

JUST STARTING OUT

Lisa and Alan hadn't been married very long when they came to see us. Alan was 43 and Lisa was 33. They both had good incomes. But Lisa's income was about 4 times more than Alan's. Between them, they made about \$300,000 per year.

Because of the income disparity, they had not yet combined their finances. In fact, Alan still had the condo he had had before they got married. Also, they admitted that they had not seriously discussed their long term goals together. We had to start there.

Lisa conceded that she had not needed to think about somebody else until now. This was a change for her. Alan agreed. We would need to help them see a future they could share.

Alan had the usual long term goals. He wanted money to provide security. Some day he wanted to work because he could, not because he had to. His father had been a laborer, so he knew what it was like to live with modest means.

Lisa came from a family with money and understood the importance of spending less than one earns. Money could go a long way if you wanted it to. She wanted to never run out of money. And she wanted a work-free retirement.

Their short term goal was to have children, probably two. One of Lisa's short term goals was to change jobs, even if that meant less income. They wanted to maintain their lifestyle and saw no reason to adopt a more expensive lifestyle.

We turned our attention to saving. Lisa was saving a lot, but Alan wasn't saving anything. Lisa had a 401K at work, to which she contributed the maximum. She also had savings in taxable accounts. Alan's company did not have a 401K, even though it was a large successful company that could easily adopt one. We told Alan how much he was paying in taxes because he did not have a 401K and urged him to talk to his boss about getting one set up.

Robbie looked at Lisa's investments and recommended some adjustments to align her current investments with the financial plan. Some changes were required to better manage portfolio risk with their long term goals, and we found that desired results could be achieved with a more balanced portfolio.

We presented them with the retirement income projection (see Crystal Wall among the case studies). But given their ages, it was more for awareness raising than for setting out a path to retirement. Too many unexpected things were sure to happen between now and retirement! We looked at whether Lisa's taking a lower paying job would reduce their chances for achieving their goals. We decided that it wouldn't and that her job satisfaction and happiness were far more important than the extra money.

So we needed to address the unexpected. We started with insurance. Alan had a half million dollar life insurance policy at work. Given Lisa's earning potential, that was more than enough. We agreed to revisit the issue when the kids began to appear. Lisa did not have life insurance. We recommended that she buy a term policy to protect Alan.

Lisa had a disability policy through her employer. We recommended that Alan look into buying his own policy. At their age, long term care insurance was not an issue.

They had a 30-year mortgage with a good interest rate. But we showed them how they could turn it into a 15-year mortgage by paying just a little more every month. They could be mortgage free many years before retirement.

We discussed saving for their children's education, should children appear on the scene, and the importance of putting retirement first. We explained and recommended a 529 plan.

The final issue, and a huge one at that, was estate planning. Not only had they not commingled their finances, but they had not changed the titling and beneficiaries of many of their assets. We related some of the horror stories that we had witnessed when clients died without proper titling of assets, naming desired beneficiaries, and drawing up an estate plan.

Within a few weeks, we (Alan, Lisa, and Jim) were in the office of the estate planning attorney that we had recommended. We discovered that indeed there were many things that Alan and Lisa had not discussed with each other. But they reached agreement on all issues and the estate plan was created and implemented.

At that point, the remaining issues were:

The sale of Alan's condo;

Restructuring their investment portfolio;

Getting a 401K plan set up at Alan's company; and

Revising the whole plan when the kids came along.