds
 - 50% LC
 - 25% SC
- Taxable Brokerage - \$100,000
 - 25% Bonds
 - 50% LC
 - 25% SC
- Roth - \$100,000
 - 25% Bonds
 - 50% LC
 - 25% SC

Asset Location Model*

- IRA/401k
 - 75% Bonds
 - 25% LC
- Taxable Brokerage
 - 100% LC
- Roth
 - 25% LC
 - 75% SC

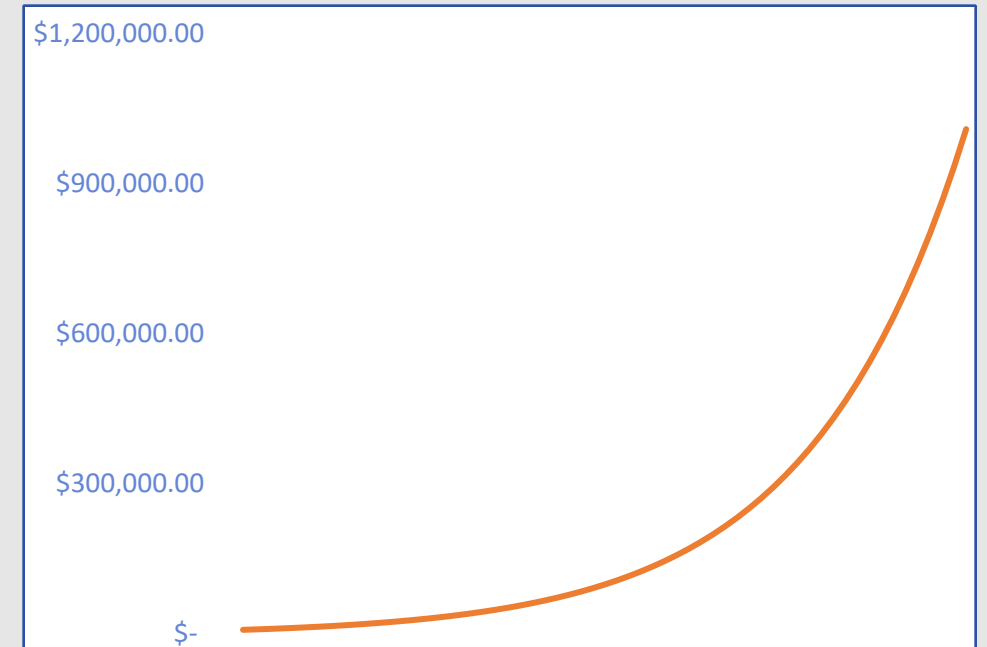


Risks

- Waiting too long to invest
 - Lifestyle creep
 - Lack of savings plan
 - Time management for execution
 - Poor strategy for tax efficiency
 - Chasing alternative investments
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Risk: Waiting Too Long To Invest

- Don't wait for a minimum portfolio value to seek advice
- The most critical time in your investing journey is the beginning, not the end.
 - Beginning: portfolio growth depends on you
 - End: portfolio growth depends on the returns BUT with a lower risk (growth) portfolio



Who Has the Bigger Impact?

Event or Ages	Year	Earmarked	Fund All Goals	Additions to Assets	Other Additions	Post Retirement Income	Investment Earnings	Investment Return	Taxes	10 Health Care	Retirement - Basic Living Expense	7 New Car	Ending Portfolio
34/36	2026	\$0	\$856,315	\$186,763	\$0	\$0	\$89,851	8.61%	\$10,631				\$1,122,297
35/37	2027	\$0	\$1,122,297	\$191,564	\$0	\$0	\$113,176	8.61%	\$13,416				\$1,413,622
36/38	2028	\$0	\$1,413,622	\$196,914	\$0	\$0	\$138,732	8.61%	\$16,411				\$1,732,856
37/39	2029	\$0	\$1,732,856	\$200,813	\$0	\$0	\$166,566	8.61%	\$19,628				\$2,080,607
38/40	2030	\$0	\$2,080,607	\$205,762	\$0	\$0	\$196,948	8.61%	\$23,083				\$2,460,234

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60/62	2052	\$0	\$25,824,638	\$389,144	\$0	\$0	\$2,258,055	8.61%	\$199,538				\$28,272,299
61/63	2053	\$0	\$28,272,299	\$397,218	\$0	\$0	\$2,469,592	8.61%	\$214,746				\$30,924,363
62/64	2054	\$0	\$30,924,363	\$410,887	\$0	\$0	\$2,699,218	8.61%	\$230,897				\$33,803,572
63/65	2055	\$0	\$33,803,572	\$420,154	\$0	\$0	\$2,948,032	8.61%	\$248,044				\$36,923,713
64/66	2056	\$0	\$36,923,713	\$432,022	\$0	\$0	\$3,217,823	8.61%	\$266,245				\$40,307,313

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Priority List

1. Create an overall strategy
 2. Automate as many processes as possible
 3. Ignore the market returns
 4. Be aware of lifestyle creep and acceptable percentages (< 20% of income to housing, 20% down payment, < 30% of income to debt)
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Case 2: Close to Early Retirement

Age 50



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Case 2 Profile

- Dual income household
 - Ages 50/52
 - Children recently graduated college
 - \$7m in investments
 - \$2m home, 2 cars, \$200k in cash and other savings accounts
 - Low debt
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- Aspirations: Immediate retirement, travel, home renovations
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Risks

- Sequence of Returns
 - Healthcare costs
 - Lack of diversified tax treatments
 - Miscalculated spending
 - Free time
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Opportunities for Success

- There are many financial decisions that require advice, but not necessarily asset management:
 - Use of dynamic spending
 - Tax efficient withdrawals
 - Medical insurance subsidies
 - Tax loss harvesting
 - Roth conversions
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Roth Conversion Strategies

- Take advantage of low tax rates early in retirement when income is low
 - Maximize value by “filling” low tax brackets with conversions
 - Live on cash to keep taxable income low
 - Avoid the RMD bomb in your 70s and create a tax hedge
 - Must be custom tailored to your situation
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Roth Conversion Example

2024 tax brackets

Tax rate	Single filers	Married couples filing jointly
10%	\$11,600 or less	\$23,200 or less
12%	\$11,601 to \$47,150	\$23,201 to \$94,300
22%	\$47,151 to \$100,525	\$94,301 to \$201,050
24%	\$100,526 to \$191,950	\$201,051 to \$383,900
32%	\$191,951 to \$243,725	\$383,901 to \$487,450
35%	\$243,726 to \$609,350	\$487,451 to \$731,200
37%	\$609,351 or more	\$731,201 or more

Source: Internal Revenue Service

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Source: Internal Revenue Service

Early in Retirement: Convert tax deferred savings (IRA) up to \$94,300 + deduction to pay only 12% as opposed to paying a higher tax later in retirement when RMDs and SS kick in

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Later in Retirement: RMD's will be lower since they are based on a now lower IRA balance reducing taxable income. Strategy also acts as a tax hedge against rising tax rates.

Advice Comparison

Everyone needs financial advice, but not everyone needs a wealth manager

- What gap are you looking to fill? Management or advice?
 - Read the disclosures and understand your finances
 - Minimize conflicts of interest
 - Maximize expertise for your situation
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 - We provide the roadmap, you drive the car.



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