



IPI 2017 Summer Conference

Bill & Betty – TJE portfolio recommendation

Every January 1<sup>st</sup>, Bill and Betty can assume the following annual income:

Pension	\$74,400	
Social Security – Bill	30,000	
Social Security – Betty	<u>11,800</u>	
Total Income		\$115,800

Their spending requirement/goal is: ( \$180,000 )

Resulting in a cash flow deficit of: ( \$64,200 ) annually or ( \$5,350 ) per month

Notes: Taxes will be difficult to change from the 25% marginal tax bracket and should be reviewed annually.

A Social Security analysis prior to Bill’s retiring should be done to optimize potential Social Security benefits.

**Portfolio Recommendations for Personal Investments/Assets:**

Current Holdings		
Raymond James	\$628,000	
Cash – Bill	180,000	
Cash – Joint	<u>202,000</u>	
Total Available for Portfolio Development		\$1,010,000

Invest as follows:

Alternatives

	Investment	Annual	Taxable	Approx.
Investment	Amount	Distribution	Portion	Tax Liability
Inland InPoint	50,000	4,000	4,000	1,000
Inland Residential	50,000	3,000	-	-
Totals	100,000	7,000	4,000	1,000
			Net After Tax Distribution	\$ 6,000

Funds

	Investment	Annual	Taxable	Approx.
Investment	Amount	Dividend Distribution	Portion	Tax Liability
Oakmark	\$ 50,000	\$ 500	\$ 500	\$ 75.00
Goldman Sachs Rising Dividend	50,000	750	750	113
Prime Cap Odyssey Growth	50,000	200	200	30
Vanguard Small Cap Index	50,000	710	710	107
Baran Emerging Markets	50,000	150	150	23
MENU (ETF)	50,000	-	-	-
American Funds Euro Pacifi	50,000	660	660	99
Wisdom Tree Mid-Cap Div ETF	50,000	1,220	1,220	183
J.P. Morgan Value Advantage	50,000	595	595	89
Totals	\$ 450,000	\$ 4,785	\$ 4,785	\$ 718
			Net After Tax Dividend Distributions	\$ 4,067

Equities – rounded to the nearest shares

	Investment	Annual	Taxable	Approx.
Investment	Amount	Dividend Distribution	Portion	Tax Liability
Aetna	\$ 25,000	\$ 337.75	\$ 337.75	\$ 50.66
Amazon	25,000	-	-	-
Allegran	25,000	925	925	138.75
Citigroup	25,000	262	262	39.34
D.R. Horton	25,000	301	301	45.15
Facebook	25,000	-	-	-
Southwest Airlines	25,000	208	208	31.20
Nike	25,000	343	343	51.45
Pay Chex	25,000	788	788	118.13
United Health	25,000	346	346	51.86
Constellation Brands	25,000	279	279	41.89
Ulta	25,000	-	-	-

Equities - continued

	Investment	Annual Dividend	Taxable	Approx. Tax
Investment	Amount	Distribution	Portion	Liability
Visa	25,000	172	172	25.84
Apple	25,000	408	408	61.20
Amgen	25,000	721	721	108.11
Adobe	25,000	-	-	-
Broadcom	25,000	402	402	60.26
General Dynamics	25,000	423	423	63.48
Totals	\$ 450,000	\$ 5,915	\$ 5,915	\$ 887.32
Net After Tax Dividend Distribution				\$ 5,028

Summary of Personal Asset Portfolio:

Alternative Investments	\$100,000	
Fund Investments	450,000	
Equity Investments	<u>450,000</u>	
Total Invested		\$1,000,000
Maintain as Cash		10,000

**Portfolio Recommendations for Bill's Roth IRA (all distributions are tax free):**

Funds

	Investment	Annual Dividend
Investment	Amount	Distribution
John Hancock Floating	\$ 15,000	\$ 789
Vanguard GNMA	15,000	336
Osterweiss Strategic Income	15,000	755
Lord Abbett High Yield	15,000	902
Pimco Income	15,000	810
Totals	\$ 75,000	\$ 3,592

Equities – rounded to the nearest shares

	Investment	Annual Dividend
Investment	Amount	Distribution
ATT	\$ 10,000	\$ 506
Ameren	10,000	310
3M	10,000	228
Abbvie	10,000	377
Chevron	10,000	415
Kimberly Clark	10,000	296
Phillips 66	10,000	363
Totals	\$ 70,000	\$ 2,495

Summary of Bill's Roth IRA			
Fund Investments	\$75,000		
Equity Investments	<u>70,000</u>		
Total Invested		\$145,000	
Maintain Cash		5,000	

**Portfolio Recommendations for Betty's Roth IRA (all distributions are tax free):**

Funds

Investment	Investment Amount	Annual Dividend Distribution				
Goldman Sachs Income Builder	\$ 7,000	\$ 267				
Miller Convertible Bond	7,000	204				
Vanguard Wellesley Income	7,000	204				
Angel Oak Multi Strategic Income	7,000	437				
Totals	\$ 28,000	\$ 1,112				

Summary of Betty's Roth IRA			
Fund Investments	\$28,000		
Cash	<u>0</u>		
Total Invested		\$28,000	

Anticipate the following distributions:

	<u>Monthly</u>	<u>Annually</u>
Personal Assets	\$2,500	\$30,000
Bill's Roth IRA	500	6,000
Betty's Roth IRA	<u>0</u>	<u>0</u>
Totals	\$3,000	\$36,000

**Portfolio Recommendations for Bill's 401K/Rollover IRA:**

Alternatives

Investment	Investment Amount	Annual Distribution	Taxable Portion	Approx. Tax Liability	
Dividend Capital	\$ 50,000	\$ 3,000	\$ 3,000	\$ 750	
Priority Income Fund*	50,000	3,000	3,000	750	
Totals	\$ 100,000	\$ 6,000	\$ 6,000	\$ 1,000	
*special distributions not included			Net After Tax Distribution	\$ 5,000	

Funds - conservative

	Investment						
Investment	Amount						
PIMCO Income Instl	\$ 30,000						
Vanguard Wellesley Income Inv	30,000						
Vanguard GNMA Inv	27,000						
Invesco Diversified Dividend Y	20,000						
MFS Value I	20,000						
Angel Oak Multi-Strategic Inc	18,000						
Jensen Quality Growth	15,000						
JH Floating Rate Income	15,000						
Oterweis Strategic Income	15,000						
Miller Convertible Bond I	10,000						
Totals	\$ 200,000						
Average Yield of 3.5% for Total Annual Income of						\$ 7,000	

Funds – Diversified

	Investment						
Investment	Amount	Yield					
Oppenheimer International	\$ 20,000	\$ 264					
Fidelity Advisors New Insight	20,000	70					
Franklin Mutual European	20,000	440					
Mattews Asia Growth & Income	20,000	528					
T.R. Price Growth	20,000	12					
Jensen Quality Growth	20,000	240					
Columbian Core Contrarian	20,000	164					
Vanguard Small Cap Index	20,000	284					
T.R. Price Small Cap Growth	20,000	-					
Morgan Stanley Institution	20,000	-					
Totals	\$ 200,000	\$ 2,002					
Annual Yield						\$ 2,002	

Equities

	Investment						
Investment	Amount	Yield					
Raytheon	\$ 10,000	\$ 200					
Wells Fargo	10,000	293					
Toll Brothers	10,000	85					
Pepsi	10,000	274					
Kraft Heinz	10,000	258					
Mondelez	10,000	162					
Xenia	10,000	579					
Dow	10,000	289					
DuPont	10,000	188					

Equities – continued

Investment	Investment Amount	Yield					
3M	10,000	229					
Caterpillar	10,000	295					
Cummons, Inc.	10,000	261					
Apollo Management	10,000	709					
Alphabet	10,000	-					
Palo Alto Networks	10,000	-					
Wynn Resorts	10,000	151					
20G Industries	10,000	74					
FedEx	10,000	79					
Disney	10,000	148					
Boeing	10,000	304					
MasterCard	10,000	70					
<b>Totals</b>	<b>\$ 210,000</b>	<b>\$ 4,648</b>					
						Annual Yield	\$ 4,648

Summary of Bill's 401K/Rollover IRA

Alternative Investments	\$100,000	
Fund Investments	200,000	
Diversified Funds	200,000	
Equity Investments	<u>210,000</u>	
Total Invested		\$710,000
Maintain Cash		58,000

**Portfolio Recommendations for Betty's 401K/Rollover IRA:**

Alternatives

Investment	Investment Amount	Annual Distribution	Taxable Portion	Tax Liability	
Vertical Capital	\$ 50,000	\$ 3,000	\$ 3,000	\$ 750	
<b>Totals</b>	<b>\$ 50,000</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ 750</b>	
*special distributions not included			Net After Tax Distribution	\$ 2,250	

Funds

Investment	Investment Amount	Yield				
American Fundamental	\$ 25,000	\$ 398				
T.R. Price Global Bond	25,000	848				
Vanguard Short Term Corp.	25,000	532				
MFS Value I	25,000	475				
ARKE Focus	25,000	-				

Funds – continued

	Investment					
Investment	Amount	Yield				
American Fundamental	\$ 25,000	\$ 398				
American Fund Emerging Mkt Bond	25,000	-				
American Funds Balanced	25,000	455				
Lazard Int'l Strategic Equity	25,000	350				
Totals	\$ 200,000	\$ 3,058				
					Annual Yield	\$ 3,058

Equities

	Investment					
Investment	Amount	Yield				
Baxter Labs	\$ 10,000	\$ 108				
Health South	10,000	209				
Bank of American	10,000	135				
Exxon Mobil	10,000	379				
Good Year Tire	10,000	116				
Magellan Midstream	10,000	486				
Gilead	10,000	321				
International Paper	10,000	343				
Zoetis	10,000	67				
Applied Materials	10,000	86				
American Airlines	10,000	84				
CSX	10,000	148				
UPS	10,000	309				
Microsoft	10,000	215				
Stryker Corp.	10,000	118				
Totals	\$ 150,000	\$ 3,124				
					Annual Yield	\$ 3,124

Summary of Betty's 401K/Rollover IRA

Alternative Investments	\$ 50,000	
Fund Investments	200,000	
Equity Investments	<u>150,000</u>	
Total Invested		\$400,000
Maintain Cash		24,000

In conclusion the portfolio consists of the following:

	<u>Investments</u>	<u>Cash</u>
Non-Qualified	\$1,000,000	
Non-Qualified		\$10,000
Bill's Roth IRA	145,000	
Bill's Roth IRA		5,000
Betty's Roth IRA	28,000	
Betty's Roth IRA		0
Bill's Rollover IRA	710,000	
Bill's Rollover IRA		58,000
Betty's Rollover IRA	400,000	
Betty's Rollover IRA		<u>24,000</u>
Totals	<u>\$2,283,000</u>	<u>\$97,000</u>

Taxes

Generally speaking one would expect the following adjustments to income:

Medical	\$ 1,000 to \$ 2,000
Taxes	7,000 to 12,000
Interest	3,000 to 5,000
Charity	2,000 to 10,000
Miscellaneous	<u>7,000</u> to <u>9,000</u>
Totals	\$20,000 to \$38,000

Their taxable projected scenario:

Pension	\$74,440		
Dividends			
Qualified	4,000		
Non-Qualified	10,700		
IRA Distributions	28,700		
Social Security Distributions			
\$41,800 – taxable portion	<u>35,500</u>		
Adjusted Gross Income	\$153,340		
Itemized Deductions	( \$ 20,000 )	to	( \$ 38,000 )
Exemptions	( <u>8,100</u> )	to	( <u>8,100</u> )
Adjusted Income	\$125,250	to	\$107,240
Tax Liability	\$ 21,783	to	\$ 17,282

The indexed annuity held in joint ownership is a very difficult scenario. It should make great conversation. I would consider the following:



1. Gift from Betty's mother to Betty – remove potential tax problems at the time of Betty's mother passing.
2. Start taking any allowable distributions – possibly to get to principal distribution level.
3. Position as much income to Betty's mom to minimize tax level.

Bob and Betty have room in 25% tax bracket but it would probably be more favorable for Betty's mother to have a taxable event and start the creation of the 529 programs for the great grandchildren.

#### Reflection – Distribution and Income Summary

Social Security – Bill	\$ 30,000	
Social Security – Betty	11,800	
Pension – Bill	74,400	
Personal Non-Qualified Distributions	30,000	
Bill's Roth IRA Distributions	<u>6,000</u>	
Total Distribution before IRA Distributions		\$150,000
Target Cash		<u>\$180,000</u>
Cash Deficit		(\$ 29,200)
Bill's IRA Income		\$19,650
Betty's IRA Income		<u>9,182</u>
Total IRA Income		<u>\$ 28,732</u>
Cash Surplus		\$ 1,532
Income - after tax		
Non-Qualified		
Alternatives	\$6,000	
Funds	4,067	
Equities	<u>5,028</u>	
Total Non-Qualified Income		\$15,095
Bill's Roth IRA		
Funds	\$3,592	
Equities	<u>2,495</u>	
Total Roth Income – Bill		\$ 6,087
Betty's Roth IRA		
Funds	<u>\$1,112</u>	
Total Roth Income – Betty		<u>\$ 1,112</u>
Income - taxable		
Bill's 401K/Rollover IRA		
Alternatives	\$6,000	
Funds	7,000	

Funds – Diversified	2,002	
Equities	4,648	
Total Rollover Income - Bill		\$19,650

Betty's 401K/Rollover IRA		
Alternatives	\$3,000	
Funds	3,058	
Equities	3,124	
Total Rollover Income – Betty		<u>\$ 9,182</u>

Total Investment Income		\$49,376
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