

Sample Financial Plan [SAMPLE]

For: Sam and Susan Sample

Re: Financial Planning Observations and Recommendations

Date:

Your Goals Matter.

During our discussions together, we learned about you as a person, your values, and your goals. We considered not just the monetary impact of your decisions, but the emotional nuances of them as well. Our intent is to help you be more in control of your finances, free from stress, so you can focus on creating and living a happier, more inspired, purpose-driven life.

A Holistic Approach.

In constructing your plan, we addressed areas such as your net worth, cash flow, investment portfolio, retirement plan, risk management, and estate plan in the context of an overall plan, not in isolation. We seek to identify and lessen risks in multiple areas of your financial life and to take advantage of opportunities presented to you by your financial choices.

Life Changes.

Life changes constantly and most changes will have financial implications. A financial plan can help provide a pathway to the life you want and the freedom to enjoy the journey. It is not static or a summary of your current situation. Rather, it is an ongoing, iterative *process* that can help you make more informed decisions as changes occur.

To begin, we've outlined key recommendations/action items to help us prioritize. We'll continue adding to this list over time to create a holistic, dynamic picture. We look forward to helping to guide you on your financial journey and continued collaboration.

Sincerely,

Modera Wealth Management

Your Goals.

- Maintain current standard of living in retirement
- Build home in South Carolina
- Develop an estate plan
- Develop a retirement income plan with optimal distribution strategies
- Protect assets from unexpected losses/liability

ACTION PLAN

We recommend the following action items to improve your current financial well-being and match the assumptions in your financial plan. Modera can help you implement many of these strategies over time.

Your Immediate Action Items:

- Contact an estate attorney to schedule a consultation for developing your estate plan.
- Contact your current (or new) accountant to determine that appropriate tax payments are made for John's business sale.
- Contact NJ Manufacturers or Travelers to obtain quotes for \$5,000,000 of umbrella liability coverage and consider consolidating your existing policies with one carrier (i.e. homeowners policy for your NJ condo, personal liability coverage on your South Carolina land, and auto insurance).
- Maintain cash reserves of \$250,000 (following the South Carolina build and payment of taxes owed on your business sale).
- Please confirm whether Sarah's NJ pension is a single life pension or if there is a joint and survivor payout for John.
- Please contact PNC to obtain benefit payouts for joint and survivor payout option(s).

Modera's Action Items:

- We will contact Transamerica with John to obtain additional details on his two insurance policies and may also request in-force illustrations on the policies to determine the health of the policies.
- Complete a 1035 exchange of Sarah's Prudential annuity to a new Fidelity IRA account.
- Following your estate plan updates, we will coordinate with you to make sure the contingent beneficiaries listed on John's IRA Rollover match your wishes.
- We will put you in touch with an insurance agent to obtain quotes for long-term care insurance policies. Once we review that information, we can discuss whether it is prudent to proceed with the coverages.

Key Observations

In your initial review, we noted the following key observations and recommendations:

NET WORTH

Recommendations

1. Maintain cash reserves of \$250,000 (following the South Carolina build and payment of taxes owed on your business sale).
 - Cash reserves of \$250,000 will amount to approximately 18 months of living expenses. We generally recommend two to three years of expenses be set aside in cash during retirement. With your municipal bond account and other income, we feel that the \$250,000 is sufficient.
 - You can consider an online savings account that provides FDIC coverage of up to \$500,000 on a joint account to earn some interest on your cash reserves. Two banks to consider are Ally Bank and Marcus by Goldman Sachs.
 - You indicated that your annual expenses are roughly \$144,000. With the completion of your South Carolina home, your expenses will be projected to increase. For your plan, we used an \$20,000 of additional expenses per year for your South Carolina home. (These figures will be refined once your home build is complete.)

CASH FLOW

Recommendations

1. Please confirm whether Sarah's NJ pension is a single life pension or if there is a joint and survivor payout for John.
 - For your planning projections, we assume that Sarah's pension is a single life pension with no cost-of-living adjustments.
2. You provided us with a statement from Sarah's PNC Pension Plan noting her monthly benefit available under the Single Life Annuity form of payment beginning in June 2025. Please contact PNC to obtain benefit payouts for joint and survivor payout option(s).
3. Please confirm outflows for estimated tax payments on the business sale with your new accountant as well as an approximate budget for your new home
 - We assumed additional cash inflows of approximately \$825,000 for John's business sale. We also assumed approximately \$1,000,000 for your South Carolina home build as well as tax payments of \$1,865,000.

INVESTMENT PORTFOLIO

Recommendations

4. Your Modera-managed portfolio is being managed as detailed below. If circumstance change with your housing budget and/or tax payment, please let us know so we can adjust the plan accordingly.
 - You signed an Investment Policy Statement in November 2021 for an allocation of 60% stocks and 40% bonds for your Modera-managed portfolio. We are dollar cost averaging your equity allocation over an eight-month period, which began in November 2021. We assumed a total portfolio of approximately \$3,000,000.
 - You also own a \$300,000 Fidelity joint account managed by Gurtin. Gurtin is managing this account by purchasing (and selling) municipal bond to improve tax efficiency, manage interest rate risks, and obtain diversification within your overall investment portfolio.

5. Complete a 1035 exchange of Sarah's Prudential annuity to a new Fidelity IRA account.
 - Sarah's Prudential annuity is currently valued at \$29,074. The estimated annual fees on the account are approximately \$921 (or 3.17%). Given the cost of the investments and the annuity, we recommend transferring these funds via a 1035 exchange to a new Fidelity IRA account. The fees following the transfer would be approximately \$328 (or 1.13%, .93% management fee plus product expenses of approximately .2%).

SCENARIOS AND MONTE CARLO ANALYSIS

In order to test the sustainability of your financial plan, we've modeled several different scenarios based on our discussions together.

Within each scenario, we incorporated a financial planning technique called "Monte Carlo analysis." This financial planning technique simulates a "financial lifetime" under various assumptions and tests both the sequences and the range of returns within the standard deviation of the portfolio.

The simulation helps us to understand how likely your portfolio is to be left with assets at your life expectancy based on the current set of assumptions.

It is important to note that small changes in the input variables can result in drastic changes in the Monte Carlo success rates. For this reason, we believe that Monte Carlo is most useful for comparative analysis, not for absolute evaluations of success or failure. A lower Monte Carlo result does not necessarily mean that your plan will "fail", but it is indicative of reduced flexibility and fewer options in the future.

The assumptions found in the Base Plan below are based on information you have provided to us or have declined to provide to us and form the foundation of your other scenarios. Please note that these assumptions as well as future assumptions of cash flow, investment returns, inflation and other such metrics will change these recommendations. Except where noted, the data from the base plan remains the same in the scenarios that follow.

1. Base Plan

- You build a home in South Carolina for approximately \$1,000,000.
- Your tax payments on the business sale are approximately \$1,865,000.
- Your current annual living expenses at \$144,000. We added an additional \$20,000 per year in expenses related to your South Carolina home.
- We assume that you maintain both your NJ home and SC homes for the duration of your retirements.
- The base inflation rate is 2.0%.
- We utilize 4.5% for healthcare inflation, but we do not have a breakdown of your current medical costs.
- You both collect your respective Social Security benefits at age 70.
- All scenarios assume that equity in your home is not tapped for ongoing expenses.
- Your Modera investment portfolio has an expected rate of return of 5.01%.
- Your life expectancies at 90 years old.
- Based on the assumptions detailed above, the Monte Carlo result for the base plan is 89%

2. Live to Age 95

- The assumptions are the same from the aforementioned Base Plan except for life expectancy.
- Life expectancy is 95 years old.
- The Monte Carlo for this scenario is 77%.

3. Sell NJ condo in 2024

- This scenario builds on the assumptions detailed in the Base Plan with expected life expectancies of 90 years.
- This scenario assumes you sell your NJ home in 2024 for \$275,000 (indexed for inflation).
- Base on the assumptions detailed above, the Monte Carlo result is 95%

4. John Passes away at age 66 in 2022.
 - John passes away at age 66.
 - We reduced Sarah's annual Living Expenses by 15% to \$139,400.
 - Sarah's life expectancy is 90 years old.
 - Base on the assumptions detailed above, the Monte Carlo result is 98%.

5. Sarah Long Term Care Stay
 - This scenario builds on the assumptions detailed in the Base Plan.
 - Sarah experiences a long-term care stay starting with 2 years of home care followed by 2 years of skilled nursing in a long term care facility. We assume that the home care starts at age 82. The cost of home care is \$48,912 for the state of South Carolina. The cost of a semi-private room in a nursing home facility is \$87,576 per year. We assumed a rate of inflation on those costs of 3.5%. Sarah then passes away at age 86
 - We reduced John's annual Living Expenses by 15% to \$139,400 following Sarah's death.
 - Based on the assumptions detailed above, the Monte Carlo result is 90%.

6. John Long Term Care Stay
 - This scenario builds on the assumptions detailed in the Base Plan.
 - John experiences a long-term care stay starting with 2 years of home care followed by 2 years of skilled nursing in a long term care facility. We assume that the home care starts at age 82. The cost of home care is \$48,912 for the state of South Carolina. The cost of a semi-private room in a nursing home facility is \$87,576 per year. We assumed a rate of inflation on those costs of 3.5%. John then passes away at age 86.
 - We reduced Sarah's annual Living Expenses by 15% to \$139,400 following John's death.
 - Based on the assumptions detailed above, the Monte Carlo result is 81%.

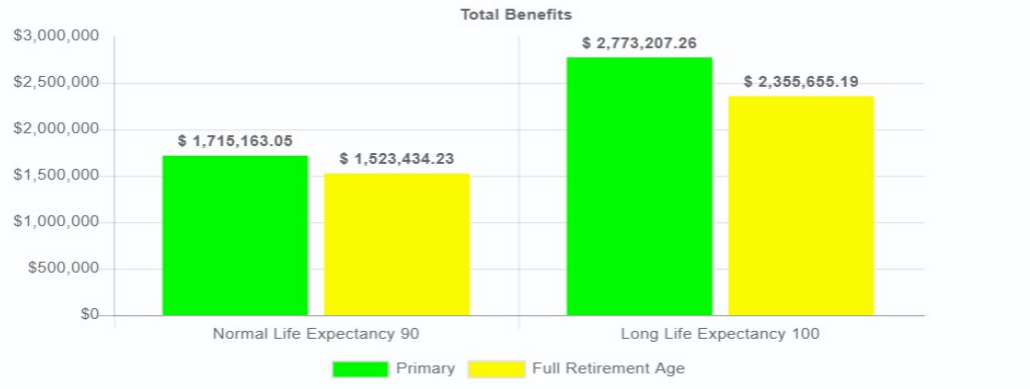
7. Increase Inflation
 - This scenario assumes that inflation for the life of your plan is 3% (or 1% higher than your Base Plan.)
 - Base on the assumptions detailed above, the Monte Carlo result is 75%.

RETIREMENT PLANNING

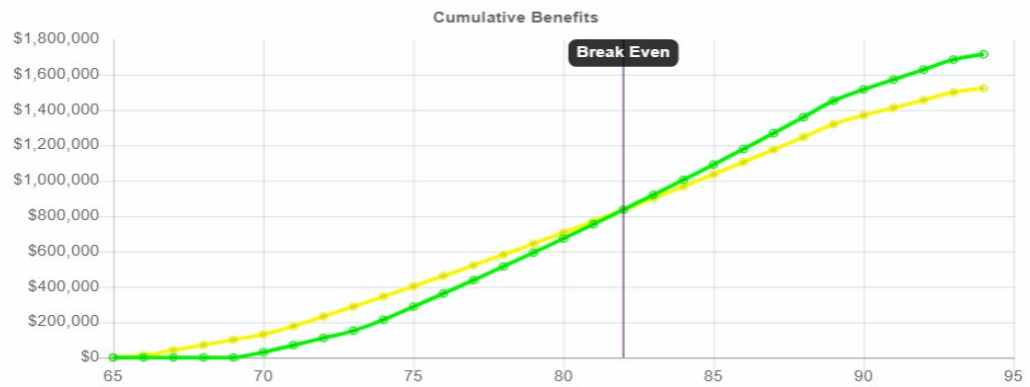
Recommendations

1. You provided us with your current Social Security Benefits Statements. We recommend that both wait to claim your benefits until you each turn age 70. (We will continue to assess this in future years. The mitigating factor in this recommendation is that if either of you have concerns about your longevity, we would recommend a different strategy.)
 - Your estimated benefits at age 70, including cost of living increases are as follows:
 - John: \$4,032 per month starting in April 2026
 - Sarah: \$3,101 per month starting in May 2030

- For your Social Security projections, we assumed age 90 for your life expectancies. The charts below show that if you both claim benefits at age 70, you will need to live until ages 82 years and 8 months (John) and 78 years and 7 months (Sarah) to make this strategy having a higher cumulative benefit that if each of you claimed your benefits at your respective Full Retirement Ages of 66 and 4 month (John) and 67 (Sarah).



Primary Strategy becomes better than Full Retirement Age Strategy at ages 82 yrs and 8 mnths and 78 yrs and 7 mnths.



- Below you can see the impact of longevity on your lifetime benefits by claiming at age 70.

Longevity Expectations



RISK MANAGEMENT

Recommendations: Property and Casualty Insurance

1. Contact NJ Manufacturers or Travelers to obtain quotes for \$5,000,000 of umbrella liability coverage, homeowners policy for your NJ condo, personal liability coverage on your South Carolina land, and auto insurance. By placing all policies with one carrier, you may receive an overall cost savings.
 - Your property and casualty insurance protects you and your assets from unexpected losses and judgements of liability.
 - Your Travelers homeowners policy shows Dwelling coverage of \$109,300, and Personal Property coverage of \$109,350 on your NJ condo. We recommend that you verify the true replacement cost of your condo as well as the value of your personal property.
 - Your Personal Liability coverage is \$500,000. We recommend that you coordinate this coverage with the underlying limit required under an umbrella policy.
 - Your United States Liability Insurance Company policy provides \$1,000,000 of comprehensive personal liability insurance on your South Carolina property. We recommend that this property be added as a covered property under your new umbrella policy.
 - We recommend that you review all valuable article endorsements and assess the value of your personal property to confirm that this level of coverage is needed. If applicable, have appraisals completed for all art, collectibles, and jewelry prior to changing your coverage. Review all of this information with your current property and casualty insurance agent. You should also videotape or photograph all your property so you have evidence of ownership, in case of fire or theft. Store the data off-site (e.g. safety deposit box) for safekeeping.
 - Your current auto coverages through NJ Manufacturers are summarized in the table below with recommended updates:

Coverage Name	Current Coverage	Recommended
Bodily Injury Liability (BI)	\$100,000 per person, \$300,000 each accident	\$500,000 per person, \$500,000 each accident
Property Damage Liability (PD)	Not Listed on declaration pages	\$100,000
Personal Injury Protection (PIP)	\$250,000	\$250,000 limit
Uninsured & Underinsured Motorist	\$100,000 each accident	\$500,000 per person, \$500,000 each accident
Uninsured & Underinsured Motorist Property Damage	Not Listed on declaration pages	\$100,000
Comprehensive and Collision Deductibles	\$750/\$750	Consider \$1,000 for each if cost effective

- Your auto deductible amounts are currently \$750 each. A larger deductible may reduce your insurance premium and leverages the fact that most homeowners do not submit small claims due to potential negative experience ratings.

Recommendations: Life Insurance

1. Maintain John's current Transamerica Life Insurance Company Policy until the end of the 15-year term period ends in October 2026.
 - You currently own life insurance policies, which are detailed below:
 - Policy #3: Transamerica Life Insurance Company Policy *
 - Insured: John
 - Face Amount: \$150,000
 - Date of Issue: October 1, 2011
 - 15-year level term policy with conversion option by April 22, 2026
 - The annual premium on this policy is \$604.50 until the 15-year term ends in October 2026. We recommend that you maintain this coverage until that time. The exception would be if John has a health event that shortens his life expectancy.
2. You provided us with summaries for two Transamerica life insurance policies. We will contact Transamerica with John to obtain additional details on the policy and may also request in-force illustrations on the policies to determine the health of the policies.
 - Once we have additional information on these policies, we will provide our recommendations on the best course of action.

Recommendations: Long-term Care Insurance

1. We will put you in touch with an insurance agent to obtain quotes for long-term care insurance policies. Once we review that information, we can discuss whether it is prudent to proceed with the coverages.
 - You indicated that you do not currently own long-term care insurance. We modeled two separate scenarios where each of you require home care assistance for two years followed by two years in a nursing home. The projections show a decreased Monte Carlo success rate. Utilizing long-term care insurance to cover part of this risk could help reduce the impact on your asset if you were to experience a long-term care event.

SAMPLE

ESTATE PLANNING

Recommendations

1. Contact an estate attorney to schedule a consultation for developing your estate plan.
 - You indicated that you do not have a current estate plan. Below are the names of two estate attorneys for you to consider.

[INSERT TWO NAMES]
2. Speak with your new attorney to consider a revocable trust as the owner of your South Carolina property.
 - Your land in South Carolina is currently owned in your joint names. One consideration your new estate attorney may discuss with you is the concept of a revocable trust. A revocable trust is trust where the provisions of the trust can be changed by the grantor(s) of the trust. In this case, you could be the grantors, and you would have control of the trust as the trustees. It is essentially an extension of you but allows beneficiaries to avoid probate at your passing. Many individuals choose to place second properties in other states in revocable trusts for the probate avoidance feature.
3. Following your estate plan updates, ensure that the contingent beneficiaries listed on John's IRA Rollover match your wishes.
 - The beneficiaries on retirement accounts follow the documentation on file at each custodian. Currently, Sarah is listed as the primary beneficiary on John's Fidelity IRA Rollover. Once you complete your estate plan, you can include contingent beneficiary(ies) on the account that match your wishes.
4. Once your estate plan is completed, you can consider adding a contingent beneficiary to Sarah's NJ pension to match your wishes.
 - John is currently listed as the primary beneficiary on Sarah's NJ pension. You can add a contingent beneficiary if something were to happen to both of you.

MISCELLANEOUS

General Recommendations

1. Request annual copies of your credit report.
 - To request your free credit reports, visit the central source for free on-line credit reporting at www.annualcreditreport.com. From that site, you can view a copy of your credit report from one or all of the bureaus. Or, call toll-free (877) FACT-ACT to request your free annual disclosure from the agencies. Your report will be mailed to you within 15 days. Each of the three credit bureaus will try to sell you a detailed report of your credit. You do not need to purchase these products. Proceed carefully on the websites and click only on the free credit report offer.
2. You may limit "prescreened" offers of credit and insurance you get based on information in your credit report.
 - Unsolicited "prescreened" offers for credit and insurance must include a toll-free phone number you can call if you choose to remove your name and address from the lists these offers are based on. You may opt-out with the nationwide credit bureaus at 1-888-567-8688 (888-5OPTOUT).
3. Visit MissingMoney.com to search all participating states to find unclaimed property.

APPENDIX

In addition to the information you provided through our discussions, below lists the primary documents we have reviewed in preparation of our initial recommendations. Please note that we will be reviewing additional documents (that you have already provided or that we will request later) and areas of your finances during subsequent meetings.

- ✓ Social Security Statements
- ✓ Sarah's NJ and PNC pension summaries
- ✓ Bank and investment account statements
- ✓ Homeowners and auto insurance declaration pages
- ✓ 2019 and 2020 tax returns
- ✓ Life insurance summaries

For your reference, we've also attached:

- A Net Worth Statement
- A 5-year Cash Flow Projection
- A list of assumptions used in our initial projections
- The Scenarios that we modeled and their respective Monte Carlo results

ACKNOWLEDGMENT

Note that the recommendations in this plan are based on the data provided and the assumptions made, which is summarized in the plan assumptions. These recommendations should be reviewed periodically and may change as personal, financial, and market conditions change over time.

John

Date

Sarah

Date

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The planning assumptions utilized are based on information you have provided to us or have declined to provide to us and form the foundation of your scenarios. Please note that these assumptions as well as future assumptions of cash flow, investment returns, inflation and other such metrics will change these recommendations. The projections or other information generated by Monte Carlo analysis tools regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Small changes in the input variables can result in drastic changes in the Monte Carlo success rates. Monte Carlo is most useful for comparative analysis, not for absolute evaluations of success or failure. Results may vary with each use and over time. Monte Carlo simulations are a deterministic approach where historical figures are used as a guide to estimate portfolio’s future returns. The relevant calculations may be impacted greatly if assumed variables such as capital contributions, withdrawal amounts, inflation rates, expected rate of return, and volatility deviate from expectation.

The following report is a diagnostic tool intended to review your current financial situation and suggest potential planning ideas and concepts that may be of benefit. The purpose of the report is to illustrate how accepted financial and estate planning principles may improve your current situation.

This report is based upon information and assumptions provided by you (the client). This report provides broad and general guidelines on the advantages of certain financial planning concepts and does not constitute a recommendation of any particular technique. The consolidated report is provided for informational purposes as a courtesy to you. We recommend that you review your plan annually, unless changes in your personal or financial circumstances require more frequent review. All reports should be reviewed in conjunction with your fact summary and this Disclaimer page.

The term "plan" or "planning," when used within this report, does not imply that a recommendation has been made to implement one or more financial plans or make a particular investment. Nor does the plan or report provide legal, accounting, financial, tax or other advice. Rather, the report and the illustrations therein provide a summary of certain potential financial strategies. The reports provide projections based on various assumptions and are therefore hypothetical in nature and not guarantees of investment returns. You should consult your tax and/or legal advisors before implementing any transactions and/or strategies concerning your finances.

Additionally, this report may not reflect all holdings or transactions, their costs, or proceeds received by you. It may contain information on assets that are not held at the broker/dealer with whom your financial representative is registered. As such, those assets will not be included on the broker/dealer's books and records. Prices that may be indicated in this report are obtained from sources we consider reliable but are not guaranteed. Past performance is no guarantee of future performance and it is important to realize that actual results may differ from the projections contained in this report. The presentation of investment returns set forth in this report does not reflect the deduction of any commissions. Projected valuations and/or rates of return may not take into account surrender charges on products you might own. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges will result in a lower rate of return.

It is important to compare the information on this report with the statements you receive from the custodian(s) for your account(s). Please note that there may be minor variations due to calculation methodologies. If you have any questions, please contact your financial representative. Also, your account(s) may not be covered by FDIC or SIPC. FDIC and SIPC coverages apply only to certain assets and may be subject to limitations. Questions about coverage that may apply should be directed to the asset provider or sponsor.

The information contained in this report is not written or intended as financial, tax or legal advice. The information provided herein may not be relied on for purposes of avoiding any federal tax penalties. You are encouraged to seek financial, tax and legal advice from your professional advisors.

Tools such as the Monte Carlo simulation will yield different results depending on the variables inputted, and the assumptions underlying the calculation. For those reports that perform a Monte Carlo analysis, the term 'Monte Carlo' will be included in the report title. The assumptions with respect to the simulation include the assumed rates of return and standard deviations of the portfolio model associated with each asset. The assumed rates of return are based on the historical rates of returns and standard deviations, for certain periods of time, for the benchmark indexes comprising the asset classes in the model portfolio. Since the market data used to generate these rates of return change over time your results will vary with each use over time.

Monte Carlo Analysis is a mathematical process used to implement complex statistical methods that chart the probability of certain financial outcomes at certain times in the future. This charting is accomplished by generating hundreds of possible economic scenarios that could affect the performance of your investments.

The Monte Carlo simulation uses at most 1000 scenarios to determine the probability of outcomes resulting from the asset allocation choices and underlying assumptions regarding rates of return and volatility of certain asset classes. Some of these scenarios will assume very favorable financial market returns, consistent with some of the best periods in investing history for investors. Some scenarios will conform to the worst periods in investing history. Most scenarios will fall somewhere in between.

The outcomes presented using the Monte Carlo simulation represent only a few of the many possible outcomes. Since past performance and market conditions may not be repeated in the future, your investment goals may not be fulfilled by following advice that is based on the projections.