

SAMPLE REPORT — FOR ILLUSTRATIVE PURPOSES ONLY

All names and figures are fictional. This document is published on the Transcending Wealth website to illustrate the depth and format of a Comprehensive Financial Plan.

Comprehensive Financial Plan

Prepared for: **Robert & Margaret Collins**

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Executive Summary

Big Picture

Robert and Margaret Collins have built a solid financial foundation over three decades of dual-career earnings, disciplined saving, and a paid-off home in a desirable suburb of Boston. At 58 and 56, respectively, they stand at a pivotal inflection point: the transition from accumulation to distribution. Their combined portfolio, pension income, and Social Security benefits place them on a credible path to the retirement lifestyle they envision—but that path requires coordination. Taxes, withdrawal sequencing, healthcare costs, and real estate decisions will each play a meaningful role in determining how long their assets last and how much flexibility they retain. The goal of this plan is to translate their strong foundation into a clear, actionable roadmap for the decade ahead.

Over the past several weeks, we gathered detailed information about their income, spending, assets, obligations, and long-term goals. Several themes emerge:

- **Strong foundation:** A paid-off home, two sizable retirement accounts, and a modest pension provide a stable base that most households at this stage do not share.
- **Transition complexity:** Moving from two W-2 incomes to a mix of retirement withdrawals, pension, and Social Security requires careful coordination to minimize taxes and maximize longevity of assets.
- **Healthcare bridge:** Robert plans to retire at 62; Margaret at 60. Both will need to bridge healthcare costs privately until Medicare eligibility at 65, which requires a dedicated funding strategy.
- **Real estate optionality:** The Collins home is a significant asset. Whether to downsize, retain, or generate rental income from it is one of the most consequential decisions in the plan.
- **Legacy intentions:** Robert and Margaret wish to leave meaningful assets to their two adult children and to a local education charity—goals that are compatible with their retirement plan but require intentional estate structuring.

The rest of this plan moves through each dimension of their financial life—net worth, cash flow, debt, real estate, retirement trajectory, risk management, taxes, estate planning, and action steps—with concrete analysis and recommendations at each stage.

How to Read This Plan

This report is organized into focused sections. Each section explains the relevant concept, presents the key numbers for the Collins household, and closes with specific recommendations. Readers who want the highlights first should read the Executive Summary and the *Pulling It Together* section at the end. Those who want the full analytical picture should read sequentially.

Projections throughout this report are illustrative, not predictive. They are designed to compare scenarios under consistent assumptions—not to forecast specific outcomes. Small changes in return rates, inflation, or spending can shift the numbers materially; this is expected and is part of the value of revisiting the plan regularly.

Personalized Overview

It has been a privilege to work with Robert and Margaret over the past several weeks. They came to this process with clear goals, a healthy curiosity about their numbers, and a strong commitment to each other's financial security. Several themes shape this plan:

- Their primary goal is to retire comfortably—Robert around age 62 and Margaret around age 60—without sacrificing the lifestyle they have built.
- They are not seeking to maximize wealth at all costs; rather, they want *enough* with high confidence, balanced with flexibility for travel, family, and giving.
- They have avoided high-interest debt throughout their careers and enter this phase debt-free, which is a significant strategic advantage.
- Their two adult children (ages 28 and 25) are financially independent, which simplifies the cash-flow picture considerably.
- They have expressed a strong desire to understand their plan—not just receive it—which is exactly the posture that leads to the best outcomes over time.

1 Net Worth and Balance Sheet

What Is Net Worth?

Net worth provides a clear and concise measure of overall financial position. It represents the value of everything you **own** minus everything you **owe**.

- **Assets** include the resources that hold value: home, savings, investments, retirement accounts, and other property.
- **Liabilities** include all financial obligations: mortgages, loans, and other debts.

$$\text{Net Worth} = \text{Total Assets} - \text{Total Liabilities}$$

A positive net worth indicates financial strength. Monitoring this figure over time helps evaluate progress, identify opportunities, and design strategies that support long-term goals.

Current Net Worth Snapshot

The Collins household enters the pre-retirement phase with a strong and diversified balance sheet. Their net worth is anchored in real estate and tax-advantaged retirement savings, with meaningful liquid assets to support the transition period.

Assets	Amount	Liabilities	Amount
Cash & Cash Equivalents	\$87,400	Short-Term Debt	\$0
Taxable Brokerage Accounts	\$214,800	Mortgage	\$0
Robert's 401(k)	\$682,500	Auto Loans	\$0
Margaret's 403(b)	\$418,300	Student Loans	\$0
Roth IRAs (combined)	\$94,600	Credit Cards	\$0
Personal Property	\$45,000		
Primary Residence	\$875,000		
TOTAL ASSETS	\$2,417,600	TOTAL LIABILITIES	\$0
NET WORTH	\$2,417,600		

Table 1: Net Worth Summary — Robert & Margaret Collins (Sample)

Asset Allocation by Liquidity and Tax Status

Understanding *how* assets are held is as important as knowing *how much* is held. The table below classifies the Collins portfolio by liquidity and tax treatment, which directly informs withdrawal sequencing and tax planning in retirement.

Asset Bucket	Value	Liquidity	Tax Treatment
Cash & Cash Equivalents	\$87,400	High	Taxable
Taxable Brokerage	\$214,800	High	Capital Gains
Roth IRAs	\$94,600	Moderate	Tax-Free
Robert's 401(k)	\$682,500	Low	Tax-Deferred
Margaret's 403(b)	\$418,300	Low	Tax-Deferred
Primary Residence	\$875,000	Low	Capital Gains Exclusion
Personal Property	\$45,000	Low	N/A

Table 2: Asset Allocation by Liquidity and Tax Treatment

Liquidity Profile — Before & After

The charts below show how the Collins liquidity profile is projected to shift as a result of implementing the recommendations in this plan. Assets are classified into three tiers: **High** (cash and liquid brokerage, immediately accessible), **Medium** (retirement accounts and moderately accessible assets), and **Low** (primary residence and other illiquid holdings). The “After” picture reflects portfolio growth through retirement and the reallocation of surplus savings.

Liquidity Analysis — Before & After

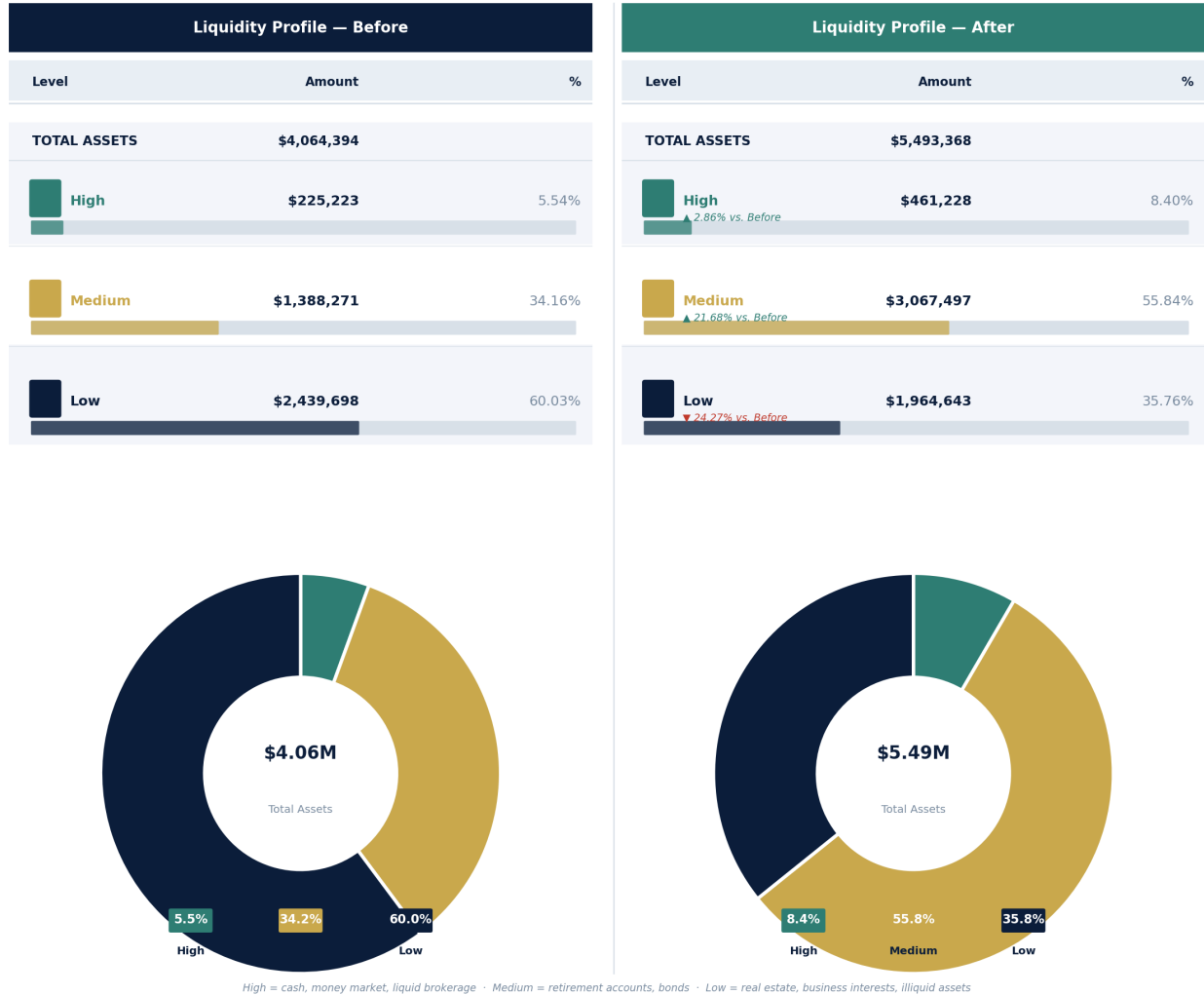


Figure 1: *Liquidity Profile — Before & After Implementation of Plan Recommendations*

Key Takeaway — Net Worth

The Collins household is debt-free and holds a well-diversified balance sheet across real estate, taxable investments, tax-deferred retirement accounts, and Roth savings. The primary planning challenges are not scarcity but *coordination*: managing withdrawals in the right order, from the right buckets, at the right time, to minimize taxes and maximize longevity.

2 Cash Flow and Lifestyle

What Is Cash Flow?

Cash flow is the movement of money in a household—money coming in and money going out. When more money comes in than goes out, the result is **positive cash flow**, which creates capacity to save, invest, and reduce debt. A practical way to understand spending is to group expenses into five categories:

1. **Savings:** Contributions to retirement and investment accounts.
2. **Debt:** Payments toward any outstanding balances.
3. **Fixed Expenses:** Costs that are relatively constant—housing, insurance, utilities.
4. **Variable Expenses:** Costs that fluctuate by season or need—transportation, healthcare, education.
5. **Discretionary Expenses:** Optional spending—travel, dining, hobbies, entertainment.

Current Annual Income and Expenses

Robert earns \$148,000 per year as a senior project manager at a regional engineering firm. Margaret earns \$112,000 per year as an associate director at a nonprofit healthcare organization. Combined gross income is \$260,000.

Category	Annual Amount	% of Income
Gross Combined Income	\$260,000	
Federal & State Income Taxes	-\$65,200	25.1%
Retirement Savings (401k/403b)	-\$46,000	17.7%
Roth IRA Contributions	-\$14,000	5.4%
Fixed Expenses	-\$52,800	20.3%
Variable Expenses	-\$38,400	14.8%
Discretionary Expenses	-\$28,600	11.0%
Annual Surplus	\$15,000	5.8%

Table 3: Summary of Annual Income and Expenses (Sample)

Budget Detail

Expense Item	Monthly	Annual
<i>Fixed Expenses</i>		
Property Taxes	\$900	\$10,800
Homeowner's Insurance	\$220	\$2,640
Utilities (avg.)	\$380	\$4,560
Health Insurance (both)	\$1,840	\$22,080
Life Insurance (term)	\$210	\$2,520
Auto Insurance (2 cars)	\$350	\$4,200
Subscriptions & Fees	\$500	\$6,000
<i>Variable Expenses</i>		
Groceries	\$1,100	\$13,200
Dining Out	\$600	\$7,200
Transportation/Gas	\$400	\$4,800
Medical Out-of-Pocket	\$700	\$8,400
Home Maintenance	\$400	\$4,800
<i>Discretionary Expenses</i>		
Travel & Vacation	\$1,500	\$18,000
Hobbies & Entertainment	\$450	\$5,400
Gifts & Charitable Giving	\$430	\$5,200

Table 4: Annual Budget Detail

Key Takeaway — Cash Flow

Robert and Margaret are living well within their means, running a meaningful annual surplus while contributing aggressively to retirement accounts. Their savings rate of approximately 23% of gross income is well above the national average and positions them favorably for a retirement date in the early 2030s. The primary cash-flow planning challenge shifts to retirement: replacing \$260,000 in earned income with a sustainable combination of portfolio withdrawals, pension, and Social Security.

3 Debt Management Strategy

Robert and Margaret enter this planning engagement entirely debt-free—no mortgage, no auto loans, no credit card balances. This is a meaningful strategic advantage. It eliminates one of the most common sources of pre-retirement financial pressure and provides maximum flexibility in the years leading up to their exit from the workforce.

Because they carry no outstanding obligations, the debt management section of their plan focuses not on elimination, but on **prevention and discipline**:

- **Maintain the debt-free status through retirement.** Avoid any temptation to use leverage for lifestyle upgrades, renovation projects, or other discretionary spending during the transition period.
- **Healthcare bridge.** The period between retirement (ages 60–62) and Medicare eligibility (age 65) introduces a significant potential liability. Health insurance premiums for two adults without employer coverage can reach \$2,000–\$3,500 per month depending on plan design. This must be planned for explicitly—both in the cash flow projection and in the retirement readiness calculation.
- **Auto replacement reserve.** Both vehicles are approaching the end of their useful lives. Rather than financing replacements, the recommended approach is to begin setting aside \$500–\$700 per month into a dedicated sinking fund to pay cash when replacements are needed, typically within the next 2–4 years.
- **Home maintenance reserve.** Their home, while well-maintained, is over 25 years old. A reserve of 1–1.5% of home value per year (\$8,750–\$13,125) is prudent for future capital expenses such as a roof, HVAC system, or major appliances.

Key Takeaway — Debt & Liquidity

Being debt-free at this stage is a significant asset—both financially and psychologically. The planning priority is not repair, but preservation: maintaining this position through the retirement transition while proactively funding known future expenditures so that lifestyle shocks do not force the use of high-cost credit.

4 Real Estate Scenarios and Cash Flows

The Collins primary residence is their second-largest individual asset after Robert's 401(k). At an estimated market value of \$875,000 and carrying no mortgage, it represents \$875,000 in equity—fully accessible and entirely subject to strategic decisions. How they handle this property in retirement will materially affect their income, tax situation, and legacy.

Together, we explored four scenarios:

1. **Scenario 1: Retain and maintain.** Stay in the home through retirement. No rental income; all equity preserved. Ongoing property taxes, insurance, and maintenance continue.
2. **Scenario 2: Downsize.** Sell the current home and purchase a smaller, lower-maintenance property. Net proceeds after purchase are invested in a diversified portfolio.
3. **Scenario 3: Retain and rent ADU.** Convert the existing basement or accessory structure into a rentable unit. Generates supplemental income while retaining the primary residence.
4. **Scenario 4: Sell and rent.** Sell the home entirely, invest the net proceeds, and rent a smaller property in retirement. Maximizes liquid portfolio value and eliminates ownership obligations.

Real Estate Scenario Assumptions

Assumption	Value	S1	S2	S3	S4
Market Value Today	\$875,000				
Annual Appreciation Rate	2.00%				
Time Horizon (years)	7				
Est. Value at Retirement	\$1,004,832				
Sales Portion		0%	60%	0%	100%
ADU Annual Net Rental Income		—	—	\$24,000	—
Rental Income Increase/yr		—	—	2.0%	—
Replacement Rent (S4)		—	—	—	\$2,800/mo
Est. Closing Costs (6%)			(\$60,290)		(\$60,290)
Replacement Purchase (S2)			\$450,000		
Net Investable Proceeds		—	\$92,502	—	\$944,542
Portfolio Return on Proceeds		—	5.5%	—	5.5%

Table 5: Real Estate Scenario Assumptions

Projected Annual Net Cash Flow by Real Estate Scenario

The table below shows projected net annual cash flow from each real estate scenario, beginning at retirement in 2033 (Robert age 62, Margaret age 60), in odd years only for readability.

Years in Retirement	S1: Retain	S2: Downsize	S3: ADU Rental	S4: Sell & Rent
1	-\$22,800	\$6,088	\$1,200	\$18,572
3	-\$22,800	\$5,843	\$1,694	\$17,296
5	-\$22,800	\$5,609	\$2,210	\$15,997
7	-\$22,800	\$5,385	\$2,749	\$14,673
9	-\$22,800	\$5,170	\$3,312	\$13,323
11	-\$22,800	\$4,964	\$3,900	\$11,944
13	-\$22,800	\$4,766	\$4,514	\$10,536
15	-\$22,800	\$4,576	\$5,155	\$9,096

Table 6: Projected Net Annual Cash Flow by Real Estate Scenario (Retirement 2033)

Note: S1 shows a negative cash flow reflecting ongoing carrying costs (taxes, insurance, maintenance) with no offsetting income. S3 and S4 improve over time as rental income grows or proceeds compound.

Key Takeaway — Real Estate

Each scenario reflects a different set of trade-offs between liquidity, income generation, lifestyle flexibility, and legacy. Retaining the home without generating income (S1) is the most expensive option on a cash-flow basis but preserves maximum residential stability. Downsizing (S2) frees up equity while maintaining ownership. The ADU rental model (S3) generates growing income with minimal disruption. Selling outright (S4) maximizes liquid assets but introduces ongoing rental expense. The recommended path depends heavily on Robert and Margaret's housing preferences in retirement and their desired level of ongoing property management involvement.

5 Wealth-Building Potential and Retirement Trajectory

Understanding the Role of Financial Models

The previous sections—net worth and cash flow—provide a clear picture of the Collins household today. From this foundation, we look forward: projecting how assets grow, when income sources activate, and whether the combination can support their desired retirement lifestyle with a high degree of confidence.

Financial models are tools for **relative value and directionality**, not precise prediction. The Collins retirement plan uses models to answer questions like: *What is the difference between retiring at 62 versus 65? How much does starting Social Security at 62 versus 67 change total lifetime income? What is the effect of a 5% withdrawal rate versus a 4% rate over 30 years?* These are exactly the kinds of comparisons where quantitative models are most valuable.

My philosophy, formed through many years of quantitative and investment-risk work, is that financial models should not be used to predict the future. When used as prediction tools, they will fail—almost by definition. However, when models are used for **relative value**, they become extremely powerful: comparing scenarios under the same assumptions to understand trade-offs, directionality, and the long-term implications of different decisions.

Projected Asset Values at Retirement

Robert and Margaret plan to retire in approximately 2033, giving their portfolio seven more years of growth. Under reasonable contribution and return assumptions:

Year	Cash & Brokerage	Roth IRAs	Robert 401(k)	Margaret 403(b)	Total Portfolio
1	\$322,440	\$113,520	\$784,875	\$480,045	\$1,700,880
2	\$354,960	\$133,780	\$891,560	\$545,251	\$1,925,551
3	\$390,456	\$155,514	\$1,003,203	\$615,534	\$2,164,707
4	\$429,280	\$178,980	\$1,120,576	\$691,349	\$2,420,185
5	\$471,780	\$204,440	\$1,244,462	\$773,178	\$2,693,860
6	\$518,320	\$232,170	\$1,375,744	\$861,553	\$2,987,787
7	\$569,300	\$262,470	\$1,515,380	\$957,044	\$3,304,194

Table 7: Projected Portfolio Values Through Retirement (2026–2033). Year 7 highlighted = target retirement year.

Assumptions: Brokerage returns 6.5% annually; Roth IRAs 7.0%; 401(k) and 403(b) 7.5% with continued maximum contributions through retirement date.

Retirement Income Sources

At retirement, Robert and Margaret will draw from multiple income streams. The table below summarizes estimated annual income from each source at retirement, before taxes:

Income Source	Est. Annual Amount	Begins
Robert's 401(k) Withdrawals	\$45,000	2033 (age 62)
Margaret's 403(b) Withdrawals	\$28,000	2033 (age 60)
Taxable Brokerage Distributions	\$22,000	2033
Margaret's Pension (nonprofit)	\$18,400	2033 (vested)
Robert's Social Security	\$32,800	2037 (age 66)
Margaret's Social Security	\$24,600	2037 (age 64)
Roth IRA (supplemental)	\$12,000	As needed
Total Pre-Tax Income (at full activation)	\$182,800	2037+

Table 8: Retirement Income Sources Summary (Sample Projections)

Estimated Net Income After Taxes — Retirement Scenarios

The table below shows projected net income after taxes across two Social Security timing strategies and the four real estate scenarios, retiring in 2033. Years shown are years after retirement date.

Years in Ret.	S1: Retain	S2: Downsize	S3: ADU	S4: Sell	Tax Rate
1	\$88,210	\$96,298	\$90,330	\$107,692	18%
3	\$91,453	\$99,141	\$94,006	\$110,386	20%
5	\$103,840	\$111,928	\$106,921	\$122,697	22%
7	\$106,318	\$114,293	\$109,939	\$124,861	22%
9	\$108,841	\$116,712	\$113,013	\$127,074	22%
11	\$111,412	\$119,187	\$116,143	\$129,337	24%
13	\$114,032	\$121,718	\$119,333	\$131,652	24%
15	\$116,703	\$124,307	\$122,583	\$134,018	24%
Totals (15 yr)	\$1.49M	\$1.61M	\$1.55M	\$1.80M	

Table 9: Projected Net Income After Taxes by Real Estate Scenario — Retiring 2033 (Odd Years Only)

Note: Years 1–4 reflect pre-Social Security income; Social Security activates at year 5 (age 66/64). Tax rates increase in later years as RMDs from qualified accounts begin at age 73.

Retirement Readiness Assessment

Robert and Margaret have identified a target retirement lifestyle budget of \$130,000 per year in today's dollars, adjusted for 2.5% annual inflation. At a 2033 retirement date, the inflation-adjusted target becomes approximately \$155,000.

Metric	Value
Desired Annual Income (today's dollars)	\$130,000
Inflation Adjustment (2.5%, 7 yrs)	+\$25,000
Target Income at Retirement (2033)	\$155,000
Projected Income — S1 (Year 5 avg.)	\$103,840
Projected Income — S2 (Year 5 avg.)	\$111,928
Projected Income — S3 (Year 5 avg.)	\$106,921
Projected Income — S4 (Year 5 avg.)	\$122,697
Coverage Ratio (best case, S4)	79.2%
Coverage Ratio (base case, S3)	69.0%

Table 10: Retirement Readiness Summary

The coverage gap in the early retirement years (before Social Security activates at full benefit) is expected. Scenarios 3 and 4 come closest to the target in later years once all income streams are active. Scenario 4 (sell and rent) produces the highest liquid income but introduces ongoing rental expense. The Roth IRA reserves and taxable brokerage accounts serve as a flexible buffer to fill the gap in years 1–4 without triggering additional tax liability.

Key Takeaway — Retirement Outlook

Robert and Margaret are on a strong trajectory. Their combined portfolio of approximately \$3.3 million at retirement, together with a pension and Social Security, positions them well against their income target. The coverage gap in the early years is manageable with thoughtful withdrawal sequencing and the flexibility of the Roth IRA bucket. The most consequential decisions—Social Security timing, real estate scenario, and withdrawal order—are the focus of the tax and action-plan sections that follow.

6 Social Security Strategy

Social Security timing is one of the most financially significant decisions Robert and Margaret will make. Benefits can begin as early as age 62 (with permanent reduction) or be deferred until age 70 (with an 8% annual increase per year of deferral past Full Retirement Age). For Robert, Full Retirement Age (FRA) is 67; for Margaret, also 67.

Social Security Timing Scenarios

	Claim at 62	Claim at 67 (FRA)	Claim at 70
Robert's Annual Benefit	\$22,960	\$32,800	\$40,672
Margaret's Annual Benefit	\$17,220	\$24,600	\$30,504
Combined Annual	\$40,180	\$57,400	\$71,176
Break-Even Age (vs. 67)	Age 78	—	Age 82
Lifetime Benefit (to 90)	\$1.13M	\$1.32M	\$1.42M

Table 11: Social Security Claiming Scenarios (Sample Projections)

The analysis supports a **split strategy**: Margaret claims at 64 or 65 to provide early supplemental income during the bridge period, while Robert defers to 67 or 68 to lock in the higher survivor benefit—which protects whichever spouse lives longer. This approach balances near-term income needs with long-term longevity protection.

Key Takeaway — Social Security

Deferring Social Security—even partially—has a significant compounding effect over a long retirement. For a couple with Robert and Margaret's longevity expectations (mid-to-late 80s based on family history), deferral to FRA adds approximately \$190,000 in lifetime benefits compared to claiming at 62. A split strategy, coordinated with portfolio withdrawals in the early years, provides the best risk-adjusted outcome.

7 Risk Management and Insurance

A strong balance sheet and well-structured retirement plan can be undermined quickly if major risks are not adequately covered. For Robert and Margaret, the priority risk areas are:

Healthcare Bridge (Ages 60–65)

This is the most significant near-term insurance planning challenge. Margaret will retire at 60; Robert at 62. Neither will be eligible for Medicare until age 65. Private health insurance during this period is expensive and must be planned for explicitly.

Option	Est. Monthly Cost	Duration
ACA Marketplace (Silver Plan, 2 adults)	\$2,200–\$2,800	Until Medicare
COBRA from Robert’s employer	\$1,900–\$2,400	18 months max
Short-term supplemental coverage	\$800–\$1,200	Limited
HSA drawdown (if available)	Reduces out-of-pocket	Tax-free

Table 12: Healthcare Bridge Options (Pre-Medicare)

Recommendation: Budget \$2,500 per month (\$30,000 per year) for healthcare costs during the bridge period and maintain maximum HSA contributions through Robert’s last year of employment.

Life Insurance

Robert currently carries a \$750,000 term life policy expiring in 2029 (age 63). Margaret carries a \$500,000 term policy expiring in 2031. Given their financial position, the primary purpose of life insurance at this stage is **income replacement and debt protection**—both of which become less necessary as the portfolio grows and retirement nears. The policies should be maintained through their term dates and then re-evaluated. At retirement, with a fully funded portfolio and no dependents, life insurance may no longer be necessary.

Long-Term Care

With a combined net worth above \$2.4 million and growing, Robert and Margaret are at a level where self-insuring long-term care is a viable option—but only with intentional planning. Average

nursing home costs in Massachusetts exceed \$150,000 per year. A hybrid long-term care policy (life insurance with an LTC rider) is worth exploring between now and age 60, while premiums remain manageable and health qualifications are more likely to be met.

Property and Liability

Their current homeowner's and auto policies appear adequate. One gap: given their growing net worth, we recommend reviewing umbrella liability coverage. A \$1–\$2 million personal umbrella policy adds meaningful protection at relatively low cost (\$300–\$500 per year).

Key Takeaway — Risk Management

The most pressing insurance planning item is the healthcare bridge between retirement and Medicare. Beyond that, the Collins household is well-protected. Long-term care planning should begin now while options and premiums are most favorable. The umbrella policy gap is a simple, low-cost fix worth completing in the next 30 days.

8 Taxes and Withdrawal Strategy

Robert and Margaret currently pay approximately \$65,200 in federal and state income taxes on their combined \$260,000 in earned income—an effective rate of about 25%. In retirement, their tax picture will look quite different, and careful management of *which accounts to draw from* and *in what order* can meaningfully reduce their lifetime tax burden.

The Three Tax Buckets

Bucket	Tax Treatment	Current Balance
Taxable (Brokerage, Cash)	Capital gains on gains; ordinary income on interest	\$302,200
Tax-Deferred (401k, 403b)	Fully taxable at ordinary rates upon withdrawal	\$1,100,800
Tax-Free (Roth IRAs)	No tax on qualified withdrawals	\$94,600

Table 13: The Three Tax Buckets

Tax Status — Before & After

The charts below illustrate the current tax composition of the Collins portfolio and the projected improvement following the Roth conversion strategy outlined in this plan. The goal is to reduce reliance on the fully taxable bucket and grow the tax-free (Tax-Advantaged) bucket over time, reducing the lifetime tax burden in retirement.

Tax Status Analysis — Before & After

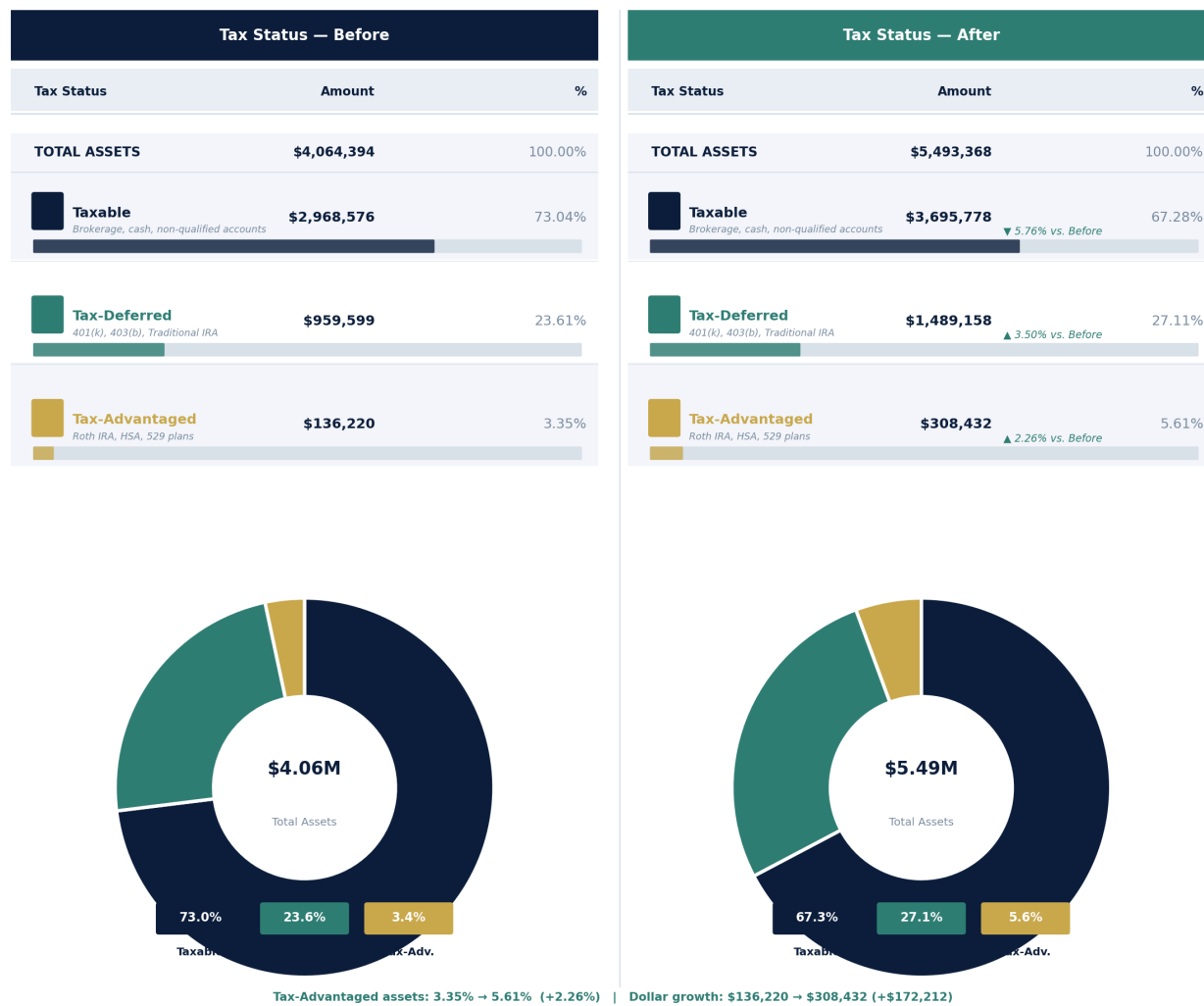


Figure 2: Tax Status of Assets — Before & After Roth Conversion Strategy

Recommended Withdrawal Sequencing

- Years 1–4 (Pre-Social Security):** Draw primarily from taxable brokerage and cash. These generate lower tax liability (capital gains rates) and preserve the tax-deferred accounts for later growth. Use Roth IRA as a supplemental buffer when needed.
- Years 5–12 (Social Security Active):** Begin drawing from 401(k) and 403(b), but stay below the top of the 22% bracket. Coordinate with Social Security provisional income rules to minimize the portion of Social Security that is taxable (up to 85% of SS benefits can be

subject to income tax).

- 3. Years 13+ (RMD Period):** Required Minimum Distributions from the 401(k) and 403(b) will begin at age 73. Strategic partial Roth conversions in years 1–12 can reduce the RMD burden and smooth the tax trajectory.

Roth Conversion Opportunity

The window between retirement (2033) and the onset of Social Security (2037) represents a unique tax planning opportunity. During this period, Robert and Margaret’s taxable income will be at its lowest point in decades. Converting a portion of the tax-deferred accounts to Roth each year—staying within the 22% bracket—can significantly reduce future RMD amounts and the associated tax exposure.

Metric	Estimate
Annual Roth Conversion Target (Years 1–4)	\$45,000–\$55,000
Est. Tax Cost per Year (22% bracket)	\$9,900–\$12,100
Est. RMD Reduction (at age 73)	\$18,000–\$24,000/yr
Estimated Lifetime Tax Savings	\$85,000–\$130,000

Table 14: Roth Conversion Opportunity Summary (Illustrative)

Key Takeaway — Taxes

Taxes in retirement are manageable and, with proactive planning, can be significantly reduced compared to an uncoordinated approach. The Roth conversion window, withdrawal sequencing, and Social Security timing decisions together represent some of the highest-return planning moves available to Robert and Margaret. These decisions should be revisited annually as tax laws, income levels, and portfolio values evolve.

9 Estate and Legacy Planning

Estate planning is not about dwelling on worst-case scenarios—it is about removing uncertainty and reducing the burden on the people Robert and Margaret care most about. A well-structured estate plan ensures that their assets reach the people and causes they intend, at the right time, with minimal friction, cost, or delay.

Current Estate Planning Status

Document / Element	Status	Action Needed
Will (Robert)	In Place (2018)	Update / Review
Will (Margaret)	In Place (2018)	Update / Review
Healthcare Proxy	In Place	Confirm current
Durable Power of Attorney	In Place	Confirm current
Beneficiary Designations (401k/403b/IRAs)	Partial	Update & align
Taxable Brokerage — TOD Designation	Not in place	Add immediately
Life Insurance Beneficiaries	Current	Confirm
Trust Structure	None currently	Evaluate need

Table 15: Estate Planning Document Inventory

Key Estate Planning Priorities

- **Update beneficiary designations.** Retirement accounts and life insurance pass outside of the will—they go directly to the named beneficiary. Outdated or inconsistent designations are one of the most common and costly estate planning errors. All 401(k), 403(b), IRA, and life insurance beneficiaries should be reviewed and updated immediately.
- **Add TOD (Transfer on Death) to taxable brokerage.** This simple step allows the brokerage account to pass directly to the named beneficiaries without probate, saving time and cost.
- **Review and update the wills.** Their current wills are eight years old. Given changes

in family structure, financial complexity, and potentially applicable tax law changes, both wills should be reviewed with an estate attorney this year.

- **Evaluate trust structures.** With a net worth above \$2.4 million and growing, and specific legacy intentions (support for two adult children and a charitable gift), a revocable living trust may offer significant benefits: probate avoidance, privacy, more precise control over asset distribution, and potential protection from future creditors.
- **Charitable giving strategy.** Robert and Margaret have expressed a desire to support a local education charity. Strategies such as a Donor-Advised Fund (DAF) allow them to make a lump-sum contribution (potentially during a high-income year or at the time of a large Roth conversion), receive the immediate deduction, and then direct grants to their chosen charity over time.

Key Takeaway — Estate Planning

Robert and Margaret have the foundational documents in place—an important starting point. The gaps (TOD designation, outdated wills, misaligned beneficiaries, and absence of a trust) are addressable in the near term with a single engagement with an estate attorney. The charitable giving strategy deserves attention now: a Donor-Advised Fund established before retirement can be funded tax-efficiently while income is still high.

10 Pulling It Together: Actionable Steps & Ongoing Support

A good plan is only as useful as the actions it inspires. The following steps are organized by time horizon and priority.

Immediate Next Actions (0–30 Days)

1. **Add a Transfer on Death (TOD) designation** to the taxable brokerage account. This is a 15-minute task that eliminates a potential probate delay.
2. **Audit all beneficiary designations** on Robert's 401(k), Margaret's 403(b), both Roth IRAs, and all life insurance policies. Confirm they reflect current intentions and are consistent with the will.
3. **Review umbrella liability insurance.** Contact the current insurer and obtain a quote for a \$1–\$2 million personal umbrella policy.
4. **Schedule an estate attorney meeting.** Bring both wills and a summary of all accounts and beneficiary designations. Target completion within 60 days.
5. **Begin a dedicated auto replacement sinking fund.** Set up an automatic monthly transfer of \$600 to a separate high-yield savings account earmarked for vehicle replacements.

Short Term (3–12 Months)

1. **Maximize HSA contributions** through Robert's final years of employer eligibility. The 2026 limit for family coverage is \$8,300 (plus \$1,000 catch-up for those over 55). These funds grow tax-free and can be used tax-free for qualified medical expenses, making them among the most valuable accounts available.
2. **Open a Donor-Advised Fund (DAF).** Consider an initial contribution of \$15,000–\$25,000 in appreciated brokerage securities (avoiding capital gains tax on the transfer while receiving the full charitable deduction). Begin directing grants to the education charity.
3. **Begin Social Security optimization analysis** with a detailed year-by-year projection comparing claiming at 62, 67, and 70 for each spouse under different longevity assumptions.
4. **Explore long-term care insurance options.** Request quotes for a hybrid LTC/life policy for both Robert and Margaret. Health qualifications become more restrictive with age; acting before 60 is strongly advisable.
5. **Develop the real estate scenario preference.** Discuss and prioritize among the four scenarios. If renovation for an ADU is under consideration, begin gathering contractor estimates.

Medium Term (1–3 Years)

1. **Begin Roth conversion planning** (2–3 years before retirement). Model the optimal annual conversion amount to reduce tax-deferred account balances before RMDs begin.
2. **Build the retirement income floor.** Confirm that fixed income (pension + Social Security) covers essential expenses. Identify the minimum monthly withdrawal from the portfolio needed to cover the gap.
3. **Refine the retirement date.** Use updated projections to test whether a 2031 retirement is feasible versus 2033—particularly if market returns are favorable in the near term.
4. **Coordinate with Margaret’s pension administrator** to understand payout options (single-life vs. joint-and-survivor annuity), survivor benefit elections, and COLA provisions, if any.
5. **Update this plan annually.** Schedule an annual review to revisit projections, rebalance accounts, update estate documents as needed, and adjust to any life or market changes.

Ongoing Collaboration

This is a living document. As Robert and Margaret’s circumstances evolve—through retirement timing decisions, market conditions, family milestones, health changes, or shifts in their goals—we will revisit and refine the analysis. Major life events (job changes, inheritance, health events, large financial decisions) should trigger a consultation outside the annual review cycle. The aim is not a perfect plan on day one, but a thoughtful and adaptive framework that helps them make confident, values-aligned decisions across the decades ahead.

This is a sample report prepared for illustrative purposes only.

All client names, figures, account balances, and scenarios are entirely fictional.
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