



DJH Capital Management, LLC
Providing clients with sound, prudent advice.

Case Study: Fifteen Years Until Retirement with No Plan in Place

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In [“Executive Compensation: A Guide to Building Wealth”](#), we introduced Hank who we were able to build a plan to take control of his money and build true wealth. In the following case study, we provide yet another example of a client that was able to benefit from our planning expertise. (Again, we have changed the names to maintain client confidentiality).

Overview

When Bill and Susan came to us, their immediate concern was planning for Bill’s upcoming retirement in 15 years. Their next concern was building a retirement home in their home state although they currently worked and lived on the East coast.

Bill: Upper-level management executive

Susan: Part-time real estate investor

Here's the rest of their profile...

Marital Status: Married 20+ years with 3 grown children

Bill’s Years of Service with company: 12 years

Current Age: 51

Desired Retirement: 65

Household Income: \$267,000

Current Net Worth: \$517,000

Retirement Account Balance: \$317,000

Executive Comp Balance: \$181,000

Bill participates in the company profit sharing 401(k) plan utilizing the company match. He also participates in a separate defined contribution pension plan that his employer contributes about 7% of his salary. Finally, Bill has vested and unvested awards of non-qualified stock options (NSOs) along with vested and unvested awards of restricted stock units (RSUs). Bill can expect to continue to receive annual awards of each during his time with the company.

Q: What was most important to Bill and Susan?

A: After both qualitative and quantitative data-gathering, we realized the three most important things to Bill and Susan were the following:

1. *“Being sure about retirement”*. After a long, successful career, Bill was concerned about retiring with dignity and maintaining their current lifestyle.

2. "Coming home to retire." After many years of corporate travel, Bill and Susan really wanted to build their dream home in their home state.
3. "Maximize wealth while minimizing taxes." Although Bill's NSOs and RSUs have great wealth-building potential, he wanted to make sure he didn't pay any unnecessary taxes due to his unfamiliarity with the nuances of how the program worked. The goal was to accelerate their savings program while leveraging employer benefits, but minimizing taxes.

Q: How did we help?

A: First, we prepared an accurate depiction of their current situation to assess how wide a gap there was between where they were currently and where they desired to be in the future. Next, we formulated a plan to address the gap through several tax-savings strategies that reduced annual taxable income and re-directed those savings into tax-deferred vehicles with the proper asset allocation. Finally, we put together a plan to exercise stock options and sell company stock in order to neutralize the volatility in the company's share price without significantly changing their tax bracket.

Along the way we also discovered the following...

- Bill had a very high concentration in his company's stock through his long-term incentive compensation program and his profit sharing 401(k) plan. We put together a plan to help him diversify his retirement portfolio which more accurately reflected he and Susan's risk tolerance;
- Bill was underinsured when it pertained to life and liability insurance. We put him in touch with an insurance specialist to address this need;
- Bill and Susan had an incomplete estate plan. After a subsequent meeting in which we began outlining their wishes, collecting beneficiary information and updating accounts to reflect this, we put them in touch with an estate planning attorney to complete their estate plan;
- Bill and Susan had excess cash flow that needed to be working towards their financial goals. We put a plan in place to use the excess cash flow to pay down liabilities and start savings towards the retirement home down payment.

The results...

Bill and Susan now have a plan in place that will help them achieve financial contentment by aligning their spending with what they value. This allows them to spend, save and invest without any uncertainty or anxiety. The plan includes:

- A fully funded emergency fund;
- A growing retirement home down payment fund;
- A systematic plan to become debt-free before their retirement home purchase;
- An investment strategy and diversified portfolio aligned with their risk tolerance and return preferences

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