



Cypress

Financial Planning, LLC

Comprehensive Financial Analysis

Prepared for:

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Cypress Financial Planning, LLC

January 1, 2021



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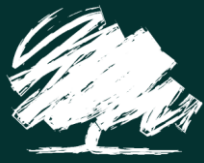
A. Financial Goals



- Learn more about savings options and investment allocation
- Understand current cash flow situation and seek areas of improvement
- Develop a plan to comfortably meet all future income needs
- Seek to retire around age 65 if possible
- Consider the purchase of an additional beach property if possible
- Ensure that you have adequate insurance to protect against the unexpected
- Finance cost of undergraduate education in an optimal manner
- Ensure that your final wishes are carried out as you intend



B. Current Financial Status



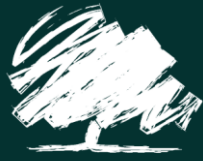
Balance Sheet

As of January 1, 2021

Assets	Value	%
Bank Accounts	\$ 38,000	1%
Wells Fargo Checking	\$ 6,000	0%
Wells Fargo Savings	\$ 12,000	0%
USAA Savings	\$ 20,000	1%
Investments	\$ 125,000	4%
TDAmeritrade Brokerage	\$ 125,000	4%
Retirement Accounts	\$ 350,000	10%
Thomas 403(b)	\$ 200,000	6%
Martha 401(k)	\$ 125,000	4%
Thomas Roth IRA	\$ 25,000	1%
Other Assets	\$ 2,859,000	85%
Monticello	\$ 2,000,000	59%
Virginia Beach House	\$ 700,000	21%
2014 Volvo	\$ 14,000	0%
2015 Jeep	\$ 21,000	1%
Polly 529 Account	\$ 24,000	1%
Family Heirlooms	\$ 100,000	3%
Total Assets	\$ 3,372,000	100%

Liabilities	Value	%
Mortgage	\$ 1,450,000	99%
Monticello Mortgage	\$ 950,000	65%
Virginia Beach Mortgage	\$ 500,000	34%
Other Loans	\$ 21,000	1%
Volvo Loan	\$ 8,000	1%
Jeep Loan	\$ 9,000	1%
American Express	\$ 4,000	0%
Total Liabilities	\$ 1,471,000	100%

Net Worth	\$ 1,901,000
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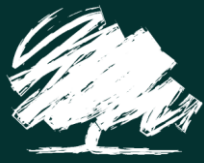


Income and Expense Statement

Estimated Annual Flows during 2021

Income	Annual Amount
Both	\$ 15,000
Rental Income	\$ 15,000
Thomas	\$ 300,000
University of Virginia	\$ 300,000
Martha	\$ 100,000
Monticello	\$ 100,000
Total Income	\$ 415,000
401(k) Savings	\$ 36,000
IRA Savings	\$ -
College Savings	\$ 3,000

Expenses	Annual Amount
Taxes	\$ 118,856
Federal Taxes	\$ 77,665
State and Local Taxes	\$ 21,305
FICA Withholding	\$ 19,886
Home Expenses	\$ 101,354
Monticello Mortgage	\$ 56,454
Property Taxes	\$ 7,500
Home Insurance	\$ 3,000
Home Renovations	\$ 10,000
Heat/Electric	\$ 6,000
Cable/Phone/Internet	\$ 3,000
Water	\$ 6,000
Furniture/Electronics	\$ 4,000
Lawn/Landscaping	\$ 2,400
Cleaning Service	\$ 3,000
Living Expenses	\$ 34,055
Car Insurance	\$ 2,400
Car Maintenance	\$ 1,500
Gas	\$ 5,200
Parking/Tolls	\$ 2,400
Life Insurance	\$ 2,400
Disability Insurance	\$ 180
Medical Insurance	\$ 2,880
Dental Insurance	\$ 120
Medical Expenses	\$ 1,000
Gym Membership	\$ 1,200
Diapers/Food	\$ 7,200
Grocery	\$ 3,000
Vehicle Registration	\$ 25
Jewelry Insurance	\$ 150
Cell Phone	\$ 2,400
Accountant	\$ 2,000
Debt Payments	\$ 7,733
Volvo Loan	\$ 2,792
Jeep Loan	\$ 3,141
American Express	\$ 1,800
Discretionary Expenses	\$ 41,000
Charity	\$ 5,000
Gifts	\$ 4,000
Dining Out	\$ 5,000
Clothes	\$ 1,000
Luxury	\$ 1,000
Vacation	\$ 4,000
Shows/Events/Movies	\$ 3,500
Hair/Salon	\$ 3,000
Gun Club	\$ 1,000
Memberships	\$ 1,000
Music/Movies/Books	\$ 5,000
Hobbies/Sports	\$ 7,500
Rental Property Expenses	\$ 37,463
Virginia Beach Mortgage	\$ 29,713
Property Taxes	\$ 3,750
Association Dues	\$ 900
Home Insurance	\$ 1,200
Home Renovations	\$ 1,000
Water	\$ 600
Trash Pickup	\$ 300
Total Expenses	\$ 340,461
Net Annual Cash Flow	\$ 35,539

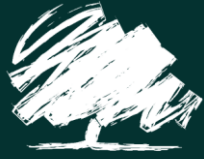


Capital to Expense Ratio

- The Capital to Expense Ratio measures your progress towards retirement wealth accumulation
- Ratio evaluates the ability of your savings to maintain your lifestyle in retirement
- Capital includes:
 - Bank Accounts
 - Investments & Rental Properties
 - Retirement Accounts

Target CER	Actual CER
2.1	4.0

Age	Capital to Expense Target Ratio
25	0.1
30	0.5
35	1.2
40	2.1
45	3.1
50	4.4
55	6.0
60	8.0
65	10.0



Savings Ratio

- The **Savings Ratio** measures the rate at which you are creating wealth
- Maintaining a Savings Ratio at or above the target level throughout working years results in an extremely high likelihood of providing adequate retirement income
- Captured Savings includes income that is already directed towards a retirement or savings account
- Potential Savings is excess income that is not currently directed towards a savings vehicle

Thomas Employee Retirement	\$ 18,000
Thomas Individual Retirement Account	\$ -
Martha Employee Retirement	\$ 18,000
Martha Individual Retirement Account	\$ -
Taxable Account	\$ -
Total	\$ 36,000
Thomas Employer Match	\$ 18,000
Martha Employer Match	\$ 2,000
Total	\$ 20,000
Total Captured Savings	\$ 56,000
Total Additional Potential Savings	\$ 38,539

Target SR	Actual SR	Possible SR
15.0%	13.5%	22.8%

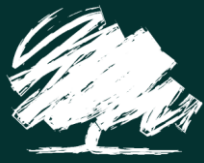


Mortgage to Income Ratio

- The Mortgage to Income Ratio measures your housing debt burden as a proportion of your overall income
- Ratio evaluates the proportion of your overall budget you must devote to mortgage payments
- Maintaining a ratio consistent with this table helps ensure that you will be debt free at retirement while having enough excess income to accumulate savings

Target MIR	Actual MIR
1.7	2.3

Age	Mortgage to Income Target Ratio
25	2.0
30	2.0
35	1.9
40	1.8
45	1.7
50	1.5
55	1.2
60	0.7
65	0.0



C. Financial Forecast



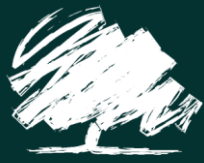
Income and Expense Statement - Retirement

Estimated Annual Flows during 2046

Income	Annual Amount
Both	\$ 291,338
Rental Income	\$ 23,862
Investment Distributions	\$ 267,476
Thomas	\$ 46,931
Social Security	\$ 46,931
Total Income	\$ 338,269
Net Annual Cash Flow	\$ (0)

Expenses	Annual Amount (Today's \$)	Annual Amount (Inflated \$)
Taxes	\$ 9,788	\$ 15,570
Federal Taxes	\$ 6,020	\$ 9,577
State and Local Taxes	\$ 3,768	\$ 5,993
Home Expenses	\$ 80,389	\$ 127,880
Monticello Mortgage	\$ 35,489	\$ 56,454
Property Taxes	\$ 7,500	\$ 11,931
Home Insurance	\$ 3,000	\$ 4,772
Home Renovations	\$ 10,000	\$ 15,908
Heat/Electric	\$ 6,000	\$ 9,545
Cable/Phone/Internet	\$ 3,000	\$ 4,772
Water	\$ 6,000	\$ 9,545
Furniture/Electronics	\$ 4,000	\$ 6,363
Lawn/Landscaping	\$ 2,400	\$ 3,818
Cleaning Service	\$ 3,000	\$ 4,772
Living Expenses	\$ 44,351	\$ 87,556
Automobile Savings / Payments	\$ 6,000	\$ 9,545
Car Insurance	\$ 2,400	\$ 3,818
Car Maintenance	\$ 1,500	\$ 2,386
Gas	\$ 5,200	\$ 8,272
Life Insurance	\$ 2,400	\$ 3,818
Disability Insurance	\$ 180	\$ 286
Medical Expenses	\$ 10,696	\$ 34,018
Gym Membership	\$ 1,200	\$ 1,909
Diapers/Food	\$ 7,200	\$ 11,454
Grocery	\$ 3,000	\$ 4,772
Vehicle Registration	\$ 25	\$ 40
Jewelry Insurance	\$ 150	\$ 239
Cell Phone	\$ 2,400	\$ 3,818
Accountant	\$ 2,000	\$ 3,182
Discretionary Expenses	\$ 41,000	\$ 65,222
Charity	\$ 5,000	\$ 7,954
Gifts	\$ 4,000	\$ 6,363
Dining Out	\$ 5,000	\$ 7,954
Clothes	\$ 1,000	\$ 1,591
Luxury	\$ 1,000	\$ 1,591
Vacation	\$ 4,000	\$ 6,363
Shows/Events/Movies	\$ 3,500	\$ 5,568
Hair/Salon	\$ 3,000	\$ 4,772
Gun Club	\$ 1,000	\$ 1,591
Memberships	\$ 1,000	\$ 1,591
Music/Movies/Books	\$ 5,000	\$ 7,954
Hobbies/Sports	\$ 7,500	\$ 11,931
Rental Property Expenses	\$ 26,428	\$ 42,041
Virginia Beach Mortgage	\$ 18,678	\$ 29,713
Property Taxes	\$ 3,750	\$ 5,965
Association Dues	\$ 900	\$ 1,432
Home Insurance	\$ 1,200	\$ 1,909
Home Renovations	\$ 1,000	\$ 1,591
Water	\$ 600	\$ 954
Trash Pickup	\$ 300	\$ 477
Total Expenses	\$ 201,956	\$ 338,269

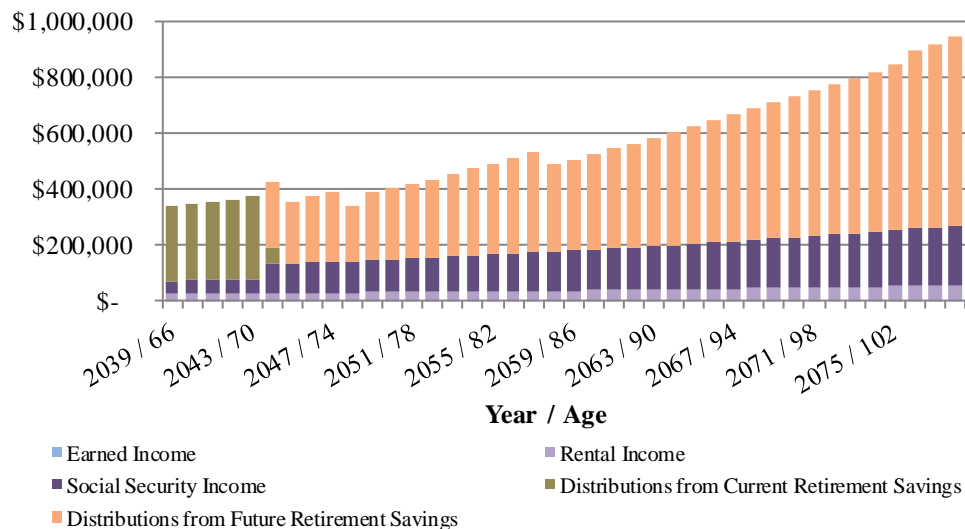
* Throughout retirement, healthcare expenditures assumed to increase as one ages, while living and discretionary expenses assumed to taper off



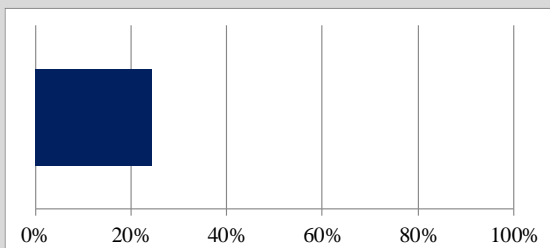
How Have I Done So Far?

- This analysis shows how your current retirement portfolio may grow over time and provide income in retirement
- Assumes a current retirement account balance of \$350,000
- Assumes aggressive risk level in beginning, gradually shifting to conservative into retirement
- At retirement at age 66, current retirement account expected to grow to \$1,282,499
- Combined with any additional income, including part time work, pensions, social security, and rental income, this retirement portfolio will likely support your estimated living expenses for 4 years
- The remainder of your retirement expenses will need to be met by future savings

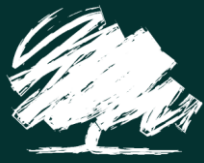
Retirement Income Timeline



Growth of Current Retirement Funds



Progress: 24.5% Complete



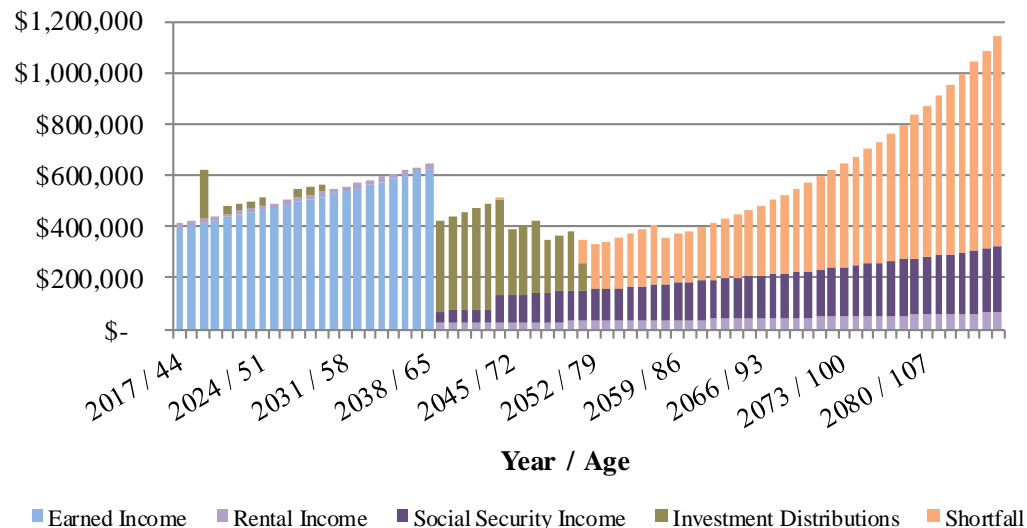
How Will I Do on My Current Path?

Cash Flow Timeline

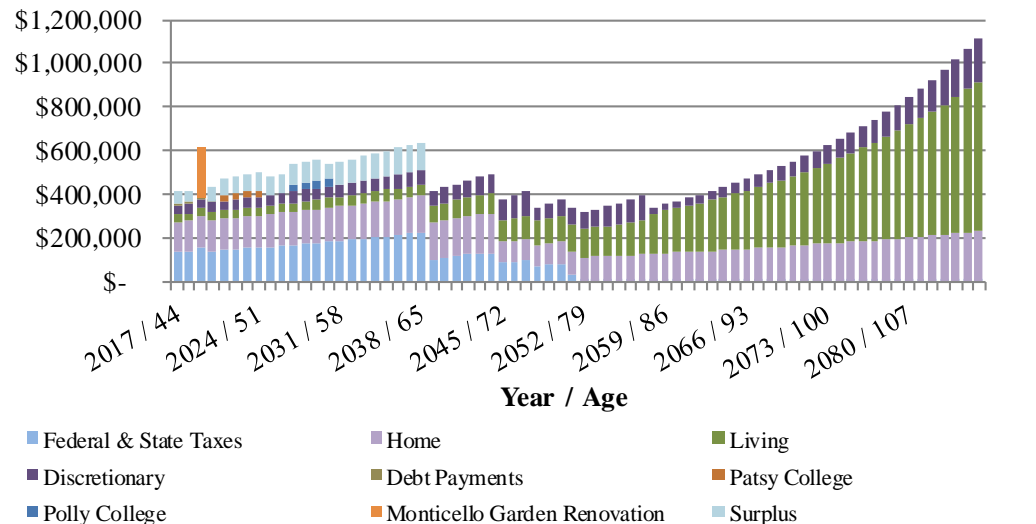
Assumptions

- Thomas earns a salary of \$300,000 with 2.13% annual raises until 2038
- Martha earns a salary of \$100,000 with 2.13% annual raises until 2038
- Assumes monthly rental income from Virginia Beach House of \$1,250 with 2.13% annual increases
- Social Security included and indexed for inflation
- Investment distributions used as income when necessary
- Annual inflation assumed of 2.13%
- Assumes parents paying 100% of the cost of higher education
- Assumes Patsy attends an in-state public university with current annual tuition of \$20,512
- Assumes Polly attends an in-state public university with current annual tuition of \$20,512
- Assumes Child Care Expenses adds an expense of \$20,000 from 2016 through 2026
- Assumes Monticello Garden Renovation adds an expense of \$225,000 in 2019

Income Timeline



Expense Timeline



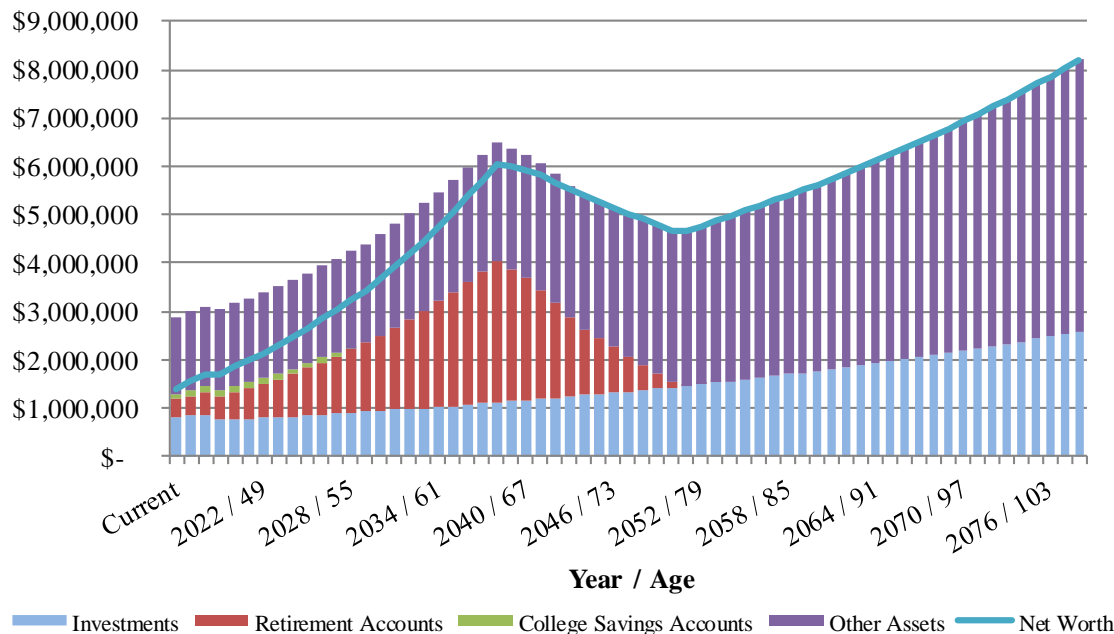


How Will I Do on My Current Path?

Balance Sheet Timeline

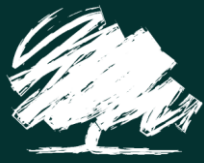
Assumptions

- 4% of salary saved into Thomas's 401(k)
- 2% of salary saved into Martha's 401(k)
- Optimal retirement withdrawal strategy to liquidate Non-Retirement Investments first, Tax-Deferred Retirement Investments second
- Assumes aggressive risk level in beginning and gradually shifting to conservative into retirement



The total level of retirement assets required to meet all future income needs is estimated at: \$4,262,866

Projected forecast shows estimated retirement asset level falls short of required level by: \$1,321,834



How Well Could I Possibly Do?

Recommended Savings Rates

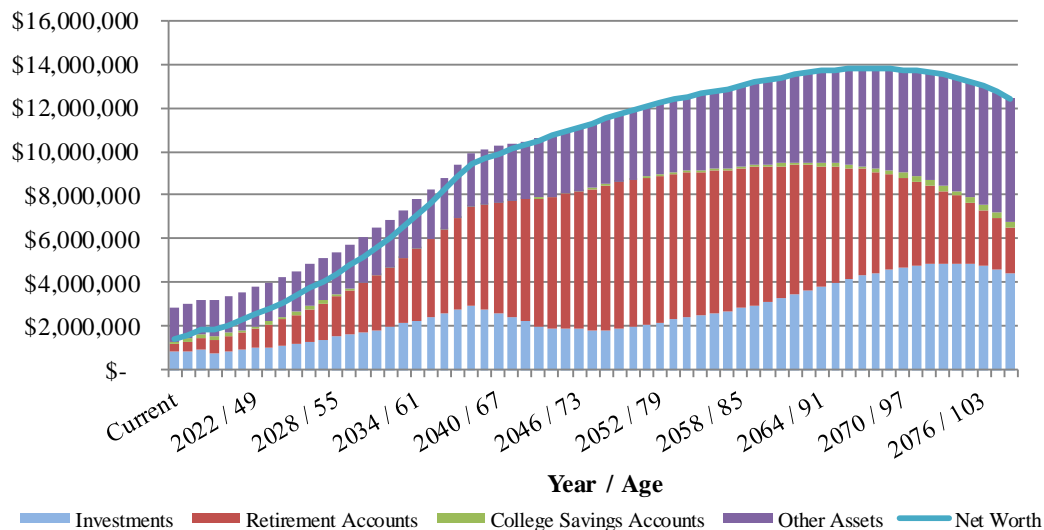
Assumptions

- \$250 saved monthly towards college
- All surplus income saved towards retirement
- Optimal retirement withdrawal strategy to liquidate Non-Retirement Investments first, Tax-Deferred Retirement Investments second
- Assumes aggressive risk level in beginning and gradually shifting to conservative into retirement

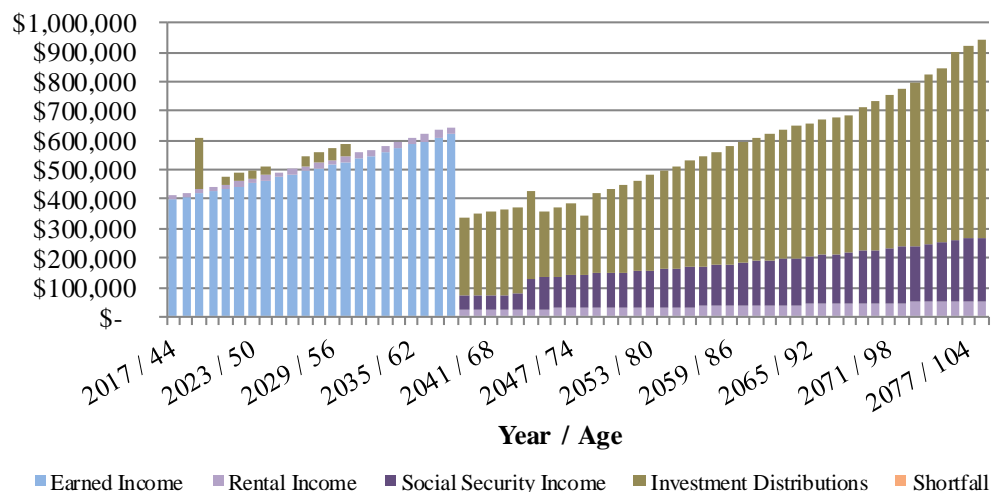
The total level of retirement assets required to meet all future income needs is estimated at: **\$5,243,294**

Projected forecast shows estimated retirement asset level exceeds required level by: **\$1,092,617**

Balance Sheet Timeline



Income Timeline



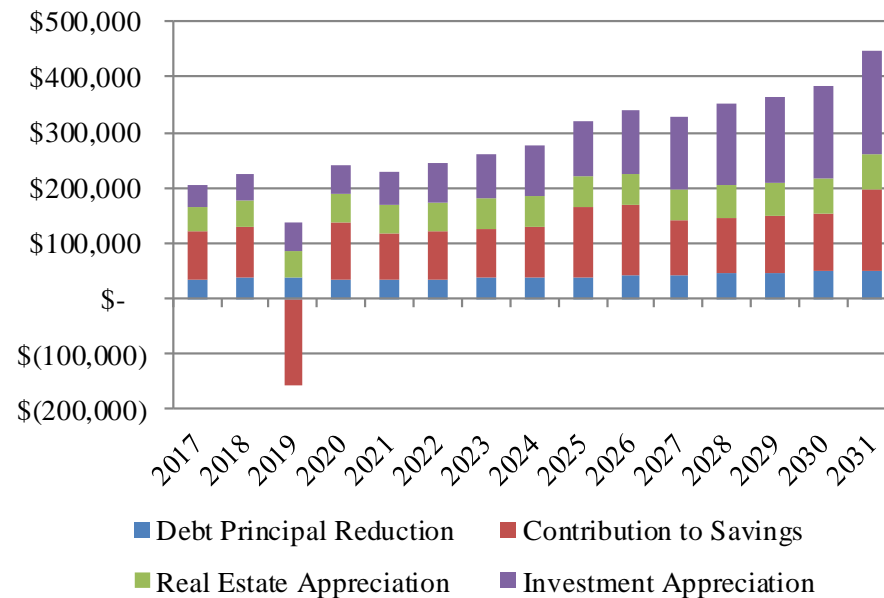


Projected Wealth Creation

■ Net Worth is increased by four avenues:

1. Paying down debt principal
2. Allocating excess cash flow to savings or investments
3. Appreciation of real estate
4. Appreciation of investments

Annual Contribution to Net Worth



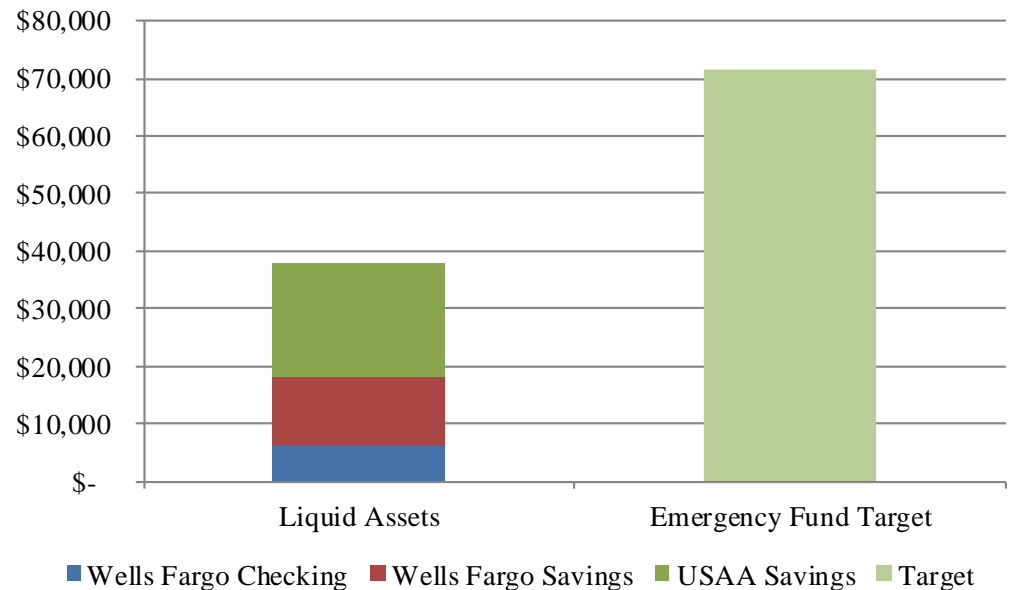
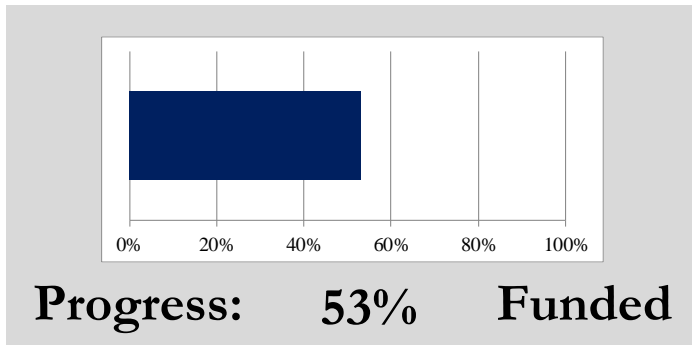


D. Portfolio Stress Tests



Stress Test – Emergency Fund

- It is prudent to have at least 6 months of living expenses available as very liquid assets at all times in the event of an unforeseen event or emergency.



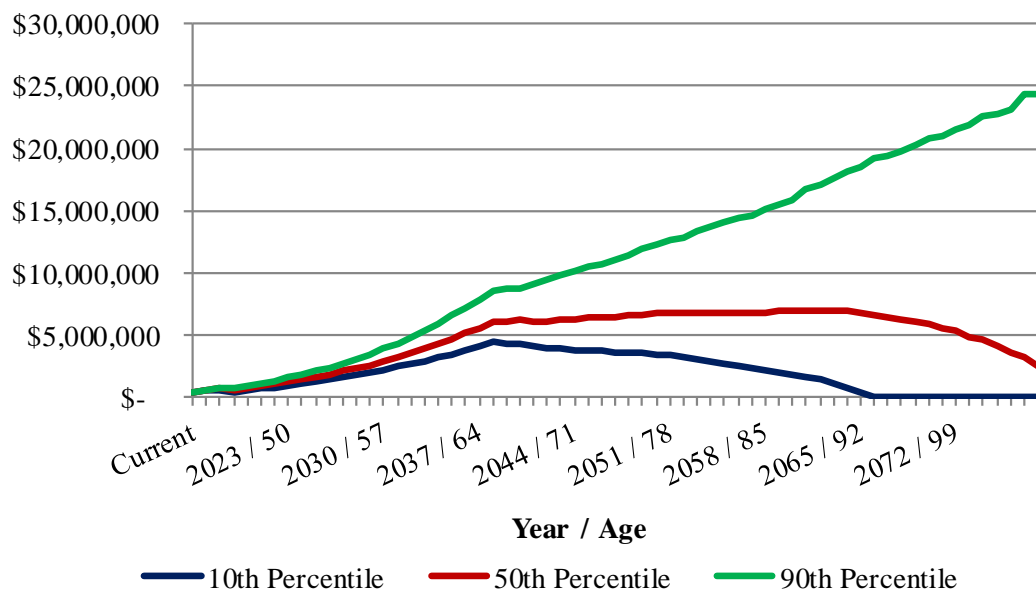
An additional \$34,000 is needed for adequate emergency fund



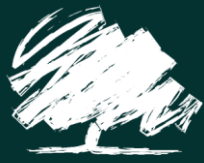
Stress Test – Monte Carlo Simulation

- This Monte Carlo Simulation is a forecast with 1,000 unique trials with varying annual investment performance based on the risk and return profile of your recommended allocation
- Assumes initial aggressive asset allocation (6.5% annual return, 10.7% standard deviation) gradually shifting to more conservative asset allocation (4.8% annual return, 4.7% standard deviation)

Investments and Retirement Assets



Simulated Asset Allocation may result in asset depletion at age 94 in an extremely low-return market environment

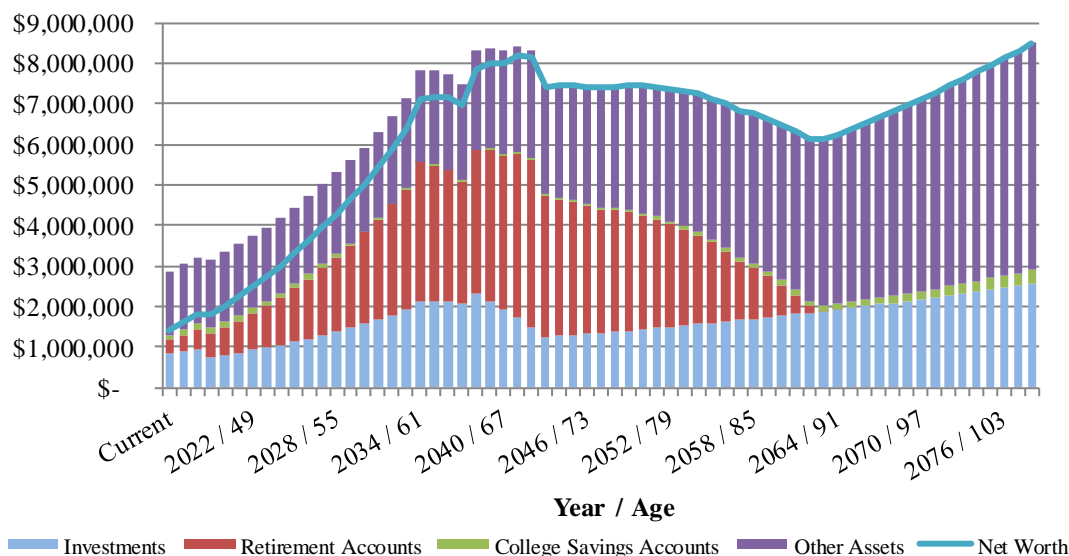


Stress Test – Severe Bear Market

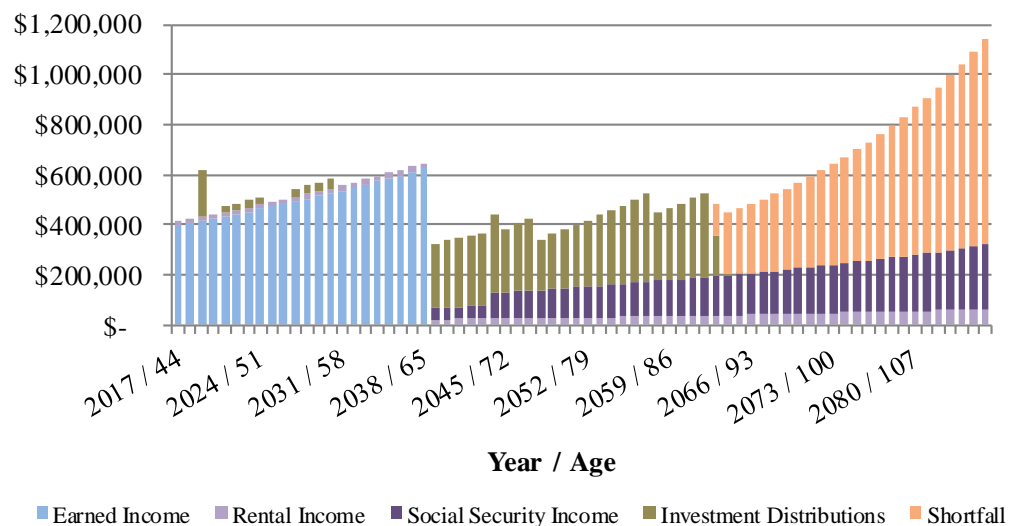
- Studies have shown that the years of market performance that are most critical to the preservation of a retirement portfolio are those just before retirement and just after retirement has begun.
- This stress test was constructed assuming your portfolio experiences market performance that we had lived through from 1999-2008, which was the worst 10 year performance for the S&P 500 in the history of the index.

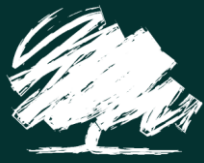
Your portfolio is vulnerable to a severe bear market around retirement

Balance Sheet Timeline



Income Timeline

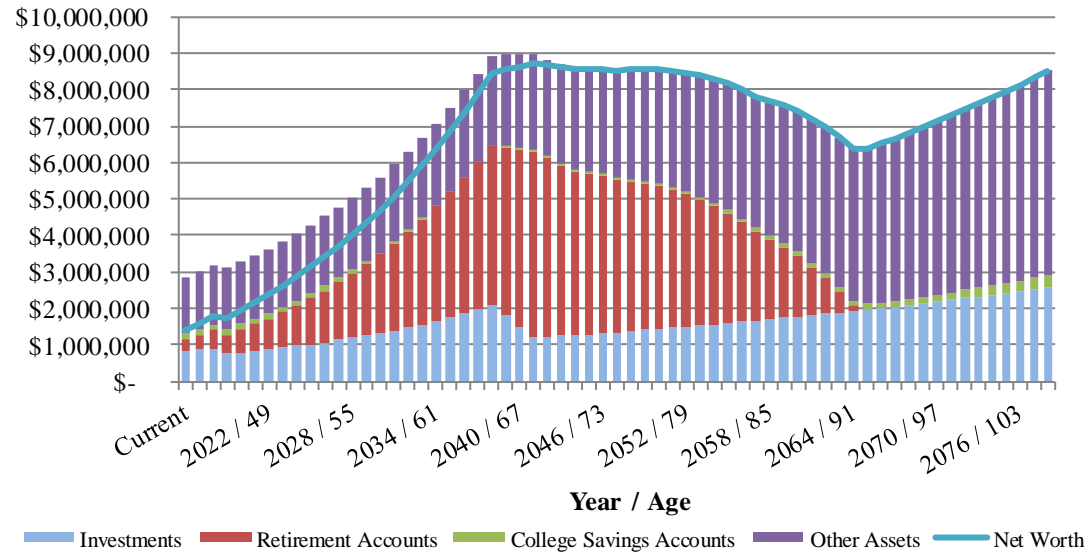




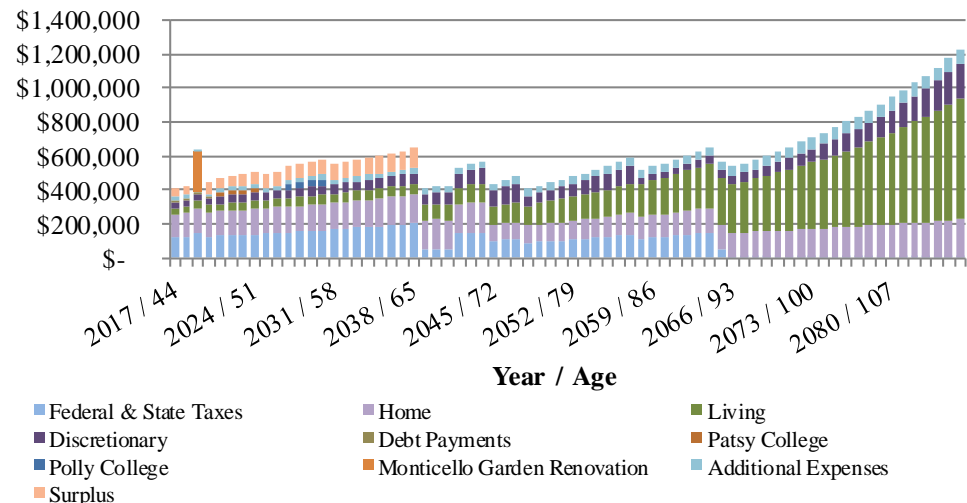
Stress Test – Increase Spending Level

- Increasing your annual cash outflows can severely impact the sustainability of an investment portfolio.
- This analysis shows how your asset level would be affected by an additional \$20,000, adjusted for inflation, of annual expenses.

Balance Sheet Timeline



Expense Timeline



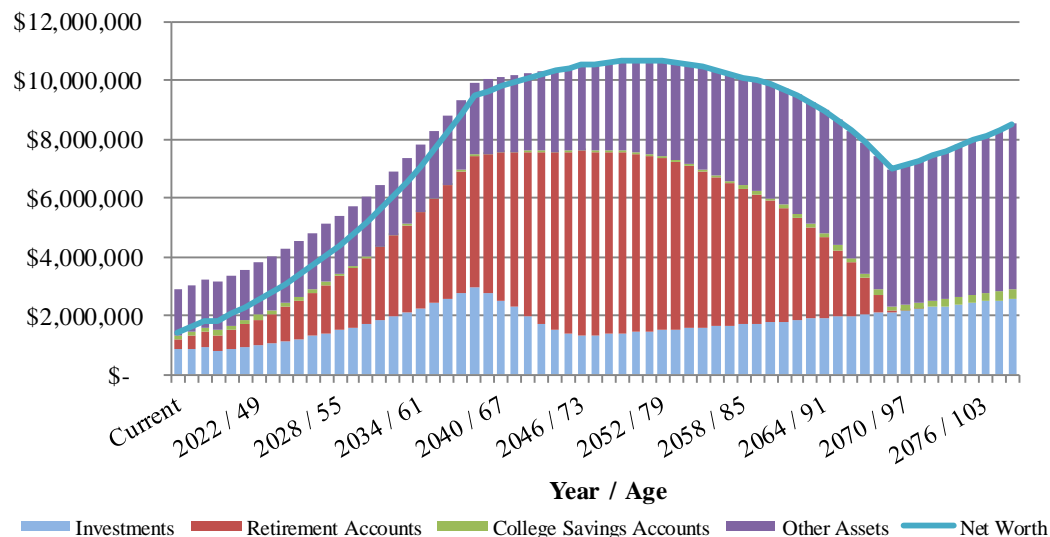
Your current portfolio and expected future income will not support an increased spending level of this magnitude



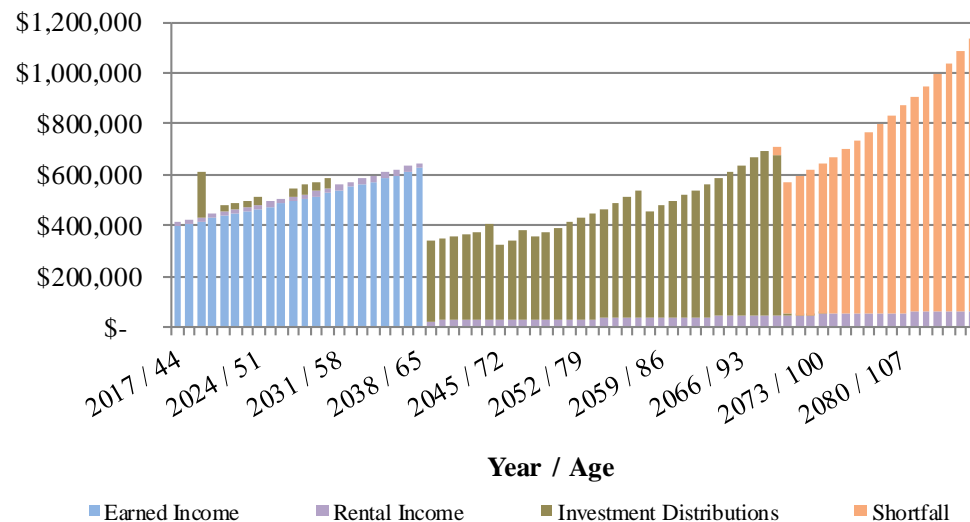
Stress Test – Social Security Exhausted

- Given the current state of the Social Security trust fund, it is wise to consider the impact to your portfolio should Social Security Retirement Benefits become exhausted before you reach retirement age.

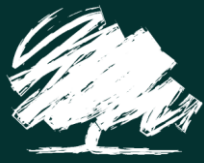
Balance Sheet Timeline



Income Timeline



Your current portfolio is not likely to provide adequate income through retirement without the aid of Social Security Retirement Benefits

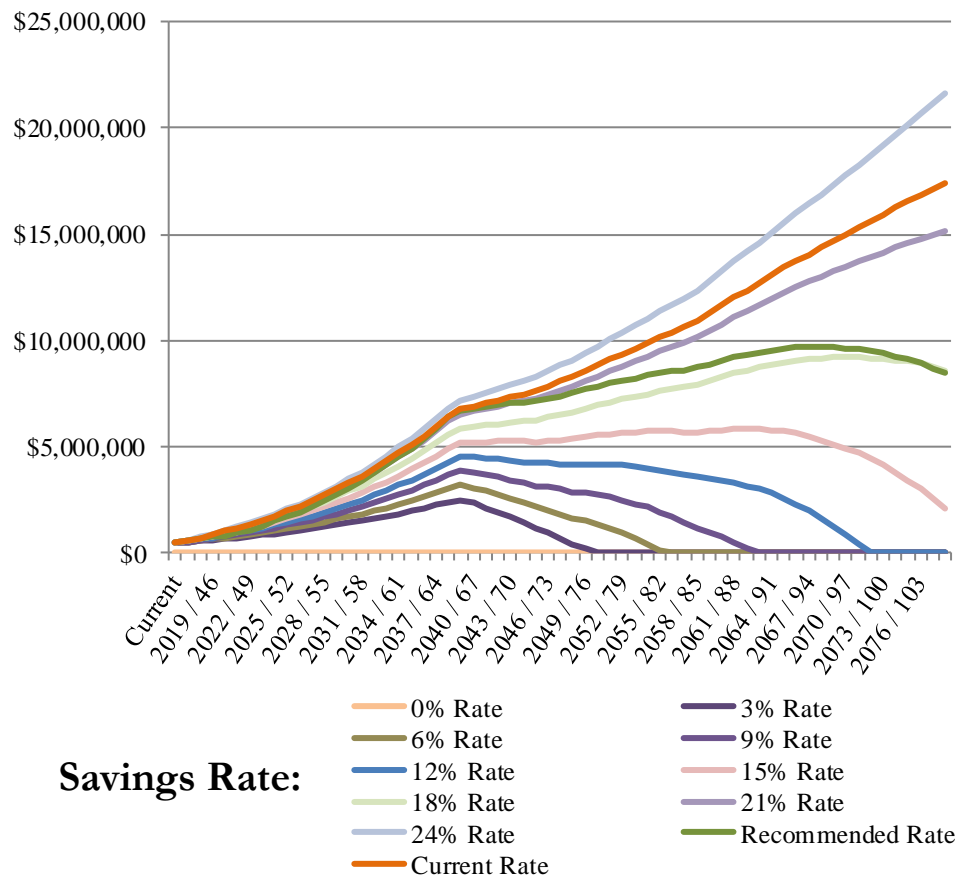


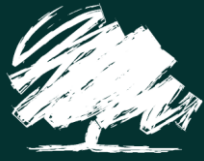
Stress Test – Modify Savings Rate

- The tradeoff between spending for today and saving for the future is one of the most crucial decisions in financial planning
- This analysis shows how your portfolio will be influenced by varying rates of savings
- It is assumed that you are spending any money not saved, which will influence your standard of living through retirement
- The “Recommended Rate” assumes all excess cash flow is saved for retirement
- Savings rates refer to **pre-tax** income

A savings rate of 13% is the minimum recommended to generate a sustainable retirement portfolio

Investments and Retirement Assets





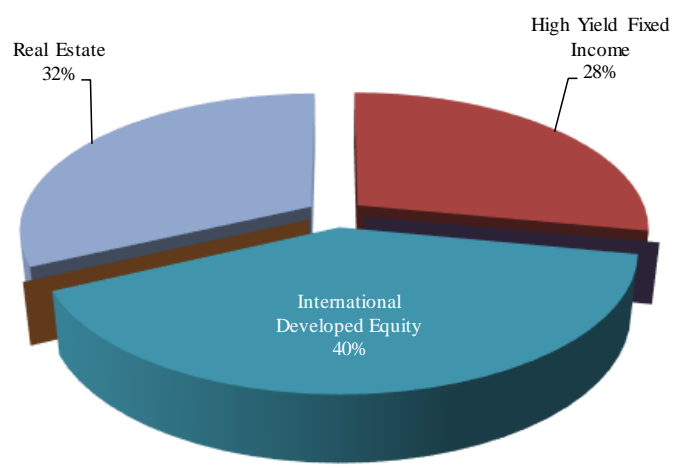
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E. Investment Planning

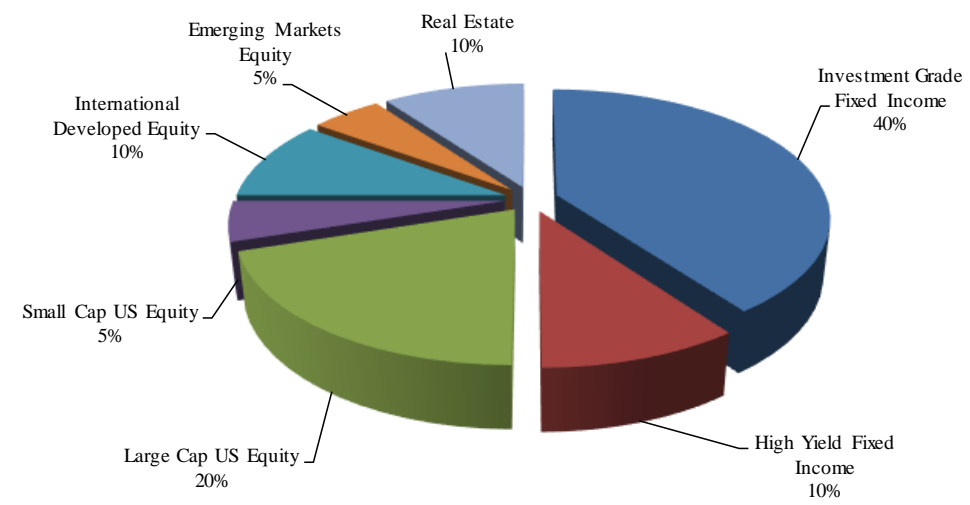


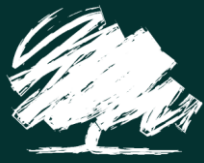
Non-Retirement Asset Allocation

Current Non-Retirement Allocation



Recommended Non-Retirement Allocation





Non-Retirement Asset Allocation

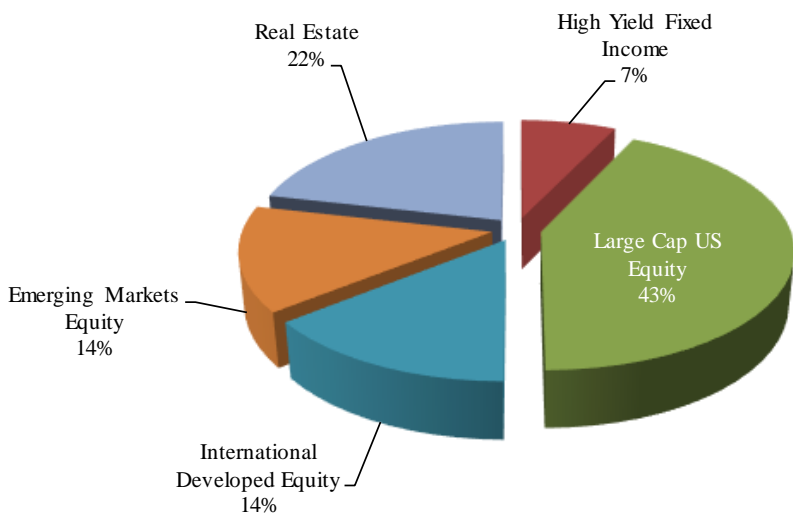
Asset Class/Strategy	Current Allocation	Percentage	Target Allocation	Percentage	Difference
Cash and Cash Equivalents	\$ -	0.00%	\$ -	0.00%	\$ -
Cash	\$ -	0.00%	\$ -		\$ -
Fixed Income	\$ 35,000	28.00%	\$ 62,500	50.00%	\$ 27,500
SPDR High-Yield Bond	\$ 35,000	28.00%	\$ -		\$ (35,000)
Vanguard Short Term Corp Bond ETF	\$ -	0.00%	\$ 12,500	10.00%	\$ 12,500
Vanguard Intermed Term Corp Bond ETF	\$ -	0.00%	\$ 37,500	30.00%	\$ 37,500
High Yield Bond SPDR ETF	\$ -	0.00%	\$ 12,500	10.00%	\$ 12,500
US Equities	\$ -	0.00%	\$ 31,250	25.00%	\$ 31,250
iShares US Large Cap Stock ETF	\$ -	0.00%	\$ 25,000	20.00%	\$ 25,000
Vanguard US Small Cap Stock ETF	\$ -	0.00%	\$ 6,250	5.00%	\$ 6,250
International Equities	\$ 50,000	40.00%	\$ 18,750	15.00%	\$ (31,250)
Vanguard Developed Int'l ETF	\$ 50,000	40.00%	\$ -		\$ (50,000)
Vanguard Developed International Stock	\$ -	0.00%	\$ 12,500	10.00%	\$ 12,500
Vanguard Emerging Markets Stock	\$ -	0.00%	\$ 6,250	5.00%	\$ 6,250
Alternative Investments	\$ 40,000	32.00%	\$ 12,500	10.00%	\$ (27,500)
Vanguard REIT ETF	\$ 40,000	32.00%	\$ -		\$ (40,000)
Vanguard US Real Estate ETF	\$ -	0.00%	\$ 6,250	5.00%	\$ 6,250
Vanguard International Real Estate ETF	\$ -	0.00%	\$ 6,250	5.00%	\$ 6,250
TOTAL	\$ 125,000	100.00%	\$ 125,000	100.00%	\$ -

 TD Ameritrade Brokerage
 Recommended Investments

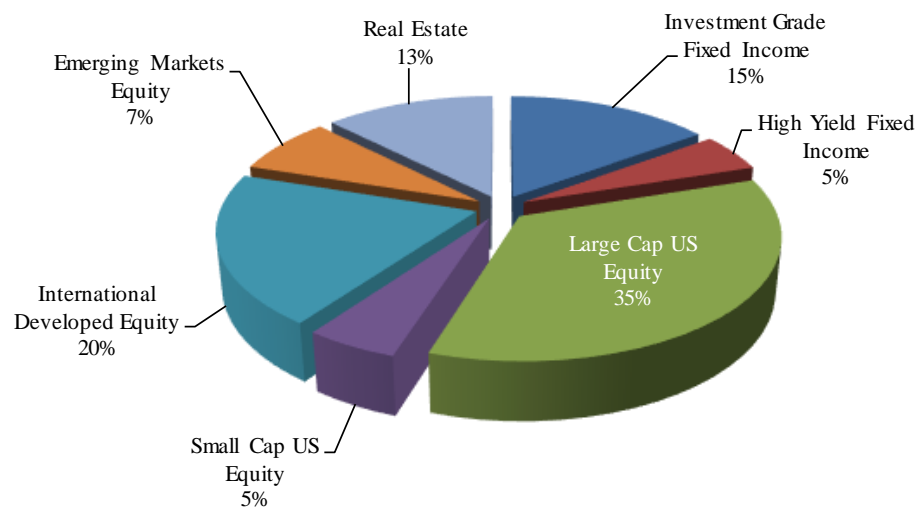


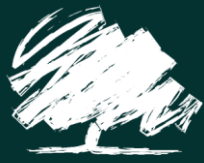
Retirement Asset Allocation

Current Retirement Allocation



Recommended Retirement Allocation

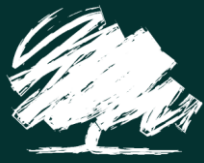




Retirement Asset Allocation

Asset Class/Strategy	Current Allocation	Percentage	Target Allocation	Percentage	Difference
Cash and Cash Equivalents	\$ -	0.00%	\$ -	0.00%	\$ -
Cash	\$ -	0.00%	\$ -		\$ -
Fixed Income	\$ 25,000	7.14%	\$ 70,000	20.00%	\$ 45,000
SPDR High-Yield Bond	\$ 25,000	7.14%	\$ -		\$ (25,000)
Vanguard Short Term Corp Bond ETF	\$ -	0.00%	\$ 17,500	5.00%	\$ 17,500
Vanguard Intermed Term Corp Bond ETF	\$ -	0.00%	\$ 35,000	10.00%	\$ 35,000
High Yield Bond SPDR ETF	\$ -	0.00%	\$ 17,500	5.00%	\$ 17,500
US Equities	\$ 150,000	42.86%	\$ 140,000	40.00%	\$ (10,000)
Vanguard S&P 500 ETF	\$ 150,000	42.86%	\$ -		\$ (150,000)
iShares US Large Cap Stock ETF	\$ -	0.00%	\$ 122,500	35.00%	\$ 122,500
Vanguard US Small Cap Stock ETF	\$ -	0.00%	\$ 17,500	5.00%	\$ 17,500
International Equities	\$ 100,000	28.57%	\$ 96,250	27.50%	\$ (3,750)
Fidelity Emerging Markets Fund	\$ 50,000	14.29%	\$ -		\$ (50,000)
Developed International ETF	\$ 50,000	14.29%	\$ -		\$ (50,000)
Vanguard Developed International Stock	\$ -	0.00%	\$ 70,000	20.00%	\$ 70,000
Vanguard Emerging Markets Stock	\$ -	0.00%	\$ 26,250	7.50%	\$ 26,250
Global Equities	\$ -	0.00%	\$ -	0.00%	\$ -
Alternative Investments	\$ 75,000	21.43%	\$ 43,750	12.50%	\$ (31,250)
Global REIT ETF	\$ 75,000	21.43%	\$ -		\$ (75,000)
Vanguard US Real Estate ETF	\$ -	0.00%	\$ 26,250	7.50%	\$ 26,250
Vanguard International Real Estate ETF	\$ -	0.00%	\$ 17,500	5.00%	\$ 17,500
TOTAL	\$ 350,000	100.00%	\$ 350,000	100.00%	\$ 0

- Thomas 403(b)
- Martha 401(k)
- Thomas Roth IRA
- Recommended Investments



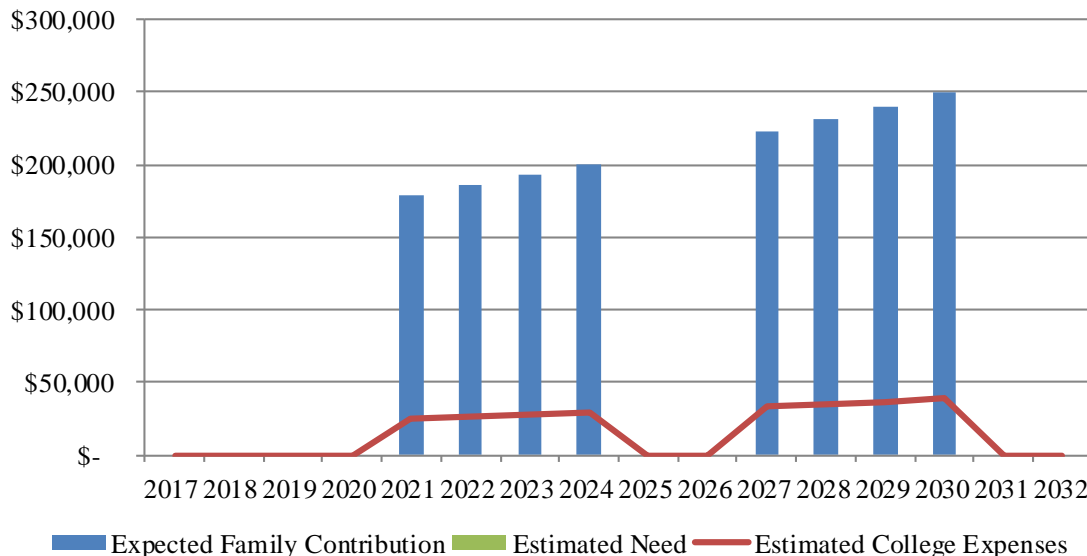
F. Education Planning



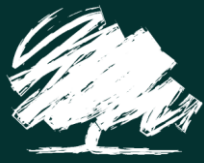
Education Planning – Estimated Need

College Type	Current Annual Total Cost
Private	\$59,935
Out-of-State Public	\$39,817
In-State Public	\$20,512

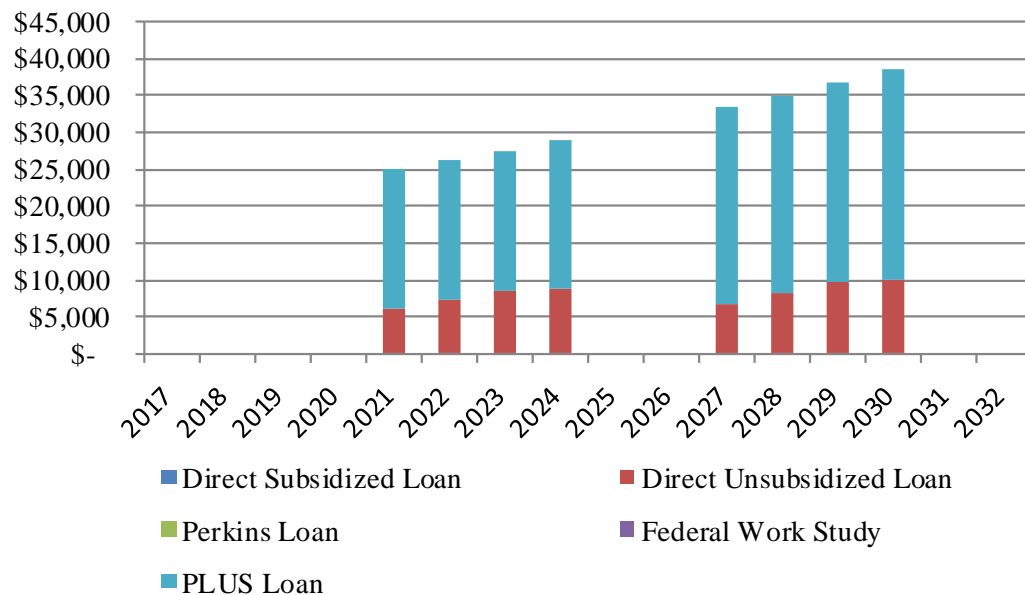
- College tuition has historically increased at an annual rate of 8%, assumed increase of 6% in future.
- Patsy attends a 4-year In-State Public undergraduate university
- Polly attends a 4-year In-State Public undergraduate university



Based on this analysis, you will not qualify for federally subsidized financial aid



- Direct Loans are student loans guaranteed by the Federal government, which affords them the ability to be offered at a lower, fixed interest rate.
- Interest on Direct Subsidized Loans (4.29%) that accrues during school is paid by the government. Eligibility for the Subsidized Loan is based on family need.
- Interest on Direct Unsubsidized Loans (4.29%) that accrues during school will ultimately be the responsibility of the borrower.
- The Perkins Loan is a need-based loan that is structured as a 10-year, 5% interest rate loan.
- PLUS Loans can be offered to parents of students for the entire cost of education regardless of need, but carry higher interest rates (6.84%) and origination fees (4.27%).
- The Federal Work Study Program provides federal funds directly to institutions who determine how to allocate funds to students as income from part-time employment.

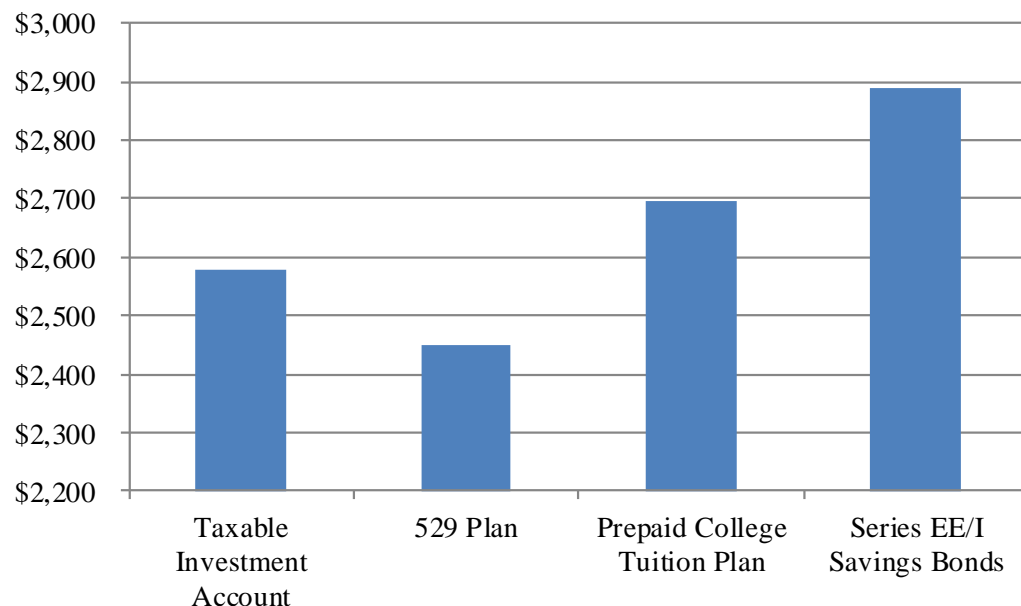


Lower interest federally sponsored loans will greatly assist in financing college



- In a 529 Qualified Tuition Plan, contributions are not federally tax-deductible, but earnings within the account are not subject to federal income tax. There are no AGI limits on contributions, and it is possible to pre-fund an account with up to 5 years of annual tax-exclusion gifts. Account beneficiaries may be changed to another family member and assets do not count as owned by student on FAFSA.
- In a Prepaid Tuition Plan, there are the same tax advantages as the 529 plan, but the contributions are not invested. Instead, they are used to prepay college credits to lock in current tuition rates. These are not available in all states and are recommended for individuals that believe college tuition will increase rapidly, as well as for investors with lower risk tolerances.
- Series EE/I Savings Bonds offer tax-free interest if held in the parent's name and used for education expenses (subject to AGI limits). Series EE interest is based on date of issue and Series I interest is based on a fixed rate as well as a variable rate linked to inflation.

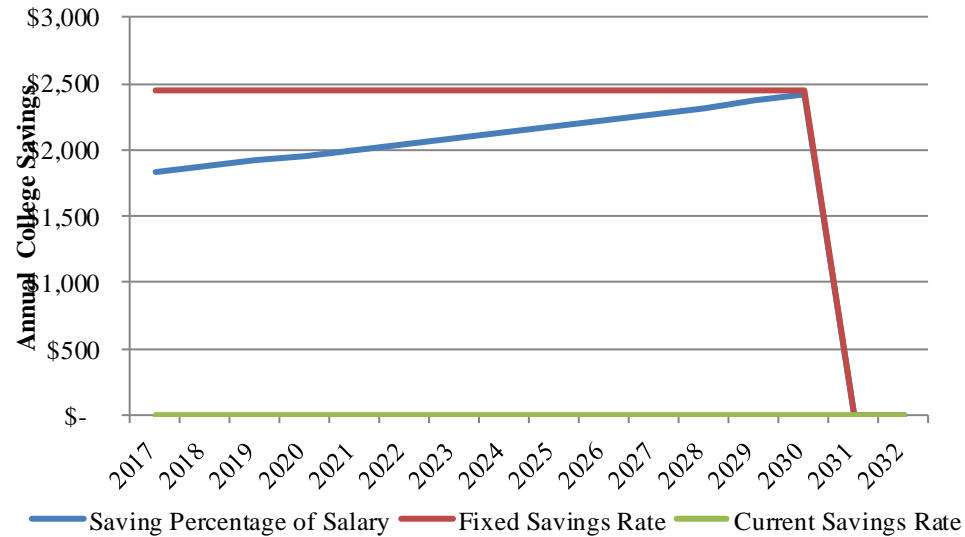
Required Annual Savings Utilizing Different Savings Vehicles



529 Plan is the optimal college savings strategy



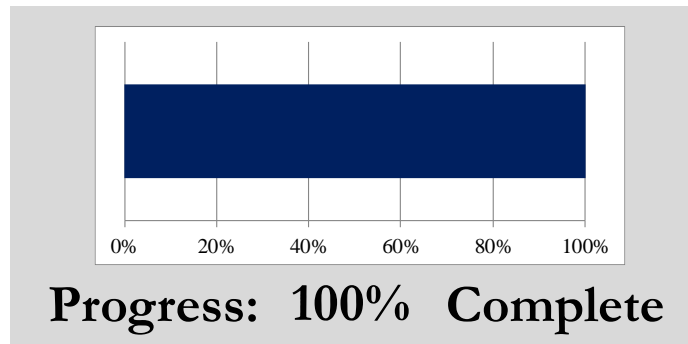
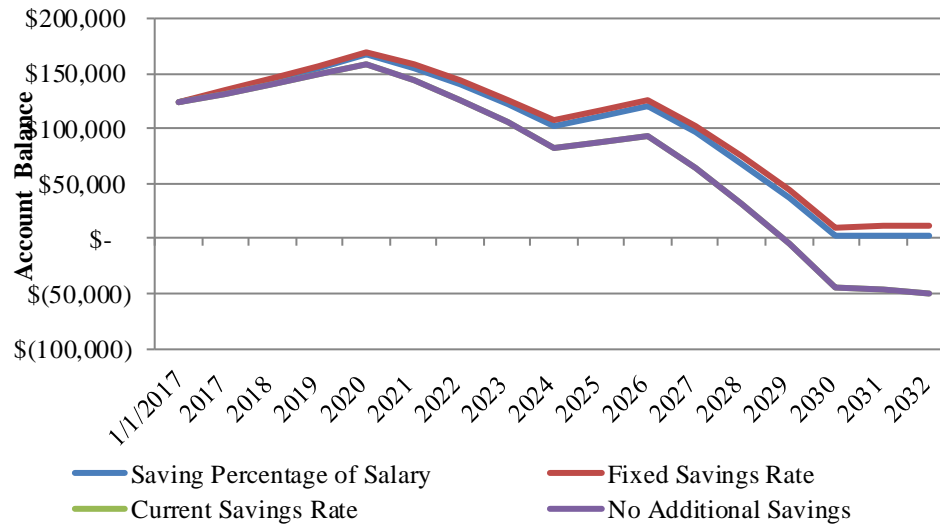
Annual Savings Rates



Required annual savings rate to finance a private undergraduate tuition is flat \$2,400 /year or 0.4% of earned income

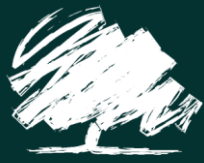


College Savings Account Balance Projection





G. Life Insurance Analysis



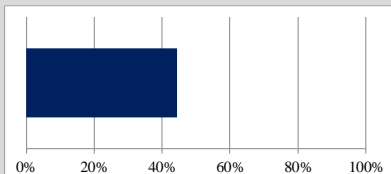
Projected Financial Impact if Thomas Dies

- Assumes Thomas dies in 2017
- Individual Life Insurance pays \$2,000,000
- Social Security Survivor's Benefits assumed to be \$26,400/yr when children are minors
- Ongoing living and discretionary expenses are reduced by 25%
- Assumed additional household expenses of \$7,500

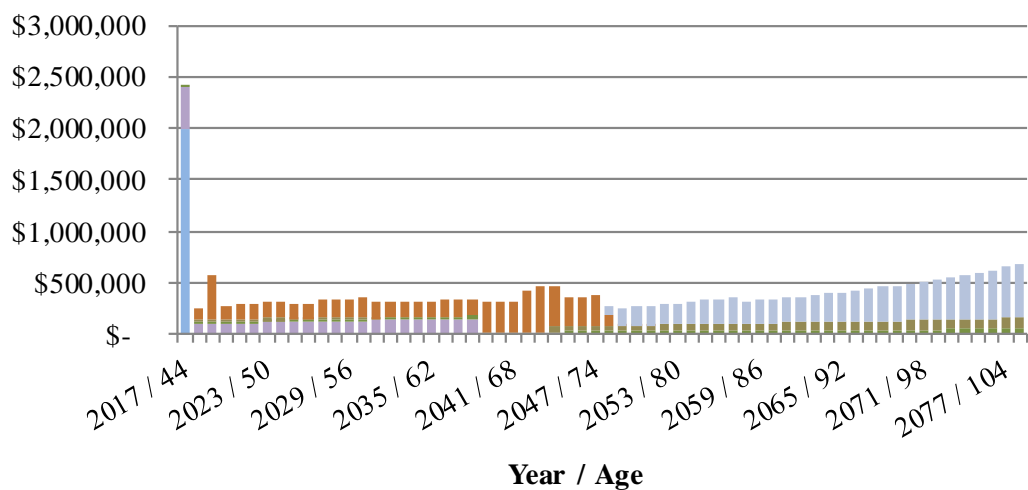
Additional Life Insurance Needed

\$2,500,000

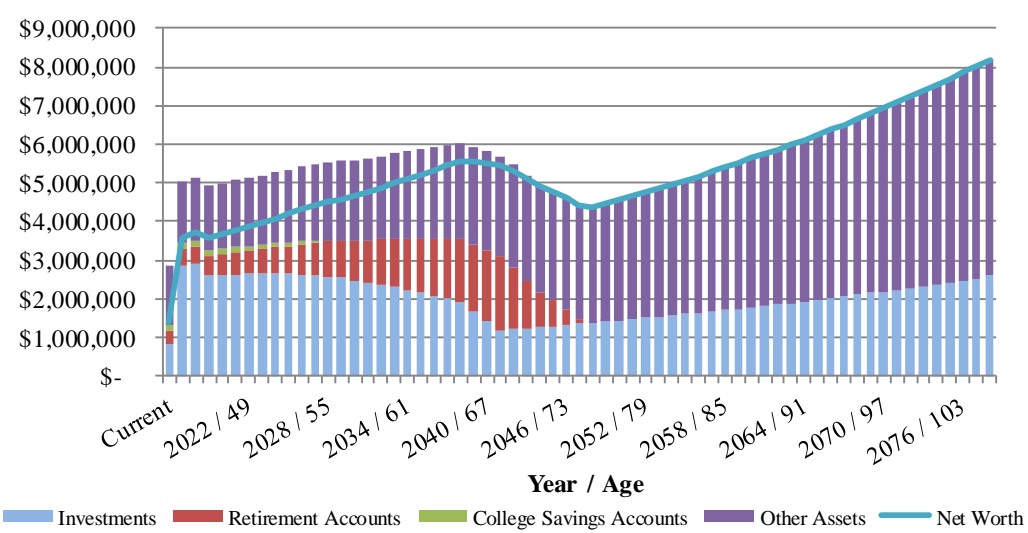
Current Protection Level: 44%

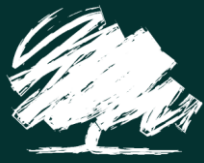


Income Timeline



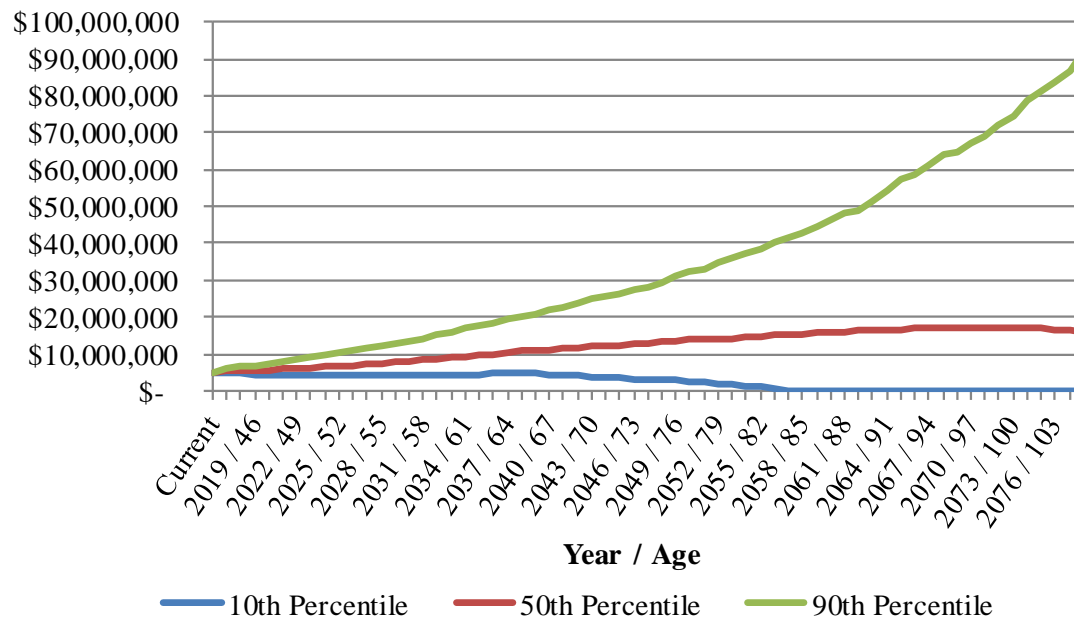
Balance Sheet Timeline





- Total life insurance proceeds of \$4,500,000

Investments and Retirement Assets



Portfolio meets all projected future expense requirements in 73% of investment scenarios

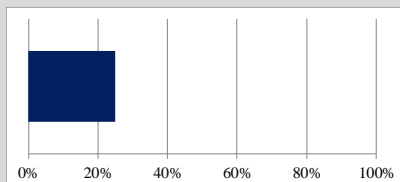


Projected Financial Impact if Martha Dies

- Assumes Martha dies in 2017
- Individual Life Insurance pays \$250,000
- Social Security Survivor's Benefits assumed to be \$26,400/yr when children are minors
- Ongoing living and discretionary expenses are reduced by 25%
- Assumed additional household expenses of \$7,500

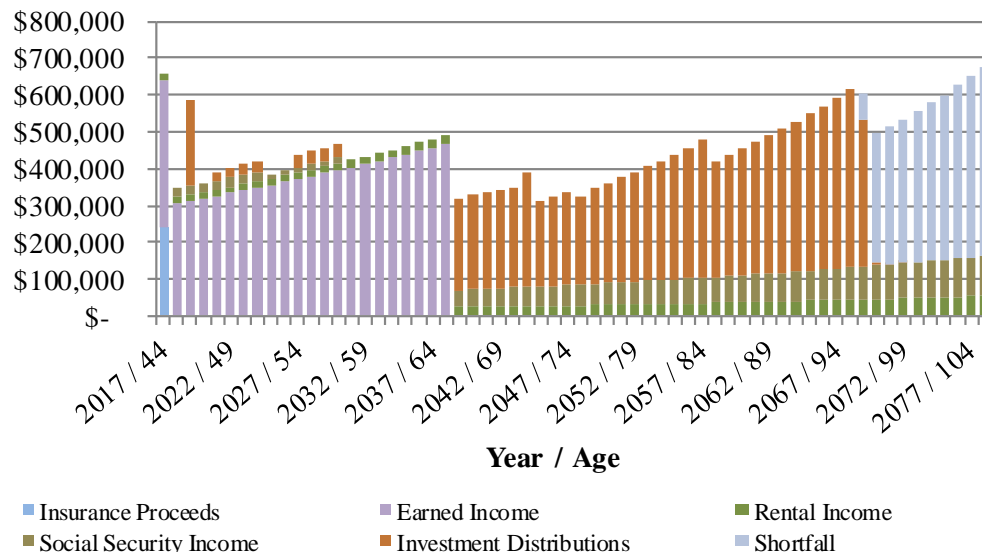
Additional Life Insurance Needed

\$750,000

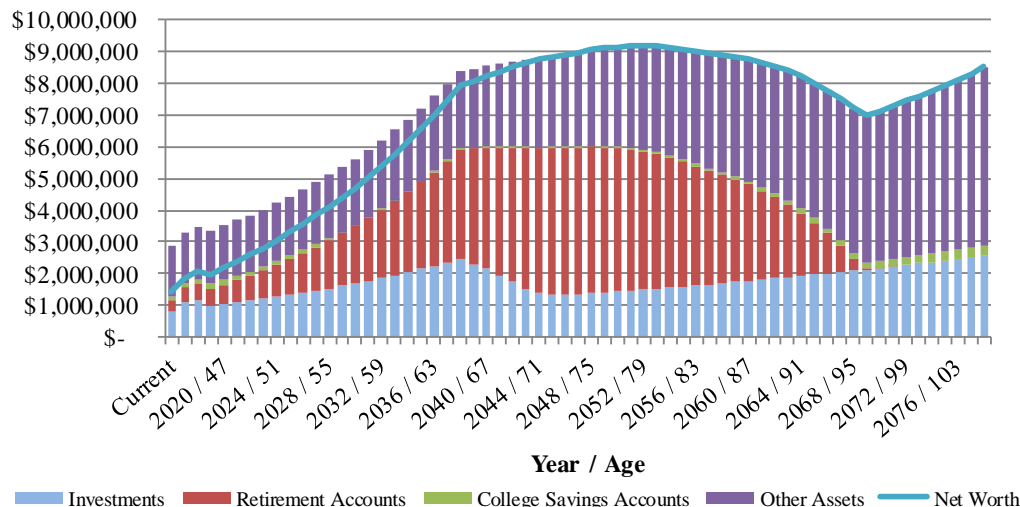


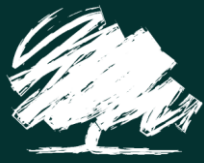
Current Protection Level: 25%

Income Timeline



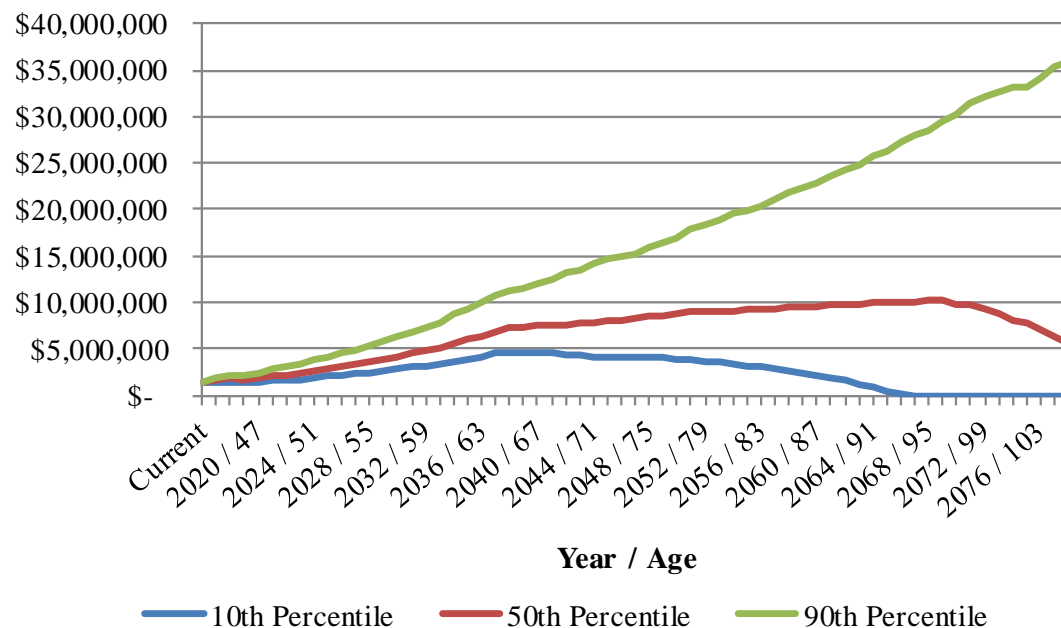
Balance Sheet Timeline



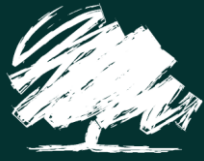


- Total life insurance proceeds of \$1,000,000

Investments and Retirement Assets



Portfolio meets all projected future expense requirements in 75% of investment scenarios



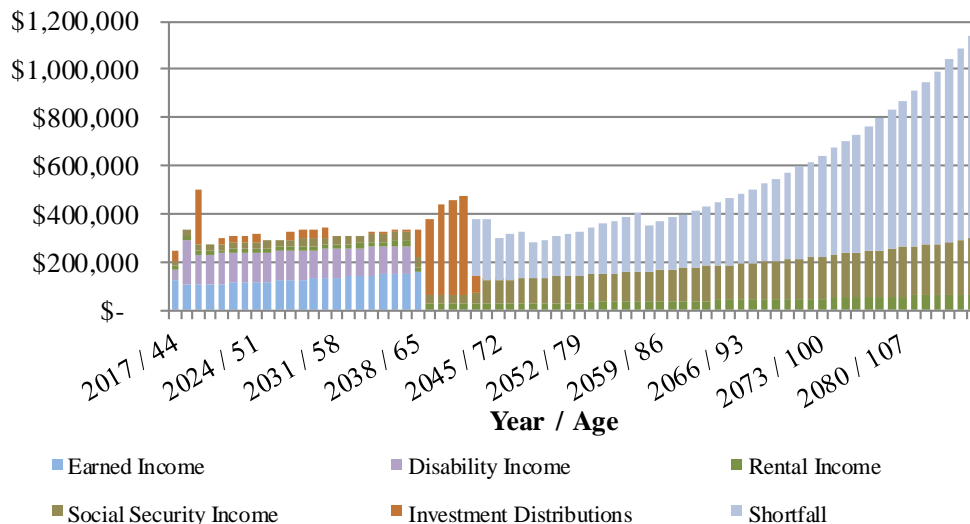
H. Disability Insurance Analysis



Projected Impact if Thomas Becomes Disabled

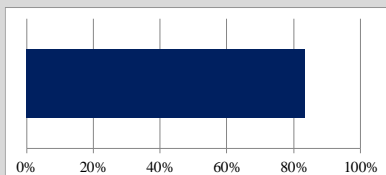
- Assumes Thomas becomes permanently disabled and unable to work in 2017
- Modeled Disability Insurance Coverage: 50% of salary
- Social Security disability benefits assumed to be \$2,000 / month

Income Timeline



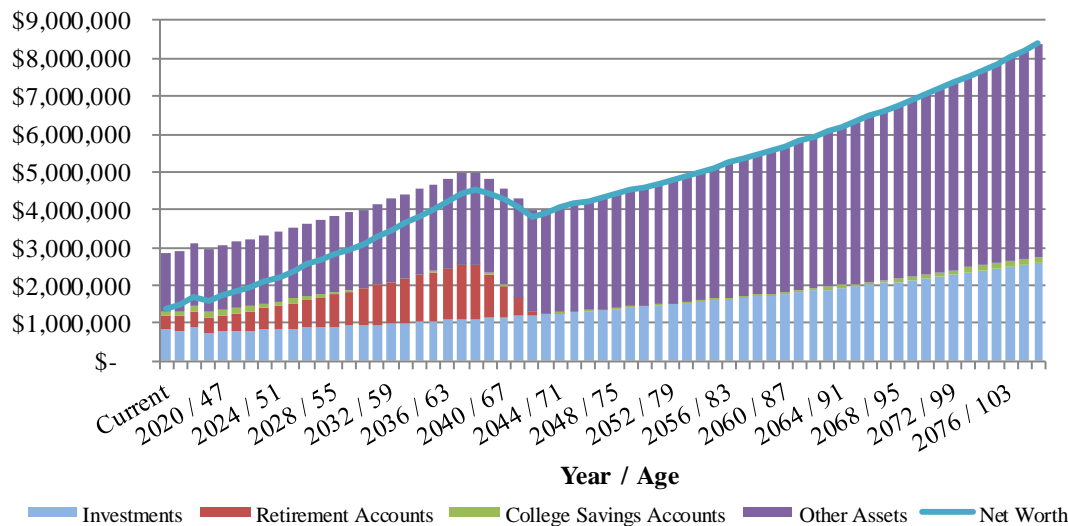
Recommended Disability Insurance Coverage

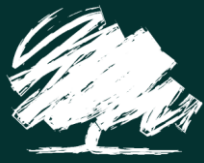
At least 60% of salary



Current Protection Level: 83%

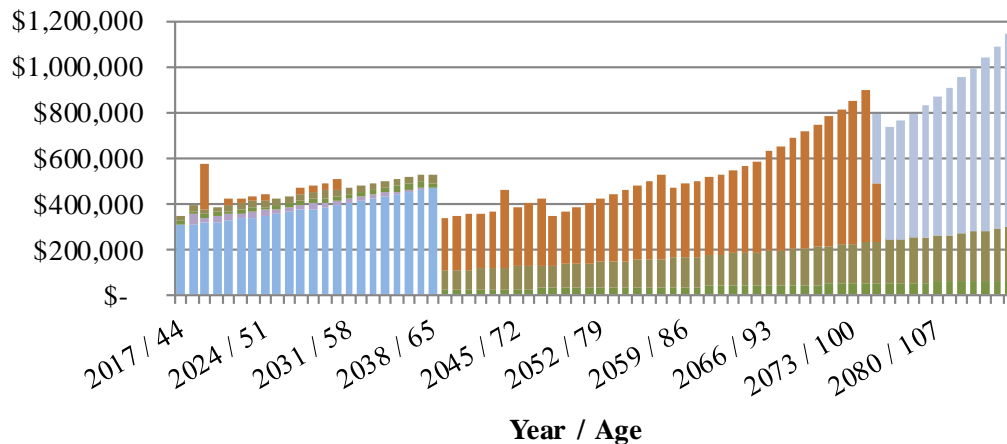
Balance Sheet Timeline





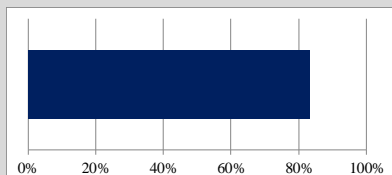
- Assumes Martha becomes permanently disabled and unable to work in 2017
- Modeled Disability Insurance Coverage: 50% of salary
- Social Security disability benefits assumed to be \$2,000 / month

Income Timeline



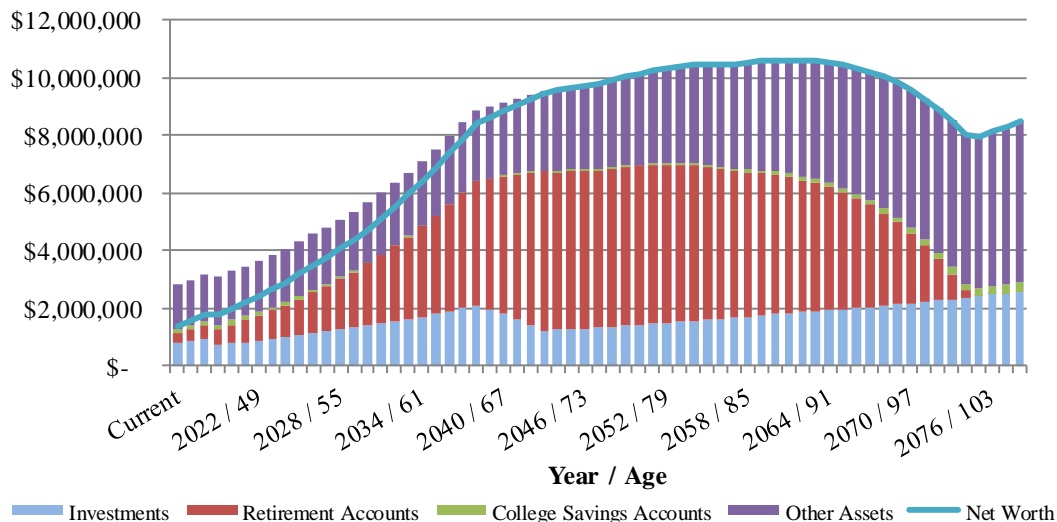
Recommended Disability Insurance Coverage

At least 60% of salary



Current Protection Level: 83%

Balance Sheet Timeline





I. Estate Planning



- You currently do not have a will. If either of you were to die today, your assets* would be transferred as follows:
 1. Surviving spouse**
 2. Descendants, using “per capita by representation”
 3. Parent or parents equally
 4. Siblings (and descendants), using “per capita by representation”
 5. Grandparents, equally to paternal and maternal sides
 6. Grandparents’ descendants/laughing heirs
 7. Escheat (Virginia Literary Fund)

Not all assets are subject to intestate succession. Life insurance policies, jointly-owned assets, and retirement accounts will pass to named beneficiaries, assuming beneficiary designations are properly made.

If deceased has children of someone other than the surviving spouse, 1/3 of assets go to surviving spouse, 2/3 of assets are divided among all children.



J. Recommended Changes



Recommendations

- Current projections show ability to meet all future financial goals, assuming all excess cash flow is saved toward retirement, and tax-deferral benefits of retirement accounts are maximized
- Cash flow flexibility will not allow for purchase of additional real estate
- Emergency fund is currently below target by \$34,000; additional liquidity is required
- Current 529 balances are sufficient to pay for desired college tuition expenses, but an additional savings of \$2,000 per year will add additional flexibility
- Life insurance coverage is insufficient for both Thomas and Martha; additional term life policies should be obtained to reach target amounts
- Employer-provided disability insurance policies are inadequate; in the event of a disability, significant lifestyle adjustments will need to be made
- Recommend reallocating investments to meet suggested target allocation



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Financial Planning, LLC

K. Appendix

Important Disclosures

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