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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: **David & Sarah Navarro**

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Contents

Executive Summary

Big Picture

David and Sarah Navarro are a dual-income couple in their mid-40s with two children, a mortgage, and growing careers. They have done many things right: they contribute to their 401(k)s, they have some savings set aside, and they have avoided catastrophic financial mistakes. But like many families at this stage, they are running fast and have not had the time or framework to connect all the pieces into a coherent plan. The result is a household that earns well but wonders where the money goes—and is not yet confident that retirement, college, and financial security are all simultaneously on track. The goal of this plan is to bring those pieces together, identify the gaps, and give David and Sarah a clear roadmap for the next 15–20 years.

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

- **Solid but not yet optimized:** They are saving and building equity, but their savings rate, investment allocation, and account structure have not been reviewed or coordinated in several years.
- **Cash flow under pressure:** A mortgage, two children, private school tuition, and lifestyle spending collectively consume most of their income—leaving limited margin for additional saving or unexpected expenses.
- **College funding gap:** Their two children (ages 14 and 11) will begin college in four and seven years, respectively. The 529 accounts currently on hand cover a small fraction of projected costs.
- **Mortgage decision ahead:** They are seven years into a 30-year mortgage. Whether to accelerate payoff, refinance, or redirect excess cash to investments is one of the most consequential near-term decisions.
- **Protection gaps:** Life insurance coverage is below what their income and liability profile warrants, and disability insurance has not been reviewed since David changed employers.
- **Retirement runway:** With approximately 20 years until a target retirement age of 65, they have meaningful time—but only if the next few years are used well. The compounding math is unforgiving: money not saved in the 40s is costly to replace in the 50s.

The rest of this plan moves through each dimension of their financial life with specific numbers, analysis, and action steps at every 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 Navarro household, and closes with specific recommendations. Readers who want the highlights should start with the Executive Summary and the *Pulling It Together* section. Those who want the full picture should read sequentially.

All projections are illustrative and designed to compare scenarios under consistent assumptions—not to predict specific outcomes. The most important thing this report communicates is not a single number but a set of *directions and trade-offs* that guide better decisions over time.

Personalized Overview

It has been a pleasure working with David and Sarah over the past several weeks. They came to this process with energy, curiosity, and a clear sense of what matters most to them: their children's futures, the security of their home, and the ability to retire without financial anxiety. Several themes shape this plan:

- David is a senior software engineer at a technology company, earning a base salary plus annual performance bonus. His income has grown significantly over the last five years and is likely to continue growing. Stock compensation (RSUs) vesting over the next three years adds a layer of financial complexity worth planning around.
- Sarah is a licensed physical therapist running her own small practice. Her income is variable by month but has been growing steadily. As a self-employed professional, she has access to retirement account structures (Solo 401(k)) that offer significantly higher contribution limits than a traditional employer plan—an opportunity currently being underutilized.
- Their two children—Elena (14) and Marcus (11)—are the emotional center of their financial life. They are deeply committed to providing for their education without compromising their own retirement security. Balancing these two goals is one of the central challenges this plan addresses.
- They have explicitly said they do not want to be "rich on paper and stressed in real life." That framing guides the balance between aggressive saving and maintaining a lifestyle they enjoy now.

1 Net Worth and Balance Sheet

What Is Net Worth?

Net worth is the single most important measure of financial progress over time. It represents the value of everything you own minus everything you owe.

Net Worth = Total Assets − Total Liabilities

A growing net worth—year over year—is the clearest signal that a household is moving in the right direction financially. For families in their 40s, net worth should be accelerating: mortgages are declining, incomes are near their peak, and compounding returns are beginning to work meaningfully.

Current Net Worth Snapshot

Assets	Amount	Liabilities	Amount
Cash & Emergency Fund	$38,400	Mortgage Balance	$387,200
David's 401(k)	$218,600	Auto Loan (1 car)	$14,800
Sarah's Solo 401(k)	$74,300	Credit Card Balance	$8,600
Roth IRAs (combined)	$52,800	Student Loans	$0
529 Plans (Elena + Marcus)	$41,500		
Unvested RSUs (David)	$88,000		
Personal Property	$32,000		
Primary Residence	$685,000		
TOTAL ASSETS	**$1,230,600**	**TOTAL LIABILITIES**	**$410,600**
NET WORTH	**$820,000**		

Table 1: Net Worth Summary — David & Sarah Navarro (Sample)

Net Worth Composition and Key Observations

Category	Value	% of Net Worth	Note
Home Equity	$297,800	36.3%	Illiquid; growing
Retirement Accounts	$345,700	42.2%	Core wealth engine
Unvested RSUs	$88,000	10.7%	Vesting 2026–2028
College Savings (529s)	$41,500	5.1%	Underfunded
Liquid Cash	$38,400	4.7%	Near target
Personal Property	$32,000	3.9%	Non-financial

Table 2: Net Worth Composition

Three things stand out. First, retirement accounts represent the largest and most important component of their balance sheet—a positive sign that years of consistent saving are compounding. Second, the unvested RSUs ($88,000) represent a meaningful near-term liquidity event that this plan will help direct strategically. Third, the 529 accounts are underfunded relative to projected college costs—a gap that is solvable now but becomes harder to close the longer it is deferred.

Key Takeaway — Net Worth

At $820,000, the Navarro net worth is ahead of the median for their age group—but the composition matters as much as the total. The concentration in home equity and illiquid retirement accounts means their balance sheet is healthy but not yet flexible. The RSU vesting events over the next three years represent a unique opportunity to rebalance: pay down debt, shore up college funding, and increase liquid savings simultaneously. Directing those proceeds intentionally is one of the highest-value decisions in this plan.

Liquidity Profile — Before & After

The charts below classify the Navarro asset base into three liquidity tiers: **High** (cash and immediately accessible funds), **Medium** (retirement accounts accessible with some friction), and **Low** (primary residence and illiquid holdings). The "After" picture reflects the full implementation of this plan through retirement—RSU proceeds deployed, Solo 401(k) maximized, mortgage paying down, and the portfolio compounding over 20 years. The Low tier grows in dollar terms as real estate appreciates, but the High tier improves meaningfully in both absolute dollars and relative weight.

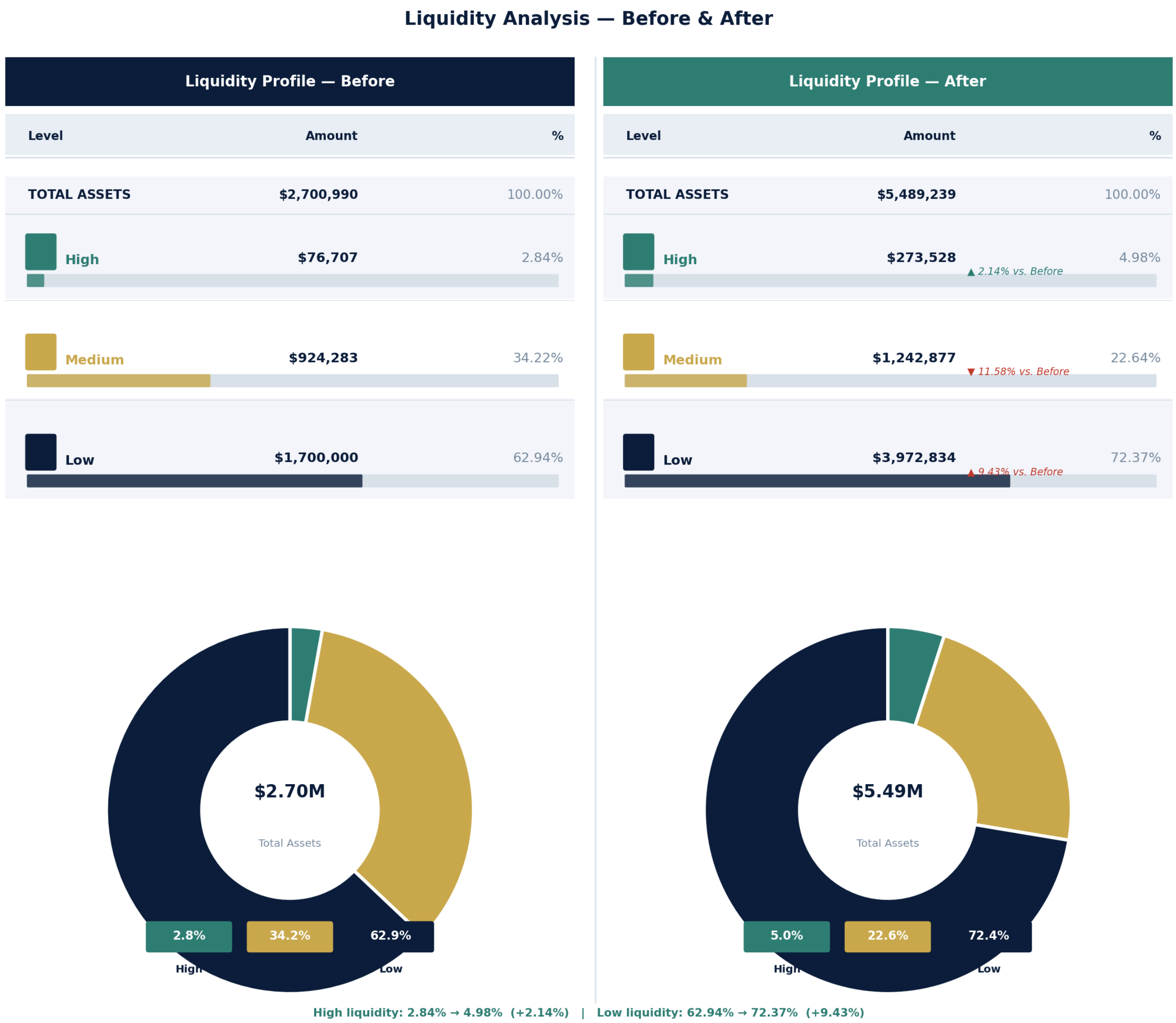


Figure 1: *Liquidity Profile — Before & After Implementation of Plan Recommendations*

2 Cash Flow and Lifestyle

What Is Cash Flow?

Cash flow is the movement of money in and out of the household. At this stage of life—peak earning years with peak spending obligations—cash flow management is where most of the planning leverage lives. A household can have strong income and still feel financially stressed if spending is not aligned with priorities.

Expenses are grouped into five categories:

1. **Savings:** Contributions to retirement, college, and investment accounts.
2. **Debt:** Mortgage, auto loan, and credit card payments.
3. **Fixed Expenses:** Costs that are relatively constant—insurance, utilities, property taxes.
4. **Variable Expenses:** Costs that fluctuate—groceries, transportation, healthcare, childcare.
5. **Discretionary Expenses:** Optional spending—travel, dining, entertainment, hobbies.

Income Overview

David's total compensation includes a base salary and a performance bonus that has averaged 12% of base over the last three years. RSU vesting is treated separately as a capital event, not recurring income. Sarah's practice income is averaged over the last two years to smooth seasonal variation.

Income Source	Annual Amount
David — Base Salary	$162,000
David — Average Annual Bonus	$19,440
Sarah — Practice Net Income	$98,500
Total Gross Household Income	**$279,940**

Table 3: Household Income Summary (Sample)

This is a **sample report** prepared for illustrative purposes only. All names, figures, and scenarios are fictional. This plan uses industry-standard methodologies. Projections are estimates, not guarantees. Review recommendations with legal and tax professionals.

Annual Cash Flow Summary

Category	Annual Amount	% of Income
Gross Household Income	$279,940	
Federal & State Taxes (est.)	-$72,200	25.8%
Retirement Savings (401k/Solo/Roth)	-$52,400	18.7%
Mortgage (P&I)	-$28,800	10.3%
Auto Loan	-$5,400	1.9%
Private School Tuition (Elena)	-$18,000	6.4%
Fixed Expenses	-$38,600	13.8%
Variable Expenses	-$44,800	16.0%
Discretionary Expenses	-$22,400	8.0%
College Savings (529 contributions)	-$6,000	2.1%
Annual Surplus / (Deficit)	**($9,260)**	**(3.3%)**

Table 4: Annual Cash Flow Summary (Sample)

The household is running a modest cash-flow deficit of approximately $9,260 per year. This is being masked by two things: the periodic use of the credit card for expenses that are then not fully paid off, and the bonus income which arrives unevenly during the year. On a month-to-month basis, months without the bonus feel tight.

Budget Detail

Expense Item	Monthly	Annual
Fixed Expenses		
Property Taxes	$740	$8,880
Homeowner's Insurance	$180	$2,160
Health Insurance (family)	$1,240	$14,880
Life Insurance (term)	$190	$2,280
Auto Insurance (2 cars)	$310	$3,720
Utilities (avg.)	$420	$5,040
Subscriptions & Software	$135	$1,620
Variable Expenses		
Groceries	$1,400	$16,800
Dining Out	$800	$9,600
Transportation / Gas	$480	$5,760
Children's Activities	$700	$8,400
Medical Out-of-Pocket	$350	$4,200
Discretionary Expenses		
Travel & Vacation	$1,050	$12,600
Hobbies & Entertainment	$450	$5,400
Gifts & Miscellaneous	$370	$4,400

Table 5: Annual Budget Detail

The Private School Decision

Elena's private school tuition ($18,000/year) is the single largest discretionary line item in the budget. Marcus will enter in two years at a projected $19,500/year. If both children attend simultaneously, the combined tuition cost rises to approximately $37,500 per year—a figure that would push the household deficit to nearly $50,000 annually unless income grows or other spending is reduced.

This is not a recommendation to change schooling decisions—that is a deeply personal and family-driven choice. It is, however, a number that must be planned around explicitly. Options include: increasing income through bonus capture and RSU proceeds, reducing discretionary spending during the dual-tuition years, and using the Solo 401(k) more aggressively to reduce taxable income while cash remains constrained.

Key Takeaway — Cash Flow

The Navarro household earns well but is running at the edge of its means. The modest annual deficit, compounded by upcoming dual-tuition costs, requires proactive management. The good news: several of the highest-cost obligations are time-limited (the auto loan ends in 18 months; private school tuition ends as each child moves on; David's RSUs vest on a known schedule). The plan uses these known future events to design a cash-flow improvement trajectory—one that gets progressively better without requiring dramatic lifestyle changes today.

3 Debt Management Strategy

The Navarro household carries three forms of debt: a mortgage, an auto loan, and a recurring credit card balance. Each requires a different strategy.

Debt Summary

Debt	Balance	Rate	Monthly Pmt	Payoff
Mortgage (30-yr fixed)	$387,200	3.75%	$2,400	2046
Auto Loan	$14,800	5.90%	$450	Nov 2027
Credit Card (revolving)	$8,600	22.49%	$260	Ongoing
Total Debt	**$410,600**		**$3,110/mo**	

Table 6: Debt Summary

Credit Card: Eliminate First

The revolving credit card balance at 22.49% is the most expensive money in their financial life. Every dollar sitting on that card costs more than twice what their mortgage does. This should be paid off in full—ideally within the next 90 days using the upcoming bonus cycle—and then managed as a charge card going forward: balances paid in full every month without exception.

Action: Allocate the next performance bonus (est. $19,440) to fully retire the credit card balance ($8,600) and redirect the remaining $10,840 to the emergency fund and 529 contributions.

Auto Loan: Run to Maturity

At 5.90%, the auto loan is not free money, but prepaying it is not the highest-value use of excess cash compared to retirement account contributions or the credit card payoff. The loan ends in November 2027 on its own. At that point, the freed-up $450/month should be redirected immediately—ideally to retirement savings or college funding rather than absorbed into general spending.

Mortgage: Strategic Hold

At 3.75% on a fixed 30-year note, the mortgage represents some of the cheapest long-term capital available. Accelerating payoff is emotionally appealing but mathematically suboptimal in most scenarios: a dollar directed to extra mortgage payments earns a guaranteed 3.75% return, while the same dollar invested in a diversified retirement portfolio has historically earned considerably more over a 20-year horizon.

Recommendation: Do not accelerate mortgage payoff at this stage. Instead, direct any surplus—including RSU proceeds—toward retirement accounts and college savings. Revisit the mortgage payoff question at age 55 or when the portfolio reaches $1.5M, whichever comes first.

Key Takeaway — Debt

The Navarro debt picture is manageable and improving. The credit card is the only urgent item and can be resolved with the next bonus. The auto loan ends on its own within 18 months. The mortgage is below-market rate and should be held, not accelerated. As each obligation rolls off, the freed-up cash flow should be redirected deliberately—not absorbed into lifestyle expansion.

4 Education Funding Strategy

College planning is one of the most emotionally charged and financially complex challenges for families in their 40s. The Navarros want to provide meaningfully for both children without sacrificing their own retirement security. This section presents an honest picture of where they stand and a practical path forward.

Current 529 Account Status

Beneficiary	Age	Current Balance	Years to College	Projected at Start
Elena	14	$26,400	4	$31,700
Marcus	11	$15,100	7	$24,200
Total		**$41,500**		**$55,900**

Table 7: 529 Account Summary (6% projected return)

Projected College Cost vs. Savings

Using a 4-year private university cost of $62,000 per year in today's dollars (growing at 4% per year), the projected cost and coverage gap are:

	Elena	Marcus	Combined
Projected 4-yr Cost	$291,400	$337,800	$629,200
Projected 529 at Start	$31,700	$24,200	$55,900
Coverage Gap	**$259,700**	**$313,600**	**$573,300**

Table 8: College Funding Gap Analysis (Sample Projections)

The gap of $573,300 across both children is large and not expected to be fully closed from savings alone—nor does it need to be. Most families in this situation fund college from a combination of 529 savings, current cash flow during the college years, RSU and bonus proceeds, merit or need-based aid, and a modest amount of student borrowing for the student's own investment in their education.

Recommended Strategy

- **Increase 529 contributions to $12,000/year total** ($6,000 per child), funded in part by redirecting the auto loan payment once it ends in November 2027.
- **Direct a portion of each RSU vesting event** (estimated $88,000 total over 2026–2028) toward 529 accounts: a lump-sum of $20,000–$30,000 would meaningfully improve Elena's college readiness given her shorter time horizon.
- **Set a realistic coverage target.** A goal of funding 50–60% of each child's projected cost from savings is both achievable and responsible. The remaining gap can be covered from current income during the college years (which will be higher by then) and modest student borrowing if needed.
- **Do not sacrifice retirement for college funding.** This bears emphasis: it is possible to borrow for education; it is not possible to borrow for retirement. Maintaining retirement savings rates takes priority, even during college-cost years.

Key Takeaway — Education Funding

The Navarros are behind on college savings but not in a crisis—they have time, income, and RSU proceeds to close a meaningful portion of the gap. The key is directing the right resources (bonus proceeds, RSU vest proceeds, auto loan payment after payoff) to the 529 accounts systematically over the next 3–5 years, starting immediately. A realistic target of covering 50–60% of projected costs from savings is achievable and financially sound.

5 Real Estate and Mortgage Strategy

The Navarro home is their largest single asset at $685,000, with $297,800 in equity and 23 years remaining on a 3.75% fixed-rate mortgage. Their real estate decisions over the next 15–20 years will meaningfully affect their retirement picture.

Current Mortgage Summary

Metric	Value
Original Loan Amount	$465,000
Current Balance	$387,200
Interest Rate	3.75% (fixed)
Monthly Payment (P&I)	$2,400
Remaining Term	23 years
Payoff Year	2049
Current Market Value	$685,000
Current Equity	$297,800
Loan-to-Value (LTV)	56.5%

Table 9: Current Mortgage Summary

Projected Home Equity at Retirement (2046)

Assuming 3.0% annual home price appreciation and scheduled mortgage payments only (no prepayment):

Year	Est. Home Value	Mortgage Balance	Equity
2026 (today)	$685,000	$387,200	$297,800
2031 (5 yrs)	$794,200	$346,800	$447,400
2036 (10 yrs)	$920,500	$296,400	$624,100
2041 (15 yrs)	$1,067,400	$232,900	$834,500
2046 (retire)	$1,237,700	$153,000	$1,084,700

Table 10: Projected Home Equity Through Retirement (3% appreciation, no prepayment)

By retirement, the home equity is projected to exceed $1 million—making it one of the largest assets in the Navarro retirement portfolio. Whether to hold, downsize, or leverage this equity in retirement is a decision that will be addressed in a future update to this plan as retirement nears.

Strategic Observations

- **Do not refinance.** At 3.75%, the current mortgage rate is below current market rates. Refinancing would increase interest cost materially over the life of the loan.
- **Do not accelerate payoff in the near term.** The math favors redirecting surplus cash toward retirement accounts and 529s over extra mortgage principal payments, given the low mortgage rate relative to expected long-term investment returns.
- **Plan for downsizing at or near retirement.** At retirement age 65, the children will be long out of the home, and the house—likely valued above $1.2 million—may be more space than they need. Downsizing to a $600,000–$700,000 property could release $400,000–$600,000 in net equity to fund retirement, potentially eliminating the need for a mortgage in the new home.

Key Takeaway — Real Estate

The home is a slow-growing but significant wealth engine. At a 3.75% rate, there is no financial reason to pay it down faster—the opportunity cost is too high. Instead, the equity should be allowed to accumulate naturally and treated as a strategic retirement asset: a future source of liquidity through downsizing or, as a secondary option, a reverse mortgage if needed in later years.

6 Wealth-Building Potential and Retirement Trajectory

Understanding the Role of Financial Models

David and Sarah have approximately 20 years until their target retirement age of 65. Twenty years is a meaningful horizon—long enough for compounding to do significant work, but short enough that the decisions made in the next three to five years have outsized impact on the final outcome. At this stage of planning, financial models are most useful for answering questions like: *What is the difference between a 15% savings rate and an 18% savings rate over 20 years? What happens if we redirect RSU proceeds to retirement instead of spending them? How much does it matter which accounts we draw from first in retirement?*

My philosophy is that financial models should be used for **relative value and directionality**—not to predict specific outcomes. Markets will not return exactly what we project. Inflation will not behave as assumed. Life will intervene in ways we cannot anticipate. What models do well is show the shape and scale of decisions—which choices matter most, and by how much—so that limited time and resources can be directed to the highest-value actions.

Projected Retirement Account Values at Age 65 (2046)

The following projection assumes current contribution rates are maintained through retirement, with a modest increase in Sarah's Solo 401(k) contributions as of 2027. RSU proceeds are treated separately.

Year	David 401(k)	Sarah Solo 401(k)	Roth IRAs	Taxable Accts	Total Portfolio
2028	$318,400	$128,700	$83,100	$94,200	$624,400
2031	$454,200	$196,800	$118,600	$152,300	$921,900
2036	$710,500	$334,200	$197,400	$272,800	$1,514,900
2041	$1,072,400	$527,800	$311,200	$446,600	$2,358,000
2046	$1,568,300	$805,100	$476,400	$694,500	$3,544,300

Table 11: Projected Portfolio Values 2026–2046 (Current Savings Rate). 2046 = Target Retirement.

Assumptions: David 401(k) at 7.0%; Sarah Solo 401(k) at 7.5%; Roth IRAs at 7.0%; Taxable accounts at 6.0%. RSU proceeds ($88K vesting 2026–2028) allocated 40% to taxable accounts, 30% to 529s, 30% to emergency fund/credit card payoff.

The RSU Opportunity

David's unvested RSUs ($88,000 at current price) vest over 2026–2028. This is a one-time liquidity event that should be directed strategically rather than spent. The table below compares three allocation strategies:

Allocation	Strategy A: Invest All	Strategy B: Balanced	Strategy C: Spend
Credit Card Payoff	$8,600	$8,600	$8,600
529 Contributions	$0	$25,000	$0
Taxable Investment	$79,400	$40,000	$0
Emergency Fund Top-Up	$0	$14,400	$0
Lifestyle / Spending	$0	$0	$79,400
Portfolio Value in 2046 (est.)	+$305,000	+$154,000	$0

Table 12: RSU Proceeds Allocation Scenarios (20-year growth at 6%)

The difference between Strategy A (fully invested) and Strategy C (spent) is approximately $305,000 in retirement portfolio value. Strategy B (balanced) is the recommended approach: it addresses the credit card, shores up the emergency fund, meaningfully improves college readiness, and still directs the majority of proceeds to long-term wealth building.

Retirement Income Projection

At retirement in 2046, assuming a 4.5% withdrawal rate from the portfolio and Social Security activation at full retirement age (67):

Income Source	Est. Annual	Begins
Portfolio Withdrawals (4.5% of $3.5M)	$157,500	2046
David's Social Security (at 67)	$42,600	2048
Sarah's Social Security (at 67)	$28,800	2048
Home Equity (downsizing proceeds, invested)	$18,000	2046
Total Annual Income (2048+)	**$247,000**	

Table 13: Projected Retirement Income Sources (Sample)

Against a target retirement income of $180,000 in today's dollars (approximately $260,000 inflation-adjusted at 2% over 20 years), the projected income of $247,000 provides a meaningful buffer.

Key Takeaway — Retirement Outlook

The Navarros are on a trajectory that leads to a well-funded retirement—but only if the next several years are managed with intention. The current savings rate gets them to approximately $3.5 million at retirement. Combined with Social Security and home equity proceeds from downsizing, their projected income comfortably exceeds their target. The RSU proceeds represent the most important near-term decision: directing them strategically (Strategy B) rather than absorbing them into lifestyle adds approximately $154,000 to the retirement portfolio over 20 years.

7 Risk Management and Insurance

A family with two dependent children, a mortgage, two careers, and a growing balance sheet carries significant financial risk if any of those income streams is unexpectedly interrupted. For the Navarros, the protection picture has several gaps worth addressing promptly.

Life Insurance Review

	Current Coverage	Recommended	Gap	Est. Annual Premium
David	$500,000	$1,400,000	$900,000	$1,200–$1,600
Sarah	$250,000	$800,000	$550,000	$900–$1,200

Table 14: Life Insurance Gap Analysis

The recommended coverage is calculated as approximately 10x income plus outstanding debt plus projected college costs. At their ages, 20-year term policies are available at favorable rates and would carry the protection through to age 64/62—exactly the window where coverage is most critical.

Disability Insurance

David's employer provides short-term disability coverage but no long-term disability policy. Sarah, as a self-employed professional, has no disability coverage at all. This is the most significant protection gap in their plan.

The probability of experiencing a disabling illness or injury lasting 90 days or more before age 65 is statistically higher than the probability of dying during the same period—yet most families insure against death and ignore disability. For a household where two incomes are essential to cash flow, the loss of either income would be immediately destabilizing.

Recommendation: David should obtain a 20-year own-occupation long-term disability policy covering 60% of his base salary ($97,200/year), with a 90-day elimination period. Sarah should obtain a similar policy covering 60% of her average net practice income ($59,100/year). Combined estimated annual premium: $4,800–$6,200.

Property and Liability

Homeowner's and auto insurance appear adequate. One gap: with a growing net worth approaching $1 million, the Navarros are increasingly exposed to personal liability claims that could exceed their underlying policy limits. A personal umbrella policy ($1 million in additional coverage) is available for approximately $350–$500 per year and should be added immediately.

Emergency Fund Assessment

Their current emergency fund of $38,400 represents approximately 4.4 months of essential expenses—within the standard 3–6 month target range. Given that Sarah's income is variable (practice income can fluctuate month to month), a target of 6 months ($52,000) is more appropriate. The gap of $13,600 can be funded from the RSU proceeds.

Key Takeaway — Risk Management

The two most urgent gaps are disability insurance (both spouses unprotected or underprotected) and life insurance (coverage is at roughly one-third of what the household's income, debt, and obligations warrant). These are not minor issues—an uninsured disability or premature death would be financially catastrophic given the current cash-flow deficit and the children's educational needs. Addressing both should happen before any other financial move. The good news: at their ages and health, both are readily available at reasonable cost.

8 Taxes and Savings Optimization

At a combined gross income of $279,940, the Navarros are subject to a federal marginal rate of 24% and a Massachusetts state income tax of 5%. Effective tax planning at this income level can save $8,000–$15,000 per year—money that compounds over 20 years into a materially different retirement outcome.

Current Retirement Contribution Utilization

Account	2026 Limit	Current Contribution	Unused Capacity	Fully Used?
David's 401(k)	$23,500	$23,500	$0	Yes
David's Roth IRA	$7,000	$7,000	$0	Yes
Sarah's Solo 401(k)	$69,000	$18,000	$51,000	No
Sarah's Roth IRA	$7,000	$0	$7,000	No
HSA (family plan)	$8,300	$3,200	$5,100	No

Table 15: Retirement Contribution Utilization (2026 Limits)

The single largest tax optimization opportunity in their plan is **Sarah's Solo 401(k)**. As a self-employed practice owner, Sarah can contribute as both an employee (up to $23,500) and an employer (up to 25% of net self-employment income). At her current net income level, the employer contribution alone could reach $24,625 per year—more than doubling her current contribution while simultaneously reducing her self-employment tax burden. This is not a minor adjustment; at the 24% federal rate plus Massachusetts state tax, maximizing the Solo 401(k) could reduce the combined tax bill by $12,000–$15,000 per year.

Key Tax Planning Strategies

- **Maximize Sarah's Solo 401(k) immediately.** This is the highest-return action in the tax section. Work with a CPA to structure the employer and employee contributions optimally for the 2026 tax year.
- **Maximize HSA contributions.** The health savings account is the only triple-tax-advantaged account available (contributions reduce taxable income; growth is tax-free; withdrawals for qualified medical expenses are tax-free). The family is currently contributing $3,200 against

a $8,300 limit. Increasing to the maximum saves approximately $1,250/year in federal and state taxes alone, and builds a pool of funds that can be used tax-free for healthcare costs in retirement.

- **Tax-loss harvesting in the taxable account.** As the taxable brokerage account grows (particularly as RSU proceeds are invested), coordinate with a tax advisor to harvest losses in down-market periods to offset gains and reduce annual capital gains taxes.
- **RSU tax withholding.** When RSUs vest, the IRS requires withholding as ordinary income. David's employer may default to 22% withholding, which may be insufficient given his total compensation bracket. Confirm that supplemental withholding is set appropriately to avoid a large April tax bill.
- **Qualified Business Income (QBI) deduction.** Sarah's practice may be eligible for the 20% QBI deduction under current tax law, which could reduce her effective rate on practice income materially. This requires confirmation with a CPA and is dependent on income thresholds and entity structure.

Tax Status — Before & After

The charts below show the current tax composition of the Navarro portfolio and the projected outcome after fully implementing the Solo 401(k), HSA, and Roth IRA strategies in this plan. The story is striking: the Tax-Advantaged bucket starts at just 0.80% of total assets today—nearly invisible—and grows to 3.42% as the plan is executed. More importantly, the Taxable share shrinks from 36.26% to 24.20% as assets are redirected into more tax-efficient vehicles, meaningfully reducing the household's long-term tax exposure.

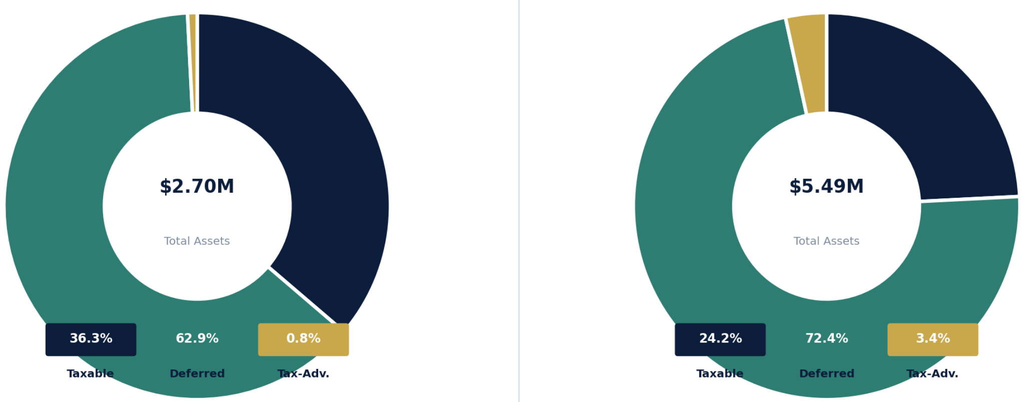
Tax Status Analysis — Before & After

Tax Status — Before

Tax Status	Amount	%
TOTAL ASSETS	**$2,700,990**	100.00%
Taxable *Brokerage, cash, non-qualified accounts*	**$979,283**	36.26%
Tax-Deferred *401(k), 403(b), Traditional IRA*	**$1,700,000**	62.94%
Tax-Advantaged *Roth IRA, HSA, 529 plans*	**$21,707**	0.80%

Tax Status — After

Tax Status	Amount		%
TOTAL ASSETS	**$5,489,239**		100.00%
Taxable *Brokerage, cash, non-qualified accounts*	**$1,328,600**	*▼ 12.06% vs. Before*	24.20%
Tax-Deferred *401(k), 403(b), Traditional IRA*	**$3,972,834**	*▲ 9.43% vs. Before*	72.37%
Tax-Advantaged *Roth IRA, HSA, 529 plans*	**$187,804**	*▲ 2.62% vs. Before*	3.42%



Tax-Advantaged: 0.80% → 3.42% (+2.62%) | Dollar growth: $21,707 → $187,804 (+$166,097)

Figure 2: *Tax Status of Assets — Before & After Full Implementation of Tax Strategy*

Key Takeaway — Taxes

The Navarro household is leaving significant money on the table through Sarah's underutilization of the Solo 401(k) and the HSA. Together, these two changes could reduce the annual tax bill by $13,000–$16,000—effectively converting the current cash-flow deficit into a surplus, without changing their lifestyle at all. This single insight is likely the most financially impactful item in the entire plan and should be implemented before the 2026 tax year ends.

9 Estate and Legacy Planning

With two children, a $685,000 home, over $800,000 in net worth, and two careers, the Navarros have more to protect—and more to plan around—than most families realize at their age. Estate planning is not just a tool for the wealthy or the elderly; it is the mechanism by which parents with young children ensure that, if something happens, their children are provided for by the right people in the right way.

Estate Planning Document Inventory

Document / Element	Status	Action Needed
Will (David)	Not in place	Create immediately
Will (Sarah)	Not in place	Create immediately
Guardianship Designation (children)	Not in place	**Urgent**
Healthcare Proxy (David)	Not in place	Create
Healthcare Proxy (Sarah)	Not in place	Create
Durable Power of Attorney	Not in place	Create
Beneficiary Designations (401k/IRAs)	Partial	Review & complete
Life Insurance Beneficiaries	Current	Confirm
TOD on Taxable Brokerage	Not in place	Add immediately
Trust (for minor children)	Not in place	Evaluate

Table 16: Estate Planning Document Inventory

The Guardianship Gap

David and Sarah do not have a will, which means they have not formally designated a guardian for Elena and Marcus. If both parents were to die simultaneously—a scenario no one wants to contemplate but every parent must plan for—the question of who raises their children would be left to a court to decide. This is the most urgent item in the entire plan. It is not a complex or expensive document to create; it simply requires the decision and the legal formalization.

This should be completed within 30 days. Full stop.

Key Estate Planning Priorities

- **Create wills with guardianship designations.** Name a guardian for Elena and Marcus, a backup guardian, and an executor for the estate.
- **Add a testamentary trust for minor children.** A will can include provisions that direct assets into a trust rather than outright to minor children—avoiding a situation where a 14-year-old inherits significant assets without oversight. Name a trustee and specify the distribution age (commonly 25 or 30).
- **Complete all beneficiary designations.** David's 401(k) and both Roth IRAs should list Sarah as primary beneficiary and the trust (or children directly, if over 18 at the time) as contingent beneficiaries.
- **Add TOD designations to all taxable accounts.** This allows the accounts to pass directly without probate.
- **Create healthcare proxies and durable powers of attorney.** These documents allow each spouse to act for the other in the event of incapacity—for medical decisions and financial decisions alike.

Key Takeaway — Estate Planning

This section contains the single most urgent action item in the entire plan: the absence of wills and guardianship designations for Elena and Marcus. Everything else in this report is about building wealth and securing a future. This item is about protecting the children they are building it for. The good news is that a basic estate plan (wills, healthcare proxies, powers of attorney) can be completed with an estate attorney in a matter of weeks for a reasonable cost. It should happen before any other item on the action list.

10 Pulling It Together: Actionable Steps & Ongoing Support

The Navarro plan involves many moving parts. This section distills the most important actions into a prioritized, time-phased roadmap.

Immediate Next Actions (0–30 Days)

1. **Schedule an estate attorney appointment.** Wills, guardianship designations, health-care proxies, and powers of attorney for both spouses. This is the most urgent item in the plan. Do not delay.
2. **Add TOD designations** to the taxable brokerage account and confirm beneficiary designations on both 401(k)/Solo 401(k) accounts and Roth IRAs.
3. **Begin disability insurance quotes.** Contact an independent insurance broker and request own-occupation long-term disability quotes for both David and Sarah. Budget approximately $5,000/year for combined coverage.
4. **Add a personal umbrella policy.** Contact the current homeowner's/auto insurer and add a $1 million umbrella policy. Estimated annual cost: $350–$500.
5. **Pay off the credit card in full** using the next bonus payment. Set up autopay to pay the full balance each month going forward.

Short Term (3–12 Months)

1. **Restructure Sarah's Solo 401(k) contributions.** Work with a CPA to calculate the maximum allowable employer contribution for 2026 and increase contributions accordingly. Target: at least $40,000–$45,000 total contribution for the year (employee + employer).
2. **Maximize HSA contributions.** Increase monthly HSA contributions from $267 to $692 (to reach the $8,300 family maximum). Invest the HSA balance in a low-cost index fund rather than holding it in cash.
3. **Develop an RSU vesting plan.** When each tranche of David's RSUs vests, follow Strategy B: pay off credit card first, fund the emergency fund to 6 months, direct $25,000 to 529 accounts, and invest the remainder in the taxable brokerage account.
4. **Increase Elena's 529 contribution immediately.** Given her 4-year runway, the 529 is too small relative to projected costs. Target $8,000/year for Elena and $4,000/year for Marcus, funded in part by the auto loan payment once it ends.

5. **Obtain life insurance quotes.** Apply for 20-year term policies: David at $900,000 additional coverage; Sarah at $550,000 additional coverage. At their ages and health, combined premiums should be approximately $2,100–$2,800 per year.

Medium Term (1–3 Years)

1. **Redirect the auto loan payment** ($450/month) to retirement savings when the loan ends in November 2027. Do not allow this cash flow to be absorbed into lifestyle.
2. **Review Sarah's practice entity structure.** As practice income grows, an S-Corp election may reduce self-employment taxes meaningfully. This decision should be revisited annually with a CPA as income levels change.
3. **Begin tax-loss harvesting** in the taxable brokerage account as it grows from RSU proceeds. Coordinate with a tax advisor at year-end.
4. **Reassess college funding annually.** As Elena's college date approaches (2030), review the 529 balance and refine the plan for gap funding. Begin researching merit aid opportunities and FAFSA implications of the family's asset structure.
5. **Update this plan annually.** The Navarro household is in a period of rapid change: income growth, RSU events, children aging toward college, mortgage declining, and portfolio compounding. Annual reviews ensure the plan remains current and that decisions are made proactively rather than reactively.

Ongoing Collaboration

This is a living document. The Navarro household is at one of the most dynamic and consequential stages of its financial life. Incomes are growing, children are approaching college, debt is declining, and the retirement portfolio is compounding. The decisions made in the next three to five years—around RSU proceeds, insurance, tax structure, and savings rates—will determine the shape of the retirement they eventually enjoy. The aim is not a perfect plan on day one, but a clear, adaptive framework that keeps them moving in the right direction as life evolves.

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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