ALLEVI - 8 PLAN

JOHN & JANE CLIENT - JULY 2018

NET WORTH TODAY

$125,000

- REAL ESTATE - 30%
- INVESTMENTS - 45%
- INSURANCE - 15%
- OTHER - 10%

NET WORTH RETIREMENT

$1,000,000

- REAL ESTATE - 30%
- INVESTMENTS - 45%
- INSURANCE - 15%
- OTHER - 10%

FUTURE VALUES

RETIREMENT INCOME

$80,000/YR

INVESTMENT VALUE

$450,000

HOME EQUITY

$300,000

RECOMMENDATIONS

1. BEGIN CONTRIBUTING $10,000/YR TO JOHN'S 401K. THIS WILL RAISE THE TOTAL CONTRIBUTION FROM EMPLOYER AND EMPLOYEE TO $25,600 PER YEAR UNTIL RETIREMENT.

2. UPDATE WILL OR CREATE A TRUST FOR REAL ESTATE ASSETS WITH AN ESTATE - PLANNING ATTORNEY. RETIREMENT ASSETS CAN BE DIRECTED BY BENEFICIARY DESIGNATIONS.

3. TAKE JANE'S SOCIAL SECURITY AT AGE 62 AND USE THOSE EXTRA FUNDS TO PAY DOWN THE MORTGAGE.
WAIT UNTIL AGE 70 TO TAKE JOHN'S SOCIAL SECURITY.

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Retirement Income Projection

Bob and Judy Client

January 1st, 2018

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Current Brokerage Account Value: $359,900 **Account Value at Retirement: $1,000,856**

Year	Social Security Bob	Social Security Judy	Bob's IRA (Assumed 5% return) ($5,500 cont. until retirement)	Judy's 401k (Assumed 5% return) ($10,000 cont. until retirement)	Qualified Income (Assumed 4% withdrawal rate)	Judy's Roth IRA (Assumed 5% return)	Bob's Pension (no inflation)	Rental House ($1200/mo. + 2% annual increase)	**Total Retirement Income**
2018	$ -	$ -	$ 163,000	$ 141,250	$ -	$ 55,650	$ -	$ 14,688	**$ 14,688**
2019	$ -	$ -	$ 176,650	$ 158,313	$ -	$ 58,433	$ -	$ 14,982	**$ 14,982**
2020	$ -	$ -	$ 190,983	$ 176,228	$ -	$ 61,354	$ -	$ 15,281	**$ 15,281**
2021	$ -	$ -	$ 206,032	$ 195,040	$ -	$ 64,422	$ -	$ 15,587	**$ 15,587**
2022	$ -	$ -	$ 221,833	$ 214,792	$ -	$ 67,643	$ -	$ 15,899	**$ 15,899**
2023	$ -	$ -	$ 238,425	$ 235,531	$ -	$ 71,025	$ -	$ 16,217	**$ 16,217**
2024	$ -	$ -	$ 255,846	$ 257,308	$ -	$ 74,576	$ -	$ 16,541	**$ 16,541**
2025	$ -	$ -	$ 274,138	$ 280,173	$ -	$ 78,305	$ -	$ 16,872	**$ 16,872**
2026	$ -	$ -	$ 293,345	$ 304,182	$ -	$ 82,220	$ -	$ 17,209	**$ 17,209**
2027	$ -	$ -	$ 313,513	$ 329,391	$ -	$ 86,331	$ -	$ 17,554	**$ 17,554**
2028	$ -	$ -	$ 334,688	$ 355,860	$ -	$ 90,648	$ -	$ 17,905	**$ 17,905**
2029	$ -	$ -	$ 356,923	$ 383,653	$ -	$ 95,180	$ -	$ 18,263	**$ 18,263**
2030	$ -	$ -	$ 380,269	$ 412,836	$ -	$ 99,939	$ -	$ 18,628	**$ 18,628**
2031	$ -	$ -	$ 404,782	$ 443,478	$ -	$ 104,936	$ -	$ 19,000	**$ 19,000**
2032	$ -	$ 13,200	$ 425,021	$ 465,652	$ 35,627	$ 110,183	$ 18,000	$ 19,381	**$ 86,207**
2033	$ -	$ 13,464	$ 427,568	$ 470,230	$ 35,912	$ 115,692	$ 18,000	$ 19,768	**$ 87,144**
2034	$ -	$ 13,733	$ 430,093	$ 474,888	$ 36,199	$ 121,477	$ 18,000	$ 20,163	**$ 88,096**
2035	$ -	$ 14,008	$ 432,593	$ 479,628	$ 36,489	$ 127,551	$ 18,000	$ 20,567	**$ 89,064**
2036	$ -	$ 14,288	$ 435,066	$ 484,452	$ 36,781	$ 133,928	$ 18,000	$ 20,978	**$ 90,047**
2037	$ 16,800	$ 14,574	$ 437,509	$ 489,365	$ 37,075	$ 140,625	$ 18,000	$ 21,398	**$ 107,846**
2038	$ 17,136	$ 14,865	$ 439,920	$ 494,369	$ 37,372	$ 147,656	$ 18,000	$ 21,826	**$ 109,199**
2039	$ 17,479	$ 15,163	$ 442,296	$ 499,467	$ 37,671	$ 155,039	$ 18,000	$ 22,262	**$ 110,574**
2040	$ 17,828	$ 15,466	$ 444,634	$ 504,664	$ 37,972	$ 162,791	$ 18,000	$ 22,707	**$ 111,973**

NOT A GUARANTEE OR PROMISE

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This is a projection of income based on assumed rates of return consistent with the risk tolerance of the client. Your account values will be different from this projection due to market fluctuations. This is a hypothetical illustration and is in no way a promise or a gaurantee of your account(s). Investments may lose money and principal may be lost. This is for informational purposes only and not to be used as investment planning or advice. Please consult your advisor before acting on any of the information above.

- Income Sources - Accounts - Proposed Retirement Year

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John & Jane Client
Allevi-8 Plan - March 7th, 2018

John & Jane,

It's been a pleasure speaking with you about your retirement goals. I'm honored to be able to assist you in planning this exciting future, and look forward to working with you over time as you watch these goals come clearer into focus. I also want to thank you for sharing with us the personal financial details of your life. This information will help us in crafting a financial plan that works for you and your situation.

Contained in the following pages is a list of recommendations that, together with the Retirement Income Projection, will form a basic financial plan. With each recommendation I have listed the advantages and disadvantages along with an alternative to consider.

Here are the recommendations, more detail can be seen on the following pages:

#1- Begin/continue contributing $10,000/yr to John's 401k. This will raise the total contribution from employer and employee to $25,600 per year until retirement. I also recommend making that $10,000 a Roth contribution.

#2- Move the 401k account to an IRA managed by SMB at TD Ameritrade and move into a more conservative portfolio. Combine all assets into IRAs at retirement.

#3- Update will or create a trust for real estate assets with an estate-planning attorney. Retirement assets can be directed by beneficiary designations.

#4- Take Jane's social security at age 62 and use those extra funds to pay down the mortgage. Wait until age 70 to take John's social security.

#5- Evaluate end of life and long-term care liabilities and decide to self-insure or off-load liability to an insurance company.

Issue 1: Retirement Target date 2026
As we spoke the other day, John mentioned the age of 68 as being a target retirement date. I have used that as the goal at this point, but we could easily adjust that forward or back if you prefer. Your current account balances including IRA's, 401k's, and other assets can be seen on the Retirement Income Projection. This one page spreadsheet will be the yardstick we use to measure progress over time.

Recommendation: When we met, we discussed 401k contributions from your employer. Even though those are significant, I recommend an additional $10,000 per year to help shore up the balance of accounts at retirement.

The other piece of this is tax treatment. All of your investable assets are pre-tax, which means you will be paying tax on those in the future as you withdraw. Contributing to the Roth 401k will create a bucket of money that will be post-tax. This will help diversify your tax situation.

Advantages:

- Currently on track to retire with $1.5 Million in investable assets.
- This will generate approximately $70,000/yr in income at a 5% withdrawal rate.

Disadvantages:

- This aggressive saving plan cuts into today's income.
- Roth contributions won't help you save on taxes now, but it will help in retirement.

Alternative: You also have the option of not contributing to the 401k.

If you decide not to contribute additional dollars to the 401k, you will have a projected balance of $1,350,000 at retirement. That would raise the $67,000 withdrawal rate in year 2028 from 5% to 5.3%. The general rule of thumb is to try to only take an inflation-adjusted 4% every year from your account. We feel comfortable pushing it 5% without adjusting for inflation. 5.3% adds a little more risk.

Issue 2: Investments
John mentioned the desire to reduce risk and have more stability in the portfolio. Changes should be made to ensure the portfolio matches your current risk tolerance.

Recommendation: Because the IRAs at Stifel are invested aggressively, the 401k should be moved into something more conservative. We recommend moving the account into a portfolio of 50% fixed income and 50% into stocks of companies with growing dividends that provide more stability. A simplified version of your investable assets would look something like the chart.

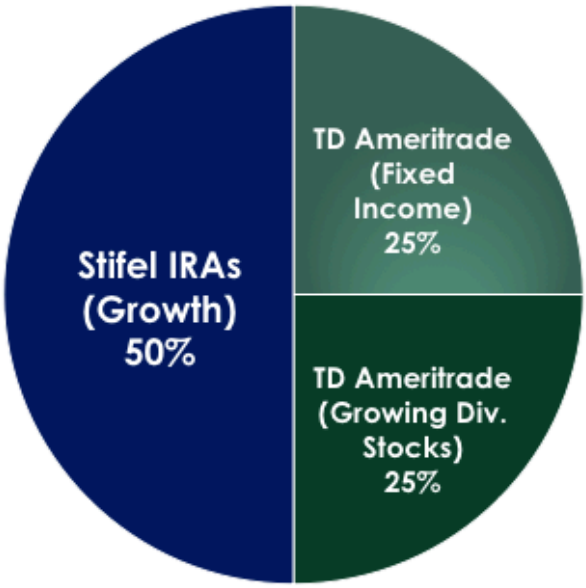
Advantages:

- Income producing investments.
- Typically more stable companies and investments.
- Less downside in the next downturn, that will eventually come.

Disadvantages:

- Less growth and less return.

Alternative: Keep the pedal to the metal and hope the stock market continues to perform well.



Issue 3: Estate Planning
I don't recall discussing if you have a will or trust currently in place. Considering you have a net worth of greater than $1 million, you need to have an estate plan in place. One reason to have this done is to help your children handle your estate. One other reason is to minimize Oregon estate taxes, which are triggered over $1 million in assets.

Recommendation: We suggest you see an estate-planning attorney to create or update your estate plan. We would also recommend you talk with an attorney about other recommendations they may have i.e. marital trust, medical directives, etc.

One such attorney that would meet you in our office is…

Pam Ly Nicholson
5200 Meadows Road, Suite 150
Lake Oswego, Oregon 97035
Phone: (503) 898-0168
Fax: (503) 726-5911
pam@pamnicholson.com

Advantages:

- Updated estate plan will make for an easier wealth transfer to the next generation.
- Limit estate tax liability in the future.

Disadvantages:

- There is a cost associated with this service.
- With an updated will, your beneficiaries will still have to go through probate, although the probate judge will have a document to guide him. If you were to establish a trust instead, the need for probate may be eliminated or reduced.

Alternative: Another attorney we recommend is…

Richard and Tom Noble
2875 Marylhurst Dr.
West Linn, OR 97068
503-635-6235
info@oregonlegalcenter.com

Issue 4: Social Security
Choosing when to take social security is an important decision. Every year you wait the payout increases 8%. Health plays a factor in the decision. If someone passes away before the mid-eighties, it would have been better to take social security early. Health doesn't seem to be a concern with you.

Recommendation: We recommend John take his social security at age 70. That will allow the monthly payout to grow as large as possible. If something were to happen to John, Jane would be able to trade her payout for 100% of John's.

For the two years between retirement (age 68) and age 70, I suggest leaning more heavily on the investment account and then back off when John's social security kicks in. We've updated the attached projection to reflect this.

We don't have the information for Jane, but we recommend she take her social security at age 62 and use those extra funds to help pay down the mortgage until retirement. That will help lower the loan and provide as much equity as possible at retirement.

Advantages:
- Mortgage will be paid down at retirement.
- Interest saved on mortgage.
- Maximize SS benefits for surviving spouse.

Disadvantages:
- Pulling principal from investments for first two years of retirement.

Alternative: An alternative to this plan would be to take SS early and retire early. The retirement income might not be as high, but John would be able to pull out of work a few years early. We can show this scenario if necessary.

Issue 5: Insurance
We didn't discuss this, but it should be addressed. If something happens to John before age 68 it could wreck retirement for Jane. Adequate life and/or disability insurance should be in place to cover that shortfall. Long-term care is also the largest liability people have in retirement. Decisions should be made on how to pay for that if this situation arrives.

Recommendation: We recommend reviewing current policies to determine if you have enough to cover the shortfall. We also recommend having a discussion about the cost of long-term care and how that would be covered. It's possible the sale of the Neskowin house could be used for those expenses. Small policies could be purchased inexpensively to cover this liability if that's desired. We can run quotes to determine costs.

Advantages:

- Retirement security even in the event of death, disability or long-term care.
- Peace of mind knowing where the money will come from to cover additional expenses.

Disadvantages:

- Cost of the insurance.

Alternative: Don't buy any policies and choose to self-insure. This can be a good option, but it should be discussed.