

# Haverford Speaker Series for Women

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## Financial Planning Concepts

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# What is financial planning?



# Why do people do it?



Establishing your financial baseline.

Provides you with a **FOUNDATION** to make decisions.

What debt should I pay first?

How much life insurance do I need?

Can I pay for my children's education?

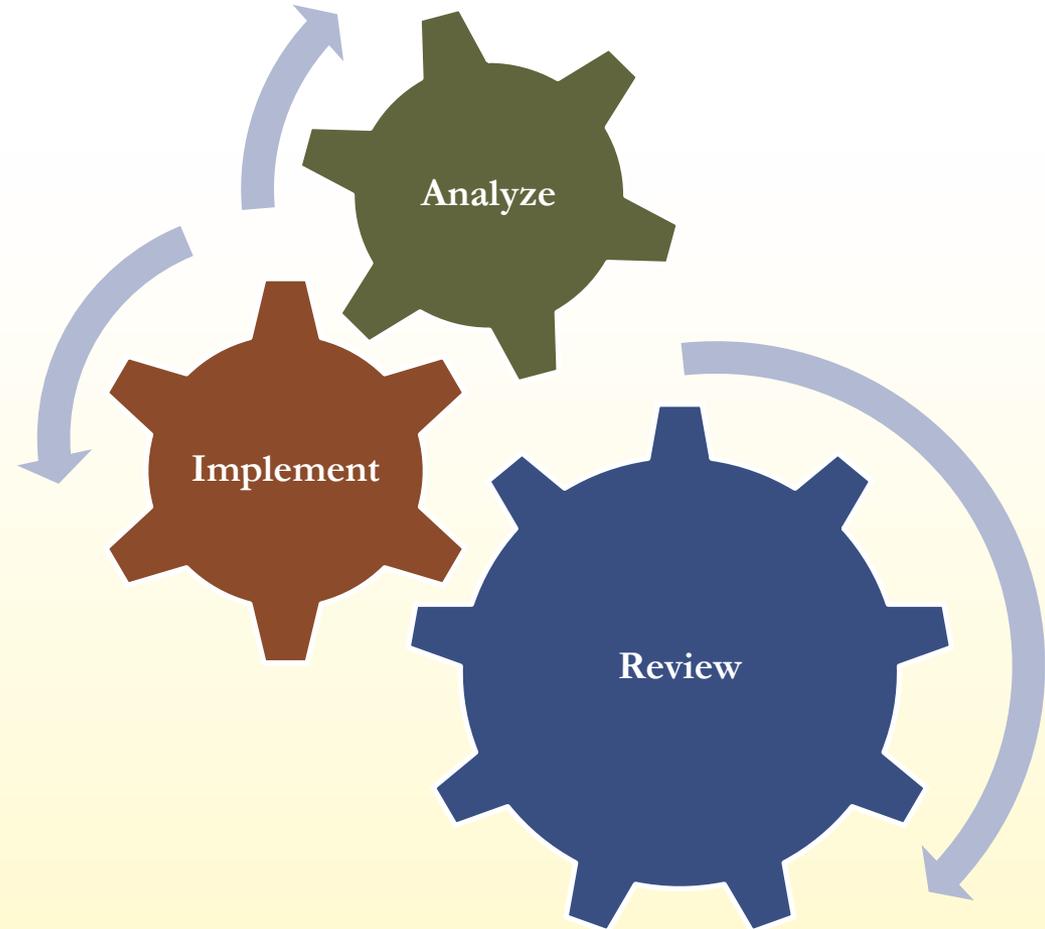
# What does the process entail?



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## Review & Implement

- Review the current status or foundation
- Address investment adjustments
- Address the gaps to achieve goals and potential solutions
- Prioritize the changes needed
- Address the changes
- Once changes are made the plan should be reviewed, particularly as events occur in your personal or financial life

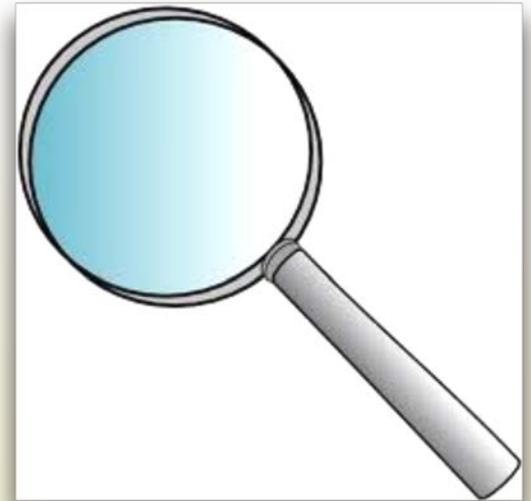


# Who can benefit?

- **Younger, asset gathering years**
  - Am I saving enough to retire by a set date?
  - Will my family be ok if something catastrophic happens?
- **Nearing retirement**
  - Am I on track to retire?
  - What will my income look like in retirement?
- **In Retirement**
  - Will I run out of money?
  - Will I be able to leave my children and/or charity money?

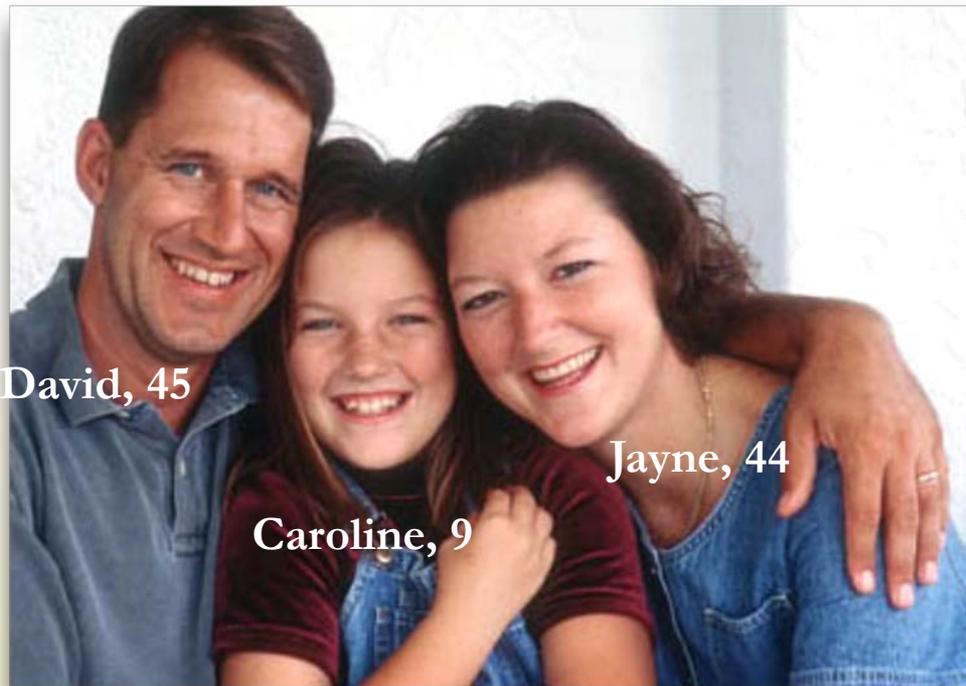


*Let's Explore  
Different Financial  
Planning Scenarios*



# Younger, Asset Gathering: Smith Family

## *Meet the Smith Family*



David, 45

Jayne, 44

Caroline, 9

Total Assets = \$1,000,000 (*approximately*). They have no debt.  
Jayne does not work outside the home.

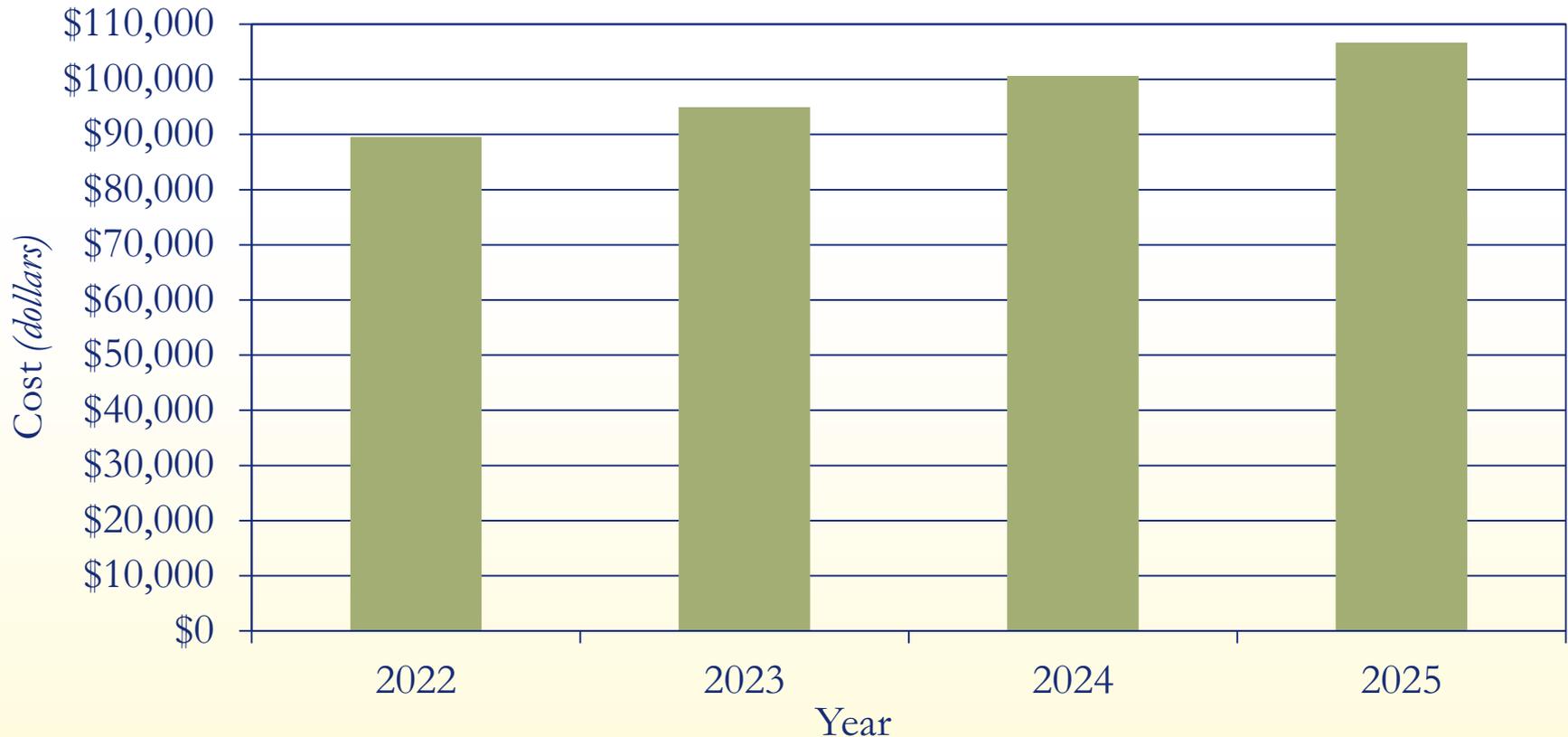
# Goal - Caroline's Education

- Caroline's college expense begins in **2022** and lasts 4 years (through 2025)
- Annual cost = **\$53,020** (*estimated in today's dollars*)
- These costs are expected to grow at a rate of **6%** beginning immediately



Caroline

# How will your cost grow?



**Assumption:** Costs will grow at **6%** per year.

Total cost (*4 years*) = **\$391,858**

# Funding Caroline's Education

David & Jayne currently have **\$96,300** dedicated funds available  
*(for Caroline's college expense)*

Planned savings of \$6,000 per year

+

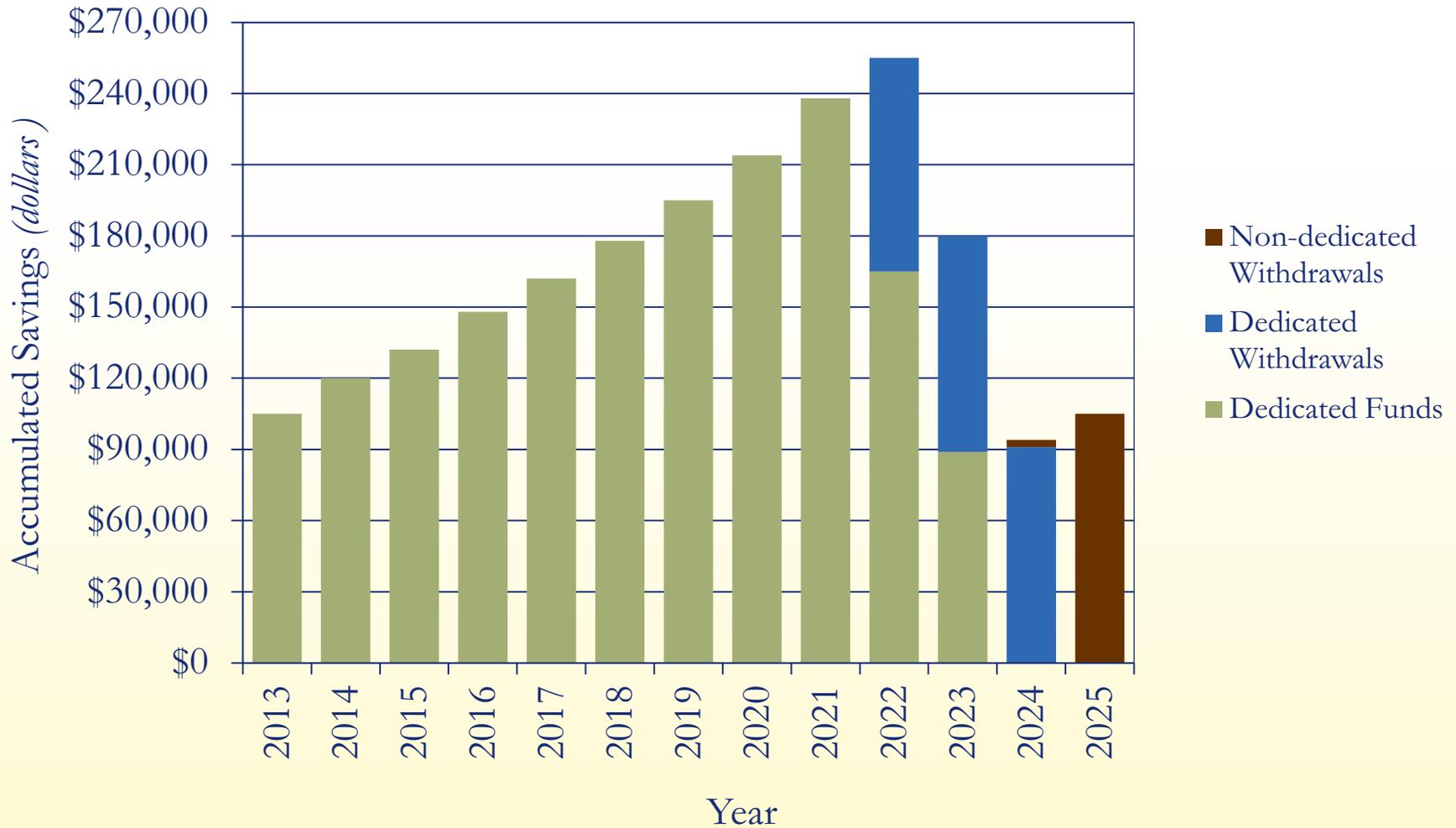
Assumed growth of 6.92%

=

**\$279,613**

*(of dedicated funds available for education goal)*

# Savings & Withdrawals for Caroline's Education



*What are the options to solve  
the underfunding?*

# Option: #1 (Save more each month)

Save an additional **\$493** per month (or **\$5,917** per year) through 2024.

This solution assumes that these new funds will grow at a rate of **6.92%**.



## Option: #2 (Set aside more now)

Put aside **\$50,460** in addition to the **\$96,300** currently available for a total of **\$146,760**.

This solution assumes that these new funds will grow at a rate of **6.92%**.



## Option: #3 (Reduce cost)

Reduce cost by **\$13,552** to **\$39,468**  
per year.

For example, obtaining scholarships or choosing a less-expensive institution (e.g. public college vs. private college).

This solution assumes that the education cost will grow at a rate of **6%** each year.



# Recap

Expense Summary	Funding Summary
Education Occurs: 2022 – 2025	Total Cost ( <i>4 years</i> ): \$391,858
Annual Costs (Today's \$): \$53,020 at 6%	Dedicated Funding: \$279,613 (71%)
Annual Cost in 2022: \$89,575	Non-Dedicated Funding: \$112,245 (29%)

The **projected shortfall** from the dedicated assets toward Caroline's College Expense is **\$112,245** or 29% underfunded.

## Possible Solutions

- Increase savings by **\$493** per month through **2024**
- Dedicate additional **\$50,460** today
- Reduce overall cost

# Nearing Retirement: Brown Family

## *Meet the Brown Family*



No children. Both work and plan to work until age 65.  
Sue is the higher income earner (by 5 times)

# Goal – Comfortable Retirement

Sue and Pat Brown are on track to meet their retirement goal.

## Goal

Retire in 10 years with an annual income of \$300,000.

## Risks

Sue may become disabled or  
Sue may die prematurely.



# Options

1.



2.



OR



# In Retirement: Jones Family

## *Meet the Jones Family*



**Laura, 70**

**Mark, 70**

Retired 8 years ago. Living a relatively comfortable lifestyle.

# Goal – Fund Retirement Completely

Mark and Laura have three real estate properties: primary home and two vacation homes. Their annual expenses continue to rise.



## Goal

To insure they don't out live their money.

## Risk

Spending behavior.



# Options



1. Reduce discretionary expenditures, for example club memberships and travel.



2. Convert a property into an income producing property.



3. Sell a property and invest the proceeds for future growth and income.

# Summary

1. What is Financial Planning?
2. Why do people do it?
3. What are the outcomes?



H A V E R F O R D

Q U A L I T Y I N V E S T I N G

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