

Financial Plan

Sample Client 1



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At a Glance

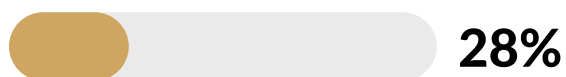
Key Goals

- Travel every year together as a family (\$25k)
- Both retire at 55 and live off of \$20,000/month

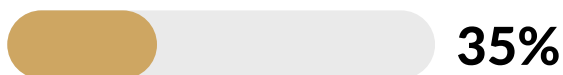
Key Metrics

- **Savings Rate = 18%**
- **% Away From Target = 5%**
- Need to up this to afford all the "wants"

Effective Tax Rate



Marginal Tax Rate

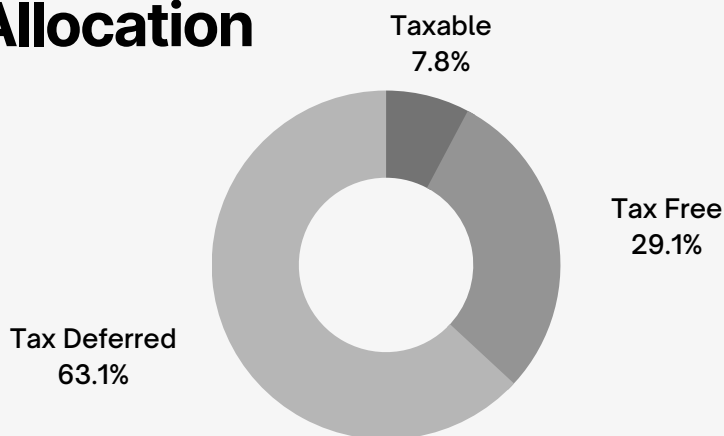


Income bracket (35%): \$431,901 to \$647,850

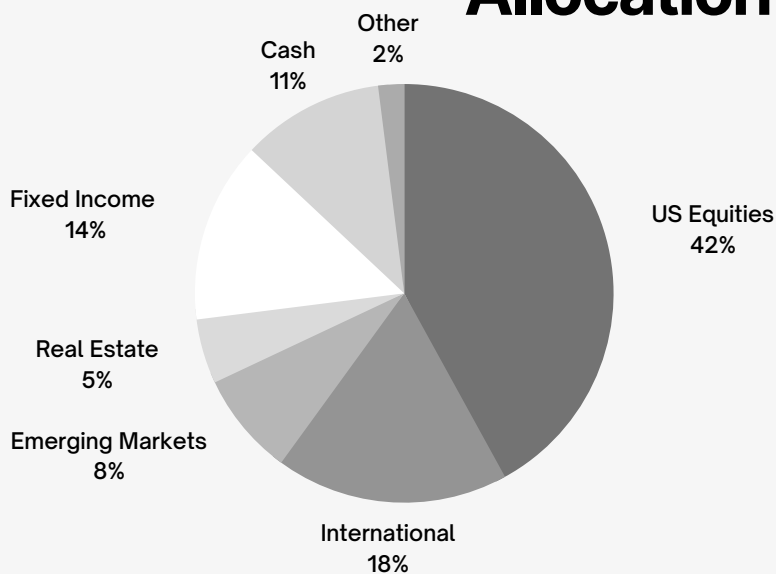
Room left: \$47,850

Next (37%): \$647,851+

Tax Allocation

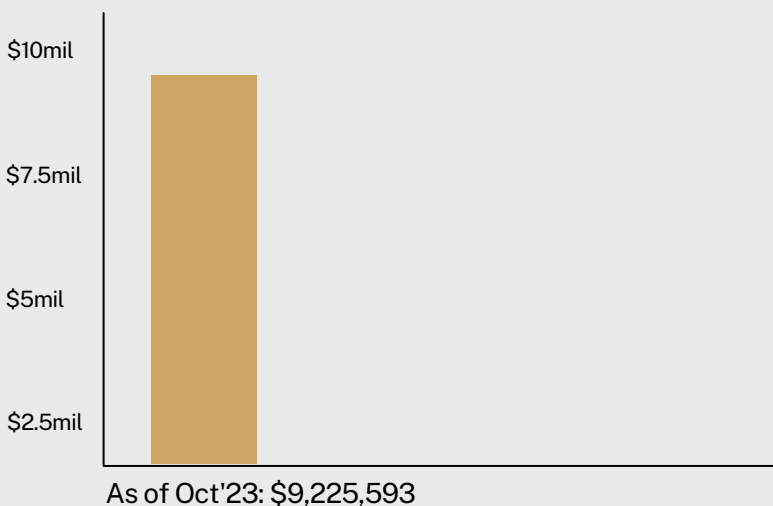


Asset Allocation



- Consider diversifying out of company stock
- Reduce cash in portfolio

Historical Net Worth



2023 Goals

Maintain emergency fund of \$75k



Both retire at 55 and live off of \$20,000/month



Help prepare for future college expenses and private school costs



Buy a rental a year to build out portfolio



Travel every year together as a family (\$25k)



Either do housing project or upgrade houses



Key Dates

Q1 (2023)

Q2

Q3

Q4

12/48 of options vest

Buy next rental
Open Enrollment

Max out 529
Go on family trip

Q1 (2024)

Buy next rental

Max out 529
Go on family trip

Action Items

Cash

- As of now cash allocations look pretty good for your personal side:
 - **Emergency Fund** - Leave \$250k in Discover to satisfy 1.5 years of expenses in cash. This will also help give capital if you decide to start a business
 - **Travel Fund** - Move \$15,000 to separate savings account for travel. Then save \$1,000 a month to be on track for future travel expenses
 - **Second House** - There really is 3 options here. You could hold the \$300k in an account at flourish that is offering 5%, you could do muni's since you live a state with high state taxes, or could do a longer term CD.
 - See cash flow sheet below for where all cash is going to go.

Debt/Credit Cards

- No bad debt currently. Goal is to plan to not take any bad debt in the future (credit cards, personal loans, etc)
- Not sure if you use credit cards, but would highly recommend using them and getting the rewards. Plus it adds a layer of safety for you.
 - Then use these points for other travel expenses

Retirement Planning

- Person 1 - continue to do traditional 401(k), but increase it to the max \$22,500 to decrease your taxable income.
 - Paystubs show you not using your 401(k) and only doing \$2,500 this year
 - 401(k) investment allocation will be sent over after this
 - Roll old 401(k) into new current 401(k)
- Person 1 - Continue to max out your 401(k) but switch to all traditional.
 - 401(k) investment allocation will be sent over after this
 - Roll old 401(k) into new current 401(k)
 - Might want to reduce so you do not max out 401(k) till end of year. Lots of times they do not give full match if you max out early
- Both max out backdoor Roth IRAs at \$6,500 and then move up to \$7,000 next year
- If you have an HSA, elect into and max it out, but use whenever you have health care expenses
 - if not, use FSA to reduce taxable income
- All remaining investments will go to your brokerage account. Save \$8,000 a month from your surplus to this account.

Investing

- Reinvest 401(k)'s
- Brokerage account is where we need to make many changes
 - See brokerage analysis sheet to go over this
 - Get rid of BIMBX
 - Get out of VNQ
 - Reinvest cash in SPAXX
 - maybe setup new taxable with Munis' for house of \$300k
 - Once options end at end of year, come up with set strategy to diversify out of company stock. Goal would be to get down to 10-15%.
 - Especially since we will be owning more company stock in both of your current companies
 - Consider moving out of bonds besides what is needed for short term goals
 - Add more emerging markets
 - Consider reducing small cap as you have a very high exposure right now
- One of our next 2 meetings can be all about investments

Equity Compensation

- Can exercise around \$101,000 in bargain element without triggering AMT.
 - Based on current price of \$16.24 and exercise price of mostly \$10.05 = \$6.19 bargain element
 - $\$95,000 / \$6.19 = 15,347$ shares
 - You could exercise all shares and not incur AMT right now
 - Could be good to exercise most so we can start long term capital gains clock (2 years from grant and 1 year from exercise)
 - We have the cash and have tons of bonds to reallocate
- **Talk about ISO to NSO change**
 - Keep equity comp as ISO's for old grants due to taxes and how ISO's work
 - Future equity that you will receive **MAY BE**
 - Says you will have a meeting/information session that will tell you if your ISO's go to NSO's
 - We would rather have ISO's unless you are planning to not exercise many

Employee Benefits

- Both elect into DI and pay for benefit
- Pick HDHP 300 plan and add family to it
 - Better than doing separate cost wise
- Max out dependent care FSA
- Elect into basic dental and vision plan

Action Items

College Planning

- There is a good chance that this will be include your wealth and taxed so doing all to a 529 does not make much sense.
- Leave what is in there now and can be used for future costs, but due to this risk no reason to put more inside a 529 just in case college changes, they don't come to the US, etc.
- Regardless, to target the goal of paying for private school anywhere, you will need;
 - An additional \$65,000 for child 1
 - 1x contribution of \$180,000 for child 2
 - Could create separate taxable account for each and invest according to that time frame

Sample Client		
College Funding Analysis		
25 September, 2023		
Note	Child 1	Child 2
Average college cost inflation	4.50%	4.50%
Average cost of semester	\$29,000.00	\$29,000.00
Years of enrollment	4	4
Expected enrollment year	2037	2040
Estimated cost of college (adjusted)	\$107,413.00	\$122,576.00
Cost for 4 years	\$429,651.00	\$490,303.00
Current 529 balance	\$122,000.00	\$0.00
1 Time addition Needed		
529 estimated ROI	6.00%	6.00%
Savings needed to fund all 4 years	\$1,080	\$0
Balance at expected enrollment year	\$429,659	\$490,309
Difference of total cost and 529 balance	-\$8	-\$6
Total education cost		\$919,955
Current 529 savings		\$245,000
Total incremental savings needed		\$25,920

Estate Planning

- Obtain estate planning documents through wealth.com or the option from work that Apoorva gets (Last Will, Living Will, General Durable Power of Attorney, Appointment of Health Care Representative)
- **Considerations**
 - Successor Executor / Personal Representative if Spouse were to Pass
 - Guardian & Successor Guardian
 - Trustee (If Testamentary Trust or Living Trust to be put in place) & Successor Trustee
 - Attorney-In-Fact & Successor Attorney-In-Fact
 - Successor Healthcare Representative
 - Living will wishes
- Consider Revocable living trust for home, rentals, etc.

Insurances

- **Life insurance** - need about \$1million of term for both of you
 - Could do short, 10 year policy and cancel if you leave the US
 - Need to add contingent beneficiaries on both of your work policies
 - May need to be the trust you setup
 - Reduce her paid for life insurance through work
- **Disability insurance**
 - Him - \$12,000/mo benefit in place through employee benefits
 - Premiums are employer paid - benefits would be taxable. Switch to paid for by you if you can
 - Her - 65% of after-tax salary benefit in place through employee benefits
 - Premiums are employer paid - benefits would be taxable
 - Benefits statement shows this would be approximately 42% of pre-tax salary
 - Increase or do paid for by you if possible
- **Health insurance** - We will look into when employee benefit enrollment happens
- **Renters** - Need to get done ASAP
- **Umbrella**- Need to get \$5mil of umbrella to protect your wealth
 - Auto and renters need to be maxed out on liability coverage
- **Auto**
 - Policy on file expires end of February
 - Premium = \$1,145 annually
 - Deductibles
 - Collision Deductible = \$500
 - Comprehensive Deductible = \$500
 - Consider increasing to \$1,000 or \$1,500
 - Bodily Injury Liability is \$100,000/\$300,000
 - Increase to \$250,000/\$500,000
 - Uninsured/Underinsured Motorist Bodily Injury Liability is \$100,000/\$300,000
 - Increase to \$250,000/\$500,000
 - No Medical Payments coverage
 - Policy renews every 6 months
 - Ask to switch to 12-month renewal

Tax planning

- Max out traditional 401(k)'s
- Use dependent care FSA for child care expenses
- Max out HSA or FSA to reduce taxable income and pay for healthcare costs
- Exercise ISO's up to the AMT limit to avoid the 26 or 28% tax
- Use muni's for bonds that we are holding onto
- Tax loss harvest
- Tax location
 - Most tax efficient in taxable
 - Lowest appreciating (like bonds) in 401(k)
- Donor advised fund on years selling lots of equity

Retirement Savings Calculator

Sample Client				
All Street Wealth				
10/2/2023				
HOUSEHOLD RETIREMENT SAVINGS RATE				
2023 ESTIMATED INCOME			Key Metrics	
	Income	%	Note	
Salary 1	\$ 112,500	18.9%	CURRENT RETIREMENT SAVINGS RATE 14.0%	
Salary 2	\$ 350,000	58.7%		
Bonus - 1	\$ 33,750.0	5.7%		
VA Income - 2	\$ 29,844.00	5.0%	RECOMMENDED RETIREMENT SAVINGS RATE 20.0%	
Contract Work - 2	\$ 50,000.00	8.4%	INCREASE NEEDED TO REACH SAVINGS RATE GOAL 6.0%	
Side Income	\$ 20,000.00	3.4%		
Total Income	\$ 596,094	100.0%		
CURRENT RETIREMENT SAVINGS RATE			2024 RECOMMENDED RETIREMENT SAVINGS RATE	
	Savings	% of Income	Savings	% of Income
Pre-Tax 401(k) - 1	\$ 22,500	3.8%	Pre-Tax 401(k) - 1	\$ 23,000 3.9%
Pre-Tax 401(k) - 2	\$ 22,500	3.8%	Pre-Tax 401(k) - 2	\$ 23,000 3.9%
HSA - 2	\$ 7,750	1.3%	HSA - 2	\$ 8,300 1.4%
Backdoor Roth - 1	\$ 6,500	1.1%	Backdoor Roth - 1	\$ 7,000 1.2%
Backdoor Roth - 2	\$ 6,500	1.1%	Backdoor Roth - 2	\$ 7,000 1.2%
Emergency Fund	\$ 15,000	2.5%	Emergency Fund	\$ 25,000 4.2%
Self Employment Tax Fund	\$ 3,000	0.5%	Self Employment Tax Fund	\$ 36,000 6.0%
Total Contributions	\$ 83,750	14.0%	Total Contributions	\$ 129,300 21.7%
1 - Employer 401(k) Contributions	\$ 5,625	0.9%	1 - Employer 401(k) Contributions	\$ 5,625 0.9%
2 - Employer 401(k) Contributions	\$ 21,000	3.5%	2 - Employer 401(k) Contributions	\$ 21,000 6.0%
Total Employer Contributions	\$ 21,000	3.5%	Total Employer Contributions	\$ 5,625 0.9%
Total Savings	\$ 104,750	17.6%	Total Savings	\$ 134,925 22.6%

Cash Timing

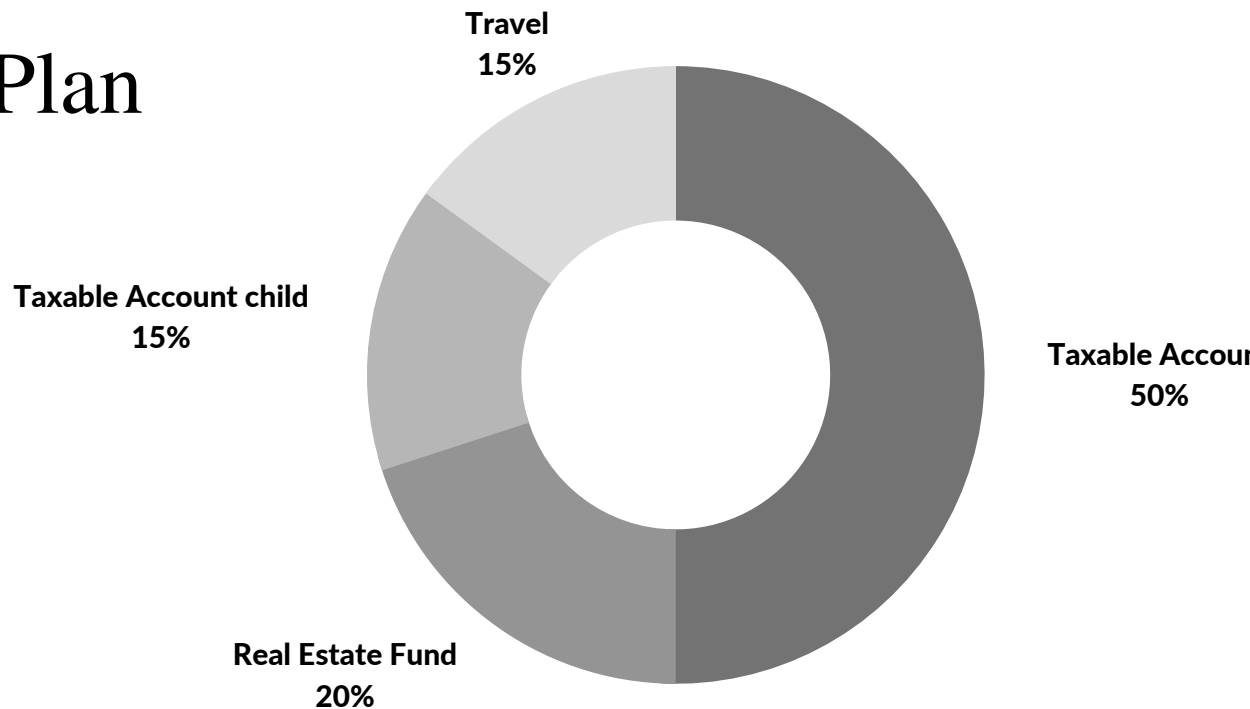
Current Cash Allocation			
Current Location	Amount	Availability	Move to
Discover Savings	\$ 256,000	Now	\$250k to emergency fund + \$6k to travel fund
Ally 12 Mo CD	\$ 250,000	Jan-24	\$140k to college fund + \$74k to taxable retirement + \$36k to 2024 ISOs
Ally Money Market Savings	\$ 180,000	Now	\$120K to ISOs + \$60k to college fund
Discover 16 Mo CD	\$ 34,000	Feb-24	Hold in HYSAs for additional ISO exercising 2024
Bank of America Money Market	\$ 28,000	Now	College fund
PNC Savings	\$ 15,000	Now	College fund
Ally Savings	\$ 17,000	Now	\$5k to college fund + \$12k to travel fund
Total Cash Available	\$ 780,000		

Recommended Cash Allocation			
Location	Amount	Timing	Funding Location
Emergency Fund	\$ 250,000	Now	Discover Savings
Travel Fund	\$ 18,000	Now	Discover Savings + Ally Savings
Taxable Retirement Account	\$ 74,000	Jan-24	Ally 12 Mo CD
Education Investment	\$ 248,000	Jan-24	Ally 12 Mo CD + Ally Money Market Savings
ISO dollars to exercise (2023)	\$ 120,000	Now	Ally Money Market Savings
ISO dollars to exercise (2024)	\$ 70,000	2024	Discover 16 Mo CD + All 12 Mo CD
Total Cash Utilized	\$ 780,000		

Surplus Breakdown (\$20,000)

- \$2,000 to travel fund
 - \$14,000 to taxable brokerage fund
 - \$1,000 between 529 and taxable for college
 - The other \$3,000 towards real estate savings fund
-

Bonus Plan



Summary

You guys are in a good spot and have a lot of income to help accomplish these goals. We can easily make retirement and college work, but staying disciplined is going to be huge to make the house and private school work. Also, commissions will be a huge deciding factor in what is possible!

Implementation Phases

Phase 1

June 2023 - August 2023

- All Ally accounts set up and automation created
- 401k changes need to be made
- Work on obtaining life insurance as it is a huge need
- Get HSA setup at Fidelity (if can't change at work)
- Sell RSU's and move funds to taxable account
- Get dependent care FSA setup if needed

Phase 2

September 2023 - December 2023

- Get estate planning documents done with estate planning attorney or wealth.com
- Roll old 401ks into new accounts
- Update beneficiaries and add TOD for bank accounts

We're here to help.

Have a question about anything within your plan?

Schedule a call here

Or send me an email at thomas@allstreetwealth.com

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Important Information and limitations

POTENTIAL RISKS

- Annual retirement living expenses exceed projected amounts.
- Inability to meet annual savings targets.
- Disability or retirement prior to assumed ages.
- Premature loss of a spouse.
- Long term care expenses.
- Inferior performance of overall financial markets.
- Inflation.
- Potential increases in income taxes.

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