

Initial Plan Presentation
Client1 & Client2 LastName
September 26, 2024

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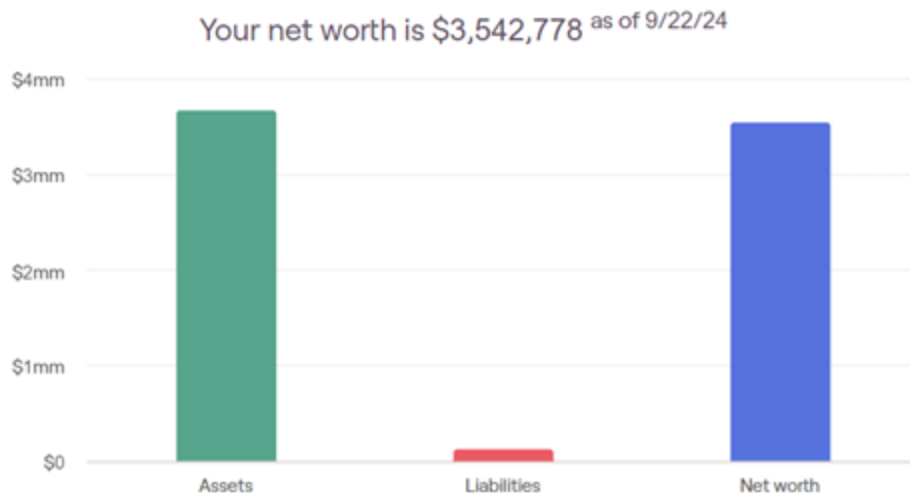
John Mason, CFP®

Immediate Questions & Concerns

1. Review your balance sheet and assets
2. Understand your income and expenses
3. Review individual and joint income replacement in retirement
4. Social Security claiming strategy
5. Discuss healthcare and Medicare
6. Discuss investment allocation and investment philosophy
7. Estate Planning and asset titling
8. Discuss alternative retirement scenarios
9. Review taxes and Roth conversions
10. Discuss life insurance
11. Discuss legacy planning

Balance Sheet Review

- Everything you own vs everything you owe.
- Net worth of approximately \$3.5M
- “Real” net worth closer to \$4.5M - \$5.0M (Value Pension)
- Confirm asset titling
- Confirm TOD and POD designations



Income and Expenses

- Take home pay is approximately \$15,000 per month.
- After fixed expenses, additional savings, debt service and insurance net take home is around \$7,000 per month
- **Assume all take home pay is spent? Discussion.**

Income and Expenses

	Per Period	Monthly	Annual
	\$3,508.17	\$7,601.04	\$91,212.42
	\$3,328.94	\$7,212.70	\$86,552.44
Total Take Home	\$6,837.11	\$14,813.74	\$177,764.86

Income and Expenses

	All Income Spent	Save 50% One Check
Total Take Home	\$14,813.74	\$14,813.74
Mortgage	\$1,508.00	\$1,508.00
RE Tax	\$644.83	\$644.83
RE Insurance	\$125.00	\$125.00
Trips (\$20k)	\$1,666.67	\$1,666.67
Save One Paycheck (50%)	\$0.00	\$3,606.35
Net Take Home	\$10,869.24	\$7,262.89

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Income Replacement

- Assuming a 4% distribution rate from investments:
 - You have a total **income replacement rate of 107%** prior to beginning Social Security Income.
 - You have a total **income replacement rate of 127%** after beginning Social Security Income.

Total Income Replacement - Pre Social Security

Total Income (prior to SS)			
Total Investment Accounts			
*Assumes 5% growth		\$ 4,263,700.00	
		Monthly	Annual
Client 1 FERS Pension		\$ 5,498.71	\$ 65,984.51
Client 1 FERS Supplement		\$ 2,999.39	\$ 35,992.74
Investment Distributions (4%)		\$ 14,212.33	\$ 170,548.00
Total Income		\$ 22,710.43	\$ 272,525.25
Estimated Taxes (30%)		\$ 6,813.13	\$ 81,757.58
After Tax Retirement Income		\$ 15,897.30	\$ 190,767.68
Current Take Home		\$ 14,813.00	\$ 177,764.86
Gain / Loss		\$ 1,084.30	\$ 13,002.82

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Total Income Replacement - Post Social Security

Total Income (prior to SS)			
Total Investment Accounts			
*Assumes 5% growth		\$ 4,263,700.00	
		Monthly	Annual
Client 1 FERS Pension		\$ 5,498.71	\$ 65,984.51
Client 1 FERS Supplement		\$ -	\$ -
Client 1 SS at Age 70		\$ 4,607.00	\$ 55,284.00
Client 2 SS at Age 62		\$ 2,585.00	\$ 31,020.00
Investment Distributions (4%)		\$ 14,212.33	\$ 170,548.00
Total Income		\$ 26,903.04	\$ 322,836.51
Estimated Taxes (30%)		\$ 8,070.91	\$ 96,850.95
After Tax Retirement Income		\$ 18,832.13	\$ 225,985.56
Current Take Home		\$ 14,813.00	\$ 177,764.86
Gain / Loss		\$ 4,019.13	\$ 48,220.70

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Joint Income Replacement

- Based on our findings you will be able to **increase** your standard of living in retirement.
- Your retirement income, particularly when Client1 begins Social Security **will be greater than your income today.**
- **You may be net savers in retirement.**

Social Security Claiming Strategy

- Your Social Security benefits will grow by 6% per year between age 62 and your Full Retirement Age (67).
- Your Social Security Benefits will grow by 8% per year between age 67 and 70.
- The break-even between taking benefits at age 67 vs 70 is approximately 11 years.
- **The “Optimal” strategy may also be the most risky strategy.**
- When the time comes we will help you skip the lines and sign up online at <https://www.ssa.gov/>

Proposed Social Security Claiming Strategy

- Client1 - **Begin benefits at age 70**
- Client2 - **Begin benefits as early as age 62**
- Client1's age 70 benefit (current dollars) = **\$4,607 per month**
- Client2's age 62 benefit (current dollars) = **\$2,585 per month**
- **Delaying benefits DOES NOT mean delaying enjoying life!**

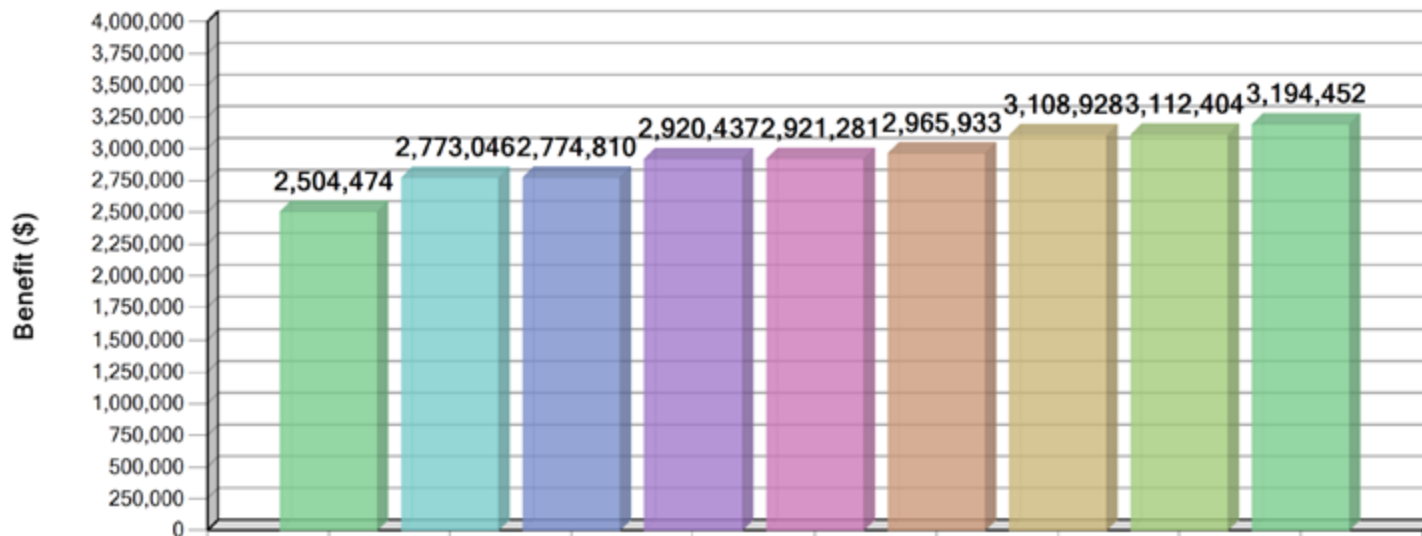
*****Our plan may change as life changes and we will continually evaluate options.**

Proposed Social Security Claiming Strategy

- This strategy allows us to delay/reduce *some* distributions now while letting assets continue to grow.
- It also maximizes the larger of your two benefits for life.
- If Client1 predeceases Client2 she can still file for his unclaimed benefit.
- Allows for a smoother distribution strategy.

Proposed Social Security Claiming Strategy

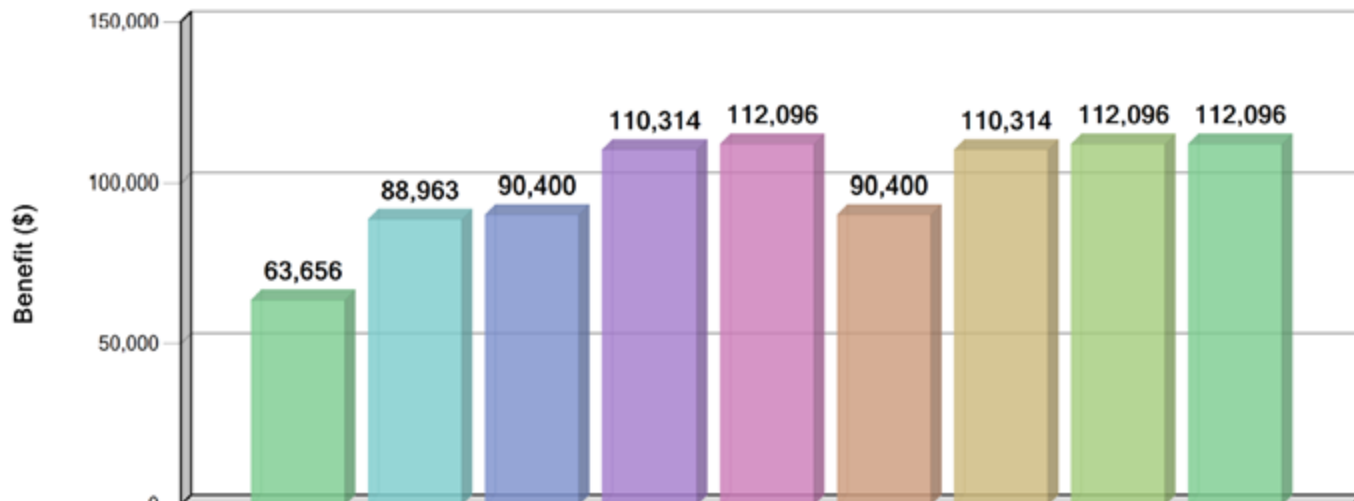
Cumulative Benefit



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Proposed Social Security Claiming Strategy

First Full-Year Income for Surviving Spouse



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Healthcare - Federal Employees Health Benefits

- Is there a reason that you're on Client2's insurance now?
 - Better coverage/options?
 - Cheaper?
 - **Monthly cost - \$510.77**
- Federal Employees Health Benefits (FEHB) **must be carried for 5 years prior** to an immediate retirement to continue into retirement.
 - **Blue Cross Blue Shield Self + 1 (Basic) - \$517.03 per month**
- Consider moving onto FEHB now and electing the self +1 option
- Client 2 is only eligible for survivor health insurance if Client 1 is enrolled in self +1 or family coverage at death.

Healthcare - Federal Employees Health Benefits

- Additional Information:
 - FEHB is typically very competitive insurance with great coverage.
 - You can enroll during Open Enrollment (2nd week Nov - 2nd Week Dec)
 - A Medicare supplement/advantage or Drug will not be needed when you're enrolled in Medicare A + B.

If retiring at age 57 you will need to carry private and/or ACA Plan for 7 years. May or may not be a "bad" thing. Discussion.

Healthcare - Medicare

- Client1 will sign up for Medicare Parts A + B at age 65
 - Mason & Associates will help Client1 sign up at <https://www.ssa.gov/>
 - Medicare Parts A + B will be your primary insurer
 - FEHB (if enrolled) will be your secondary insurer
 - There is no need to buy a Supplemental (Medicare Plan C - N) **so you can hang up on the solicitors!**
 - **BCBS Basic offers an \$800 Medicare Part B reimbursement (each)**
 - Medicare A + B + BCBS Standard may be over-insured
 - May consider switching to all BCBS depending on IRMAA
 - Mason & Associates can assist with claiming the rebate

Healthcare - Medicare

Single	Married Filing Jointly	Married Filing Separately	Part B Premium	Part D IRMAA
\$103,000 or less	\$206,000 or less	\$103,000 or less	\$174.70	\$0 + your plan premium
\$103,000 up to \$129,000	\$206,000 up to \$258,000	N/A	\$244.60	\$12.90 + your plan premium
\$129,000 up to \$161,000	\$258,000 up to \$322,000	N/A	\$349.40	\$33.30 + your plan premium
\$161,000 up to \$193,000	\$322,000 up to \$386,000	N/A	\$454.20	\$53.80 + your plan premium
\$193,000 and less than \$500,000	\$386,000 and less than \$750,000	\$103,000 and less than \$397,000	\$559.00	\$74.20 + your plan premium
\$500,000 or above	\$750,000 and above	\$397,000 or above	\$594.00	\$81.00 + your plan premium

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Healthcare - Medicare

- Since Client2 will be receiving Social Security prior to age 65 she will be automatically enrolled in Medicare Parts A + B.
 - She should receive her Medicare Card 2 - 3 months prior to her 65th birthday.

Investment Allocation

- Your current asset allocation is approximately 80% stocks and 20% bonds
- We are comfortable maintaining this allocation and have modeled your plan with an 80% stock and 20% bond exposure.
- Discuss risk / draw downs

Portfolio Management

- Rebalance as needed
- Facilitate contributions and distributions
- Ensure cash is invested and maintain minimal cash balances
- Coordinate with your estate plan by helping with titling and beneficiary updates
- Facilitate actions such as Roth conversions
- Prepare new account paperwork
- Mason & Associates is your customer service team.
 - 757-223-9898 not 1-800 TSP or other custodian
- Assist with the transfer of assets
- Assist with external accounts, TSP, to ensure it is aligned with your financial, estate, and tax plan.

Estate Planning

- No estate planning documents are in place.
- At a minimum we need Wills, Powers of Attorney, and Medical Directives.
- Review the ACTEC website for an attorney near you
- Mason & Associates would like to attend the meeting with you.
- Executing documents is only the beginning.
- Mason & Associates will help ensure that your estate plan is implemented by helping with the necessary beneficiary updates and title changes to accounts.

Taxes - Projections and recommendations

- Tax Year 2024:
 - Increase withholding:
 - **Estimate - \$8k owed Federal**
 - **Consider withholding an additional \$300 per pay period to avoid penalties.**
 - Estimate - \$500 owed Massachusetts
 - No need to update Massachusetts withholding

Tax Planning

- 30 or 40 Year Strategic Tax Plan or Vision
- Annual tactical tax planning
 - Roth Conversions
 - Harvesting gains or losses
 - Charitable giving
 - Contributions to retirement plans
- Annual tax projections
- Assistance with estimated tax payments
- Facilitate tax planning recommendations
- Work with your CPA or Tax Preparer as needed
- Review tax return before filed to ensure the tax planning is being reported correctly

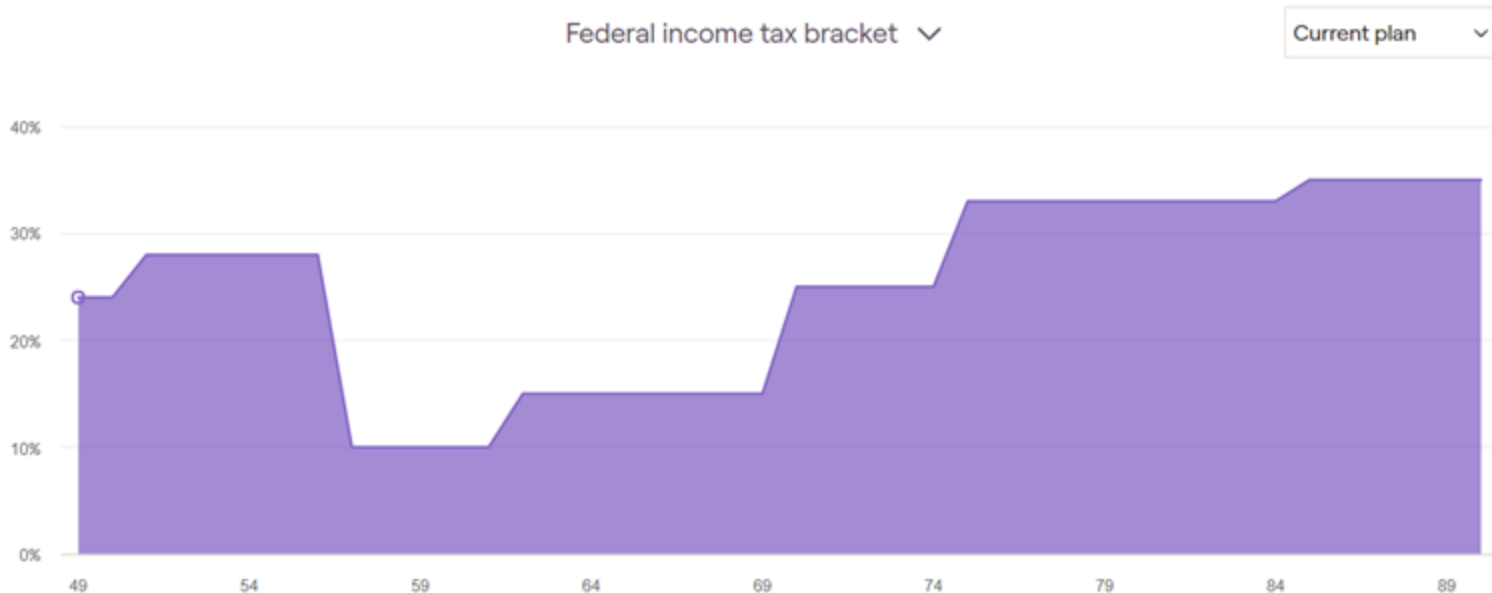
Taxes - General Planning

- **Rollover Client2's IRA into her 403(b) and consider "Backdoor" Roth IRA conversions.**
 - \$7,000 Client2 + \$7,000 for Client1 = \$14k into Roth IRAs per year
 - Will be \$8k + \$8k in 2025. **Complete this every year.**
- **Retirement Plan Contributions amount will increase:**
 - \$30,500 in 2025 (\$23k + \$7.5k catch up).
 - Client2 has an incredible match (7.50% pre SSWB, 10.50% post SSWB)
 - **We are just informing you of this option. Not that you need to do this!**
- **Charitable contributions:**
 - Consider gifting low basis mutual funds
 - QCDs, DAFs in the future?

Taxes - Roth Conversions

- May be beneficial up to the 22% to 24% tax brackets.
- Backdoor conversions may be a better option.
- **Biggest opportunity may be ages 57 - 61**
 - No pension for Client2
 - No SS benefits
 - No incomes (wages)
 - Effective tax bracket may be 10%

Taxes - Roth Conversions



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Life Insurance

- Client1 to elect 75% reduction at retirement.
- No need for new or current insurance.
- However, **prudent** to keep current insurance in place.
 - Client1's Part B will increase significantly every 5 years (starting next year)
 - Annual - \$1,185.60 to \$1,976
 - **Not a reason to cancel.**
- **Client1 10 year level term (private policy) for \$900k costs \$1,100 to \$1,500 per year**
- **Client2 10 year level term (private policy) for \$1M costs \$900 to \$1,200 per year**

Miscellaneous

- Invest cash in high yield savings account
 - Marcus or Ally Bank (4.0% - 4.50%)
 - Also consider Axos Money Market Fund (current yield 5.30%)
- Invest a portion of the cash in the savings accounts into the market
- HELOC
- TOD/PODs
- Umbrella liability on homes
- Understand Client2's benefits chart
 - May contribute more when over SSWB (\$168,600)
 - Contributing too much? Approximately \$1,000 per pay period

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