5280 Associates
WEALTH MANAGEMENT

Don and Darla Dunworkin
1236 Hypothetical Lane
Denver CO 80246
January 1st, 2025

CURRENT STATE:

- Don and Darla, age 56
- Don self-employed earning $90,000
- Darla employed earning $160,000
- Social Security estimate:

Annual Social Security Estimates**		
Annual Benefit	**Don**	**Darla**
At age 65	$36,110	$38,550
At FRA	$41,665	$42,689
At age 70	$51,665	$53,542

- Cash as follows:

Cash		
Owner	**Type**	**Amount**
Darla & Don	Checking	$50,000
Darla & Don	Savings	$100,000
Darla & Don	High Yield Savings	$125,000
Darla & Don	Money Market	$125,000
Darla & Don	CD’s	$250,000

- Don, no group or private LTD or LTC
- Darla, group employer paid LTD through (60% to 67), no LTC
- Home value (estimate according to Zillow) - $600,000

Life Insurance					
Insured	Custodian	Type	Expires	Death Benefit	Annual Premium
Don	State Farm	Universal Life		$100,000	$450
Don	Farmers	20 Year Term	2025	$150,000	$600
Darla	Not shown	Group	Separation from Service	$218,000	$0.00
Darla	State Farm	20 Year Term	2025	$200,000	$550

Property and Casualty Insurance				
Coverage	Dwelling	Personal Prop	Per. Liability	Medical
Home	$344,700	$172,350	$300,000	$1,000
Coverage	Property Damage	Bodily Injury	Uninsured	
Auto	--	--	--	--
Coverage	Limit			
Umbrella	$1m			

Investments				
Owner	Custodian	Type	Balance	Notes
Darla	Schwab	401(k)	$1,250,000	Match 100% up to 6%
Darla	Schwab	Rollover IRA	$39,165	
Darla	Schwab	Roth IRA	$3,773	
Darla	Fidelity	SIMPLE IRA	$94,098	
Don	Fidelity	SEP IRA	$750,000	Contributes $25k/yr
Don	Merrill	Brokerage	$86,498	
Don	Merrill	Rollover IRA	$180,219	
Don	Merrill	SIMPLE IRA	$126,440	
Don	Merrill	Stock Plan	$1,991	

Liabilities					
Debtor	Creditor	Type	Balance	PMT P & I (monthly)	Rate
Darla & Don	Chase	Home Mortgage	$99,189	$1,282.90	4.25%

DESIRED STATE:

- Overall, establish a financial plan that provides optimization, efficiency, and keeps you on the right path for a successful retirement.
- They don't want to work past 60.
- Investment planning; can 401(K) and SEP allocations be improved upon with the goals of keeping fees low, optimize returns, while being appropriately diversified to reduce risk?
- Retirement projections and planning: how much can you afford to spend, where should funds be drawn from when.
- How should pensions and Social Security be taken
- Main goal of assets is to provide retirement income, but would like to pass what is left as tax efficiently as possible.
- Would like to continue gifting to children and grandchildren.
- Love the mountains, would like a small place in Dillon or Frisco to spend time there, and avoid the traffic on I-70. Interested in renting to offset expenses.
- Is interested in international travel in retirement
- Planning around a potential LTC event.

OBSERVATIONS/RECOMMENDATIONS:

Money Guide Pro

- Four scenarios were run:
  - **Current:** Assumes the following:
    - Retirement living expenses of $125,000/yr., reduced by mortgage P&I in 2028
    - Health insurance expenses using MGP defaults inflated by the base rate of inflation +1%
    - Gifting of $10K/yr., adjusted for the cost of living
    - Travel of $20K/yr. for 15 years
    - Social Security at FRA
  - **Reallocate:** Assumes 'Current' plus allocation is Moderate before and during retirement
  - **Roth SS 70:** Assumes 'Reallocate,' plus:
    - Roth conversions beginning at retirement
    - Social Security deferred until 70
  - **Mountain House:** Assumes 'Roth SS 70,'
    - At retirement, purchase home in the mountains, $100K down, with the following net expenses:

Item	Amount
Hypothetical Rent	$ 25,000.00
P&I	$ (28,778.40)
Taxes & HOA	$ (6,000.00)
Management Fees	$ (5,250.00)
Maint/Expenses	$ (5,000.00)
	$ (20,028.40)

- **Observation:** The Dunworkins have a high probability of a successful retirement and accomplishing most of their goals. Roth conversions and deferring Social Security until 70 may enhance their plan. The one goal that seems challenging is the purchase of a mountain home. However, while that has a significant negative impact on their plan, it may still be attainable.

Social Security

- **Observation:** Perhaps the most influential variable in considering when to start Social Security is longevity. The older you think you will live, the better off you may be by deferring your benefit. If your Full Retirement Age (FRA) is 67, and you take your benefit at 62, it will be 30% less than if you had waited. If you were to take your benefit at 70, it would be 24% more. For this reason, we generally won't recommend Social Security any earlier than 67.

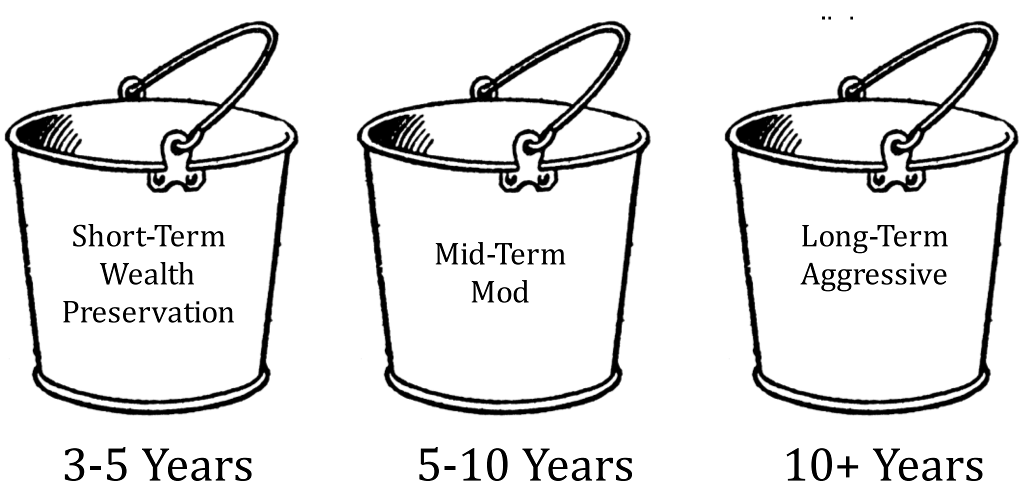
  Exceptions to this can be:

  - **Cash Flow:** Is Social Security necessary as an income stream for retirement?
  - **Early Mortality:** If you have reason to believe you won't be long lived, taking Social Security early may be wise.

  For the Dunworkins we have used 67 as the age when they begin to take Social Security. That can be evaluated more closely as they approach retirement.

Retirement Income

- **Observation:** In retirement, we often recommend a bucket strategy, also known as a time segmentation strategy to manage assets. This typically involves three buckets of assets as follows:



  - **Short-Term:** This bucket is designed to fund your income needs in the short term of 3-5 years. Investments are very safe being in money markets, or short-term bonds. Our goal here is to have enough funding so that there is never pressure to sell securities during a down market to fund living expenses.
  - **Mid-Term:** This bucket is designed for growth, while offering some protection from volatility. It is meant to contain 5-10 years' worth of income and is the place where the

short-term bucket will most frequently be filled from. It will typically be allocated in a moderate allocation, depending on the client's risk tolerance.

  - **Long-Term:** This bucket is designed for aggressive growth and should be allocated as aggressively as the client's risk tolerance will bear. Funds are not meant to need to be accessed for 10+ years.
  - **Rebalancing:** It should be noted that all these buckets are rolling; these are not fixed time periods. Every year the performance, and drawdowns of these buckets should be evaluated, and rebalanced accordingly.

- **Observation:** The Dunworkin's allocations currently appear as follows:

Current Allocations				
Owner	**Type**	**Short-Term**	**Mid-Term**	**Long-Term**
Joint	Bank	~$650,000		
Darla	401(k)			$1,250,000
Darla	Rollover IRA			$39,165
Darla	Roth IRA			$3,773
Darla	SIMPLE IRA			$94,098
Don	SEP IRA			$750,000
Don	Brokerage		$86,498	
Don	IRA		$180,219	
Rick	SIMPLE IRA			$126,440
Rick	Stock Plan			$1,991
Totals		~$650,000	$266,717	$2,265,467

  - **Recommendation:** With four years until retirement, the Dunworkins should start thinking about how they are allocated for retirement.

- **Observation:** The entirety of the Dunworkin's non-qualified investments are in cash, or cash equivalents. For reasons of flexibility and long-term efficiency, the Dunworkins may be better off with a significant portion of these funds invested in the long and mid-term segments.
  - **Recommendation:** Of the $650K cash, invest $250K in an aggressive ETF model, $100K in a moderate ETF model, with the amount of what remains, outside of emergency funds, in a diversified income fund. Over the next four years, savings can be utilized to rebuild the short-term bucket, as well as reallocation from qualified funds.

Tax Diversification

- **Observation:** A concept we often refer to when planning, especially with younger investors, is Tax Diversification. This is the observation that a significant portion of after-tax return is related simply to the type of account, as opposed to the actual investments contained therein. There are three different categories we look at:

- **Tax Now:** Bank Accounts/Individual Accounts/Joint Accounts/ etc. These accounts have no special tax status, so realized capital gains, dividends, interest, and other income is taxed the year it is incurred. Investors usually receive a 1099 for these accounts.
    - The advantages of these accounts include liquidity, and the ease of transfer at death.
        - As there is no special tax status regarding these accounts, there are no penalties or constraints on accessing funds before age 55 or 59 ½. Liquidity is only limited by the investment vehicle, and its variability.
        - At death, these assets usually go to heirs with a step up in basis.
    - The disadvantages of these registrations include phantom income, especially involving mutual funds. It is not unusual to receive 1099's at that end of the year which reflect significant income, but yielded no cash in your pocket, along with little growth.
- **Tax Later:** IRA's, pretax 401(k)'s, 403(b)'s, and other pretax qualified employer accounts. Contributions are usually made in pretax dollars and grow tax deferred. Distributions, however, are 100% taxable. Access to these funds is limited prior to 59 ½, and in some circumstances 55.
    - The advantages of these registrations include the benefit of contributions being made on a pretax basis, and tax deferred growth.
    - The disadvantages include restrictions on access to these funds, without penalty, as well as the potential tax issues with inheritance (these funds are typically 100% taxable to heirs).
- **Tax Never:** Roth: This category is a bit inaccurately named as contributions are made after tax, and may grow tax free, if the account is opened for 5 years or more.
    - The advantages to these registrations include the tremendous power of tax-free growth, and access to cost basis before age 59 ½.
    - The disadvantages include potential taxation and penalties on earnings regarding early distribution, as well as the after-tax nature of contributions.
    - Generally, for higher income individuals, we will look for some balance among these three buckets, weighing liquidity, immediate tax advantage, and long-term tax efficiency. How these buckets are balanced depends largely on current AGI, AGI expected in retirement, and retirement horizon timeline.

- **Observation:** In general, we are pretty enthusiastic about Roth, due to the tax advantage offered by the potential of tax-free compounding over a long period of time. An exception to that can be if the client is in, or above the 32% marginal tax bracket, and may be in a lower one in retirement.

- **Observation:** Darla's current health insurance policy is a group Open Access Plus (OAP) plan through her employer. This qualifies as a High Deductible Health Plan (HDHP) and includes a Health Savings Account (HSA). An HSA can be very tax efficient. Contributions are tax deductible, earnings grow tax-deferred, and distributions are tax free if they are used for qualified medical expenses. Account balances can roll over from year to year, the account may have an investment option, there are no age restrictions on withdrawals, and no required distributions.
- **Recommendation:** Darla should sign up for the HSA and make the maximum allowable contribution to the HSA. If possible, medical expenses should be paid out-of-pocket rather than with funds from the HSA so the HSA can remain invested and left to grow. It should be noted that utilizing an HDHP plan can be wise if Don and Darla are generally healthy and expect no significant medical bills. If this is not the case, however, a high deductible health plan may not be appropriate.

Investments

- The Dunworkin's investment accounts are as follows:
  - **Darla's 401(K)**: Darla's 401(K) is invested 100% in a large cap growth fund, this has been advantageous over the last few years, however in the long term, the Dunworkins may benefit from greater diversification, the formation of a mid-term bucket, and replacing funds in the short-term.
    - **Recommendation:** Consider reallocating your 401(K) using target date funds, specifically \$200K in a retirement income fund, \$600K into a 2025 target date fund, and \$450K into a 2040 target date fund. Note: at retirement, for aggressive funds in the long-term bucket, allocating a portion of the portfolio more actively in SMA accounts, may be advantageous.
  - **Don's Sep-IRA:** Don's Sep-IRA has an aggressive allocation, invested in a variety of active A and C class funds. These are 2 star rated by Morningstar with operating expenses averaging 1.63%.
    - **Recommendation:** Consider transferring these funds into a portfolio of passive ETF's. Operating expenses in many ETF families range from .05-.2%, potentially allowing for significant cost savings.
    - **Recommendation:** An opportunity for Roth conversions may exist for this Sep-IRA before retirement. Perform a tax-what if and establish to what degree conversions can be performed within the 24% tax bracket.

Protection

- **Observation:** Per the Money Guide Pro, the Dunworkins are adequately protected regarding their lives.

- **Observation:** Darla had disability insurance through work, Don has none. With 4 years until retirement, our recommendation for Don would be risk retention.
- **Observation:** The Dunworkin's homeowners insurance appears adequate. Please provide information on auto insurance if you would like us to review.
- **Observation:** We usually recommend umbrella coverage at least equivalent to an individual's net worth.
    - **Recommendation:** Contact your P&C carrier and request a quote to increase your coverage to at least $3M.
- **Observation:** Long term care is an event that may impact the Dunworkins in their retirement. There are several different ways it can provided:
    - **Familial Care:** Care or assistance provided by spouse, family, or friends. This is common, but can be extremely taxing on friends and family, and sometimes friends and family are unable or unwilling to provide care.
    - **Provided by a third party**: Financed by:
        - **Self-Insurance:** Care is paid for by the recipient when it is needed, out of pocket. Care, however, can be very expensive and put at risk retirement funds, or estate wishes.
        - **Medicaid Spend Down:** When assets are limited, and care needed extensive, assets can be spent down to the point where Medicaid begins to pick up the costs. Unfortunately, this requires assets spent down to very little, and individuals can be limited in their selection of facilities.
        - **Hybrid Products** such as life insurance and annuities are increasingly popular for individuals who worry about investing in a protection policy, and never using it. Unfortunately, these policies tend to be expensive, and generally do not participate in state partnership programs.
        - **Long term care insurance** may be the best way to protect your assets and heirs from a long-term care situation, so long as these policies participate in the state partnership program, however, these policies tend to be expensive, and there is no guaranty that premiums won't increase.
            - **Recommendation:** Depending on your goals and values, consider how you would like to approach a long-term care event.

Estate Planning

- **Observation**: There are currently complete estate planning documents in place.
    - **Consideration:** We recommend you have a plan that has in place a will, power-of-attorney, possible trust documents, and health care directives (HIPAA release, living will, and healthcare

power-of-attorney). The will should consider what to do if you both pass away at the same time.

ACTION STEPS:

- Open non-qualified aggressive and moderate ETF portfolio accounts, fund with $200K and $150K.
- Reallocate Darla's 401(K): $200K into a retirement income fund, $600K into a 2025 target date fund, and the other $450K into a 2040 target date fund.
- Reinvest Don's Sep-IRA into a portfolio of ETF's to reduce fees.
- Provide Tax Return, so we can run a tax what-if towards performing Roth conversions prior to retirement.
- Contact your P&C carrier to receive a quote to increase umbrella coverage to at least $3M prior to retirement.
- Establish proper estate planning documents

This plan has been generated in line with the fiduciary standard required by the CFP® board. It is my hope that it leads you to lasting financial security and I hope to work with you moving forward.

It has been a genuine pleasure to work with you.

Sincerely,

Nate Chapman, CFP®
Owner and Senior Wealth Advisor
5280 Associates
501 S Cherry St. #490
Denver, CO 80246
303-730-1951
NateC@5280Associates.com

Ted Kouba, MBA, CFP®
Director, Financial Planning & Investment Operations
5280 Associates
501 S Cherry St. #490
Denver, CO 80246
303-730-1951
Ted@5280Associates.com

DISCLOSURES

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER, CFP® (with plaque design) and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

IMPORTANT: Advisory Person(s) may use proprietary financial planning tools, calculators and third-party tools and materials ("Third-Party Materials") to develop your financial planning recommendations. The projections or other information generated Third-Party Materials regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary with each use and over time. Thrivent Advisor Network, LLC and its advisors do not provide legal, accounting or tax advice. Consult your attorney and or tax professional regarding these situations.

The return assumptions in Third-Party Materials are not reflective of any specific product, and do not include any fees or expenses that may be incurred by investing in specific products. The actual returns of a specific product may be more or less than the returns used. It is not possible to directly invest in an index. Financial forecasts, rates of return, risk, inflation, and other assumptions may be used as the basis for illustrations. They should not be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. Past performance is not a guarantee or a predictor of future results of either the indices or any particular investment. Investing involves risks, including the possible loss of principal.

Investment advisory services are offered through Thrivent Advisor Network, LLC, a registered investment adviser. This material, in and of itself, does not create an investment advisory relationship subject to the Investment Advisers Act of 1940.

The purpose of the report is to illustrate how accepted financial and estate planning principles may improve your current situation. The term "plan" or "planning," when used within this report, does not imply that a recommendation has been made to implement one or more financial plans or make a particular investment. You should use this Report to help you focus on the factors that are most important to you. Review the Financial Planning Disclosure Document and the Financial Planning Agreement for a full description of the services offered and fees.

THRIVENT IS THE MARKETING NAME FOR THRIVENT FINANCIAL FOR LUTHERANS. Investment advisory services offered through Thrivent Advisor Network, LLC., a registered investment adviser and a subsidiary of Thrivent. SEC registration does not constitute an endorsement of the firm by the Commission nor does it indicate that the adviser has attained a particular level or skill or ability. Advisory services available through investment adviser representatives only. Clients will separately engage a broker-dealer or custodian to safeguard their investment advisory assets. Review the Thrivent Advisor Network ADV Disclosure Brochure and Wrap-Fee Program Brochure for a full description of services, fees, and expenses.

Certain Thrivent Advisor Network LLC advisors may also be registered representatives of a broker-dealer to offer securities products. Advisory Persons of Thrivent provide advisory services under a practice name or “doing business as” name or may have their own legal business entities. However, advisory services are engaged exclusively through Thrivent Advisor Network, LLC, a registered investment adviser. Please visit our website www.thriventadvisornetwork.com for important disclosures.