

Case Study: Jim and Sue's Story

Jim is in his early 60's. Sue is a few years younger. Their kids are grown and married and they were recently blessed with grandchildren.

Jim was an attorney with a privately held company that was recently sold. The new owner wanted his own management team in place and Jim was just told that his position had been eliminated. Jim and Sue have done a good job of saving, but they were still very uneasy over the loss of Jim's six-figure income. Sue asked me if they could afford to continue to live the same lifestyle if Jim could not find another job. On top of losing a regular paycheck, they were also concerned about having to cover the cost of their medical insurance premiums- maybe for several years. After all, it's not easy to find a job when you are in your 60's. Medicare wasn't an available option yet. Jim wasn't sure if he should enroll in COBRA or find a policy on his own.

One good thing was that Jim received a really nice lump sum severance payout. So Jim and Sue knew that they would be able to cover their bills for the time being- hopefully until Jim could find another job. Jim told me that he was concerned that the additional income from the severance pay was going to be a killer next April 15th. He asked me what could be done to cut their tax bill so they wouldn't owe so much in additional tax at the end of the year.

Jim has always been a pretty aggressive investor. He believed that stocks would outperform other types of investments over longer periods of time. The ups and downs of the market didn't really scare him because he enjoyed his job, planned to work for several more years and he felt he had time on his side. Jim felt he could weather the storms and that the market would not only recover any losses but eventually move to new highs. Now, without an income, he felt that he couldn't afford to take on as much risk. He didn't like the returns of bank instruments. With a big smile Jim told me he just wanted a 20% return without the chance of losing any of his money. "Seriously though, is there anything you can suggest that has a track record of producing decent returns without "rolling the dice" and taking on too much risk?"

A few years ago, Jim had a mild heart attack. Thankfully, his condition could be addressed with medication and some life changes. Sue has worried how she would ever manage without Jim. He has always been the manager of their finances. He always asks her opinion, but she has never had much interest and trusted him to make all the decisions. She told me that she wasn't even sure that she knew all of the places that they had accounts. She was concerned that she wouldn't be able to keep track of all their investments without Jim.

Sue's Mother, Betty, is a widow in her 80's. She still lives independently, but Sue has noticed that her Mom seems to be slowing down mentally and physically. She forgets things more frequently than before and it seems to be harder for her to go up and down the stairs in her home. Sue had never really discussed finances with her Mom before. She knew that she should, but it was an awkward conversation to begin. Sue wondered how much longer her Mom would be able to live by herself. She

also was unsure whether her Mom had enough money to afford the added expense of having to pay to get help with her daily activities. Jim and Sue looked forward to traveling once Jim retired. Sue loved her Mom, but she wondered if their plans would need to change...

Don's Comments:

Jim and Sue came to me with a plateful of concerns. They were both anxious about the loss of Jim's job and felt like their plans had taken a serious turn for the worse! They felt like they had lost control of their financial future. It's not unusual that life threw them a few curves. But with thoughtful dialogue, careful analysis and the review of available options we have been able to develop a recovery plan. We have been able to reduce the waste of income taxes on Jim's severance package.

We took a systematic approach to providing for Jim and Sue's income needs. First, we set aside the money necessary to provide near-term support of their household expenses into a safe account. Next, we identified a blend of both traditional market investments (stock/bond/mutual fund) and alternative investments for longer term money to offer better growth opportunities. After the market meltdown of 2008, Jim was still a little weary of the market. The use of alternative investments that move independently of the stock market helped to ease Jim's mind.

Sue has become a more active participant in the process. She appreciates the way we educate her and Jim on available options before asking for a decision. Sue would be emotionally devastated if anything happens to Jim. But she is confident that she has a trusted advisor to help her manage financially. And Jim is thankful to know that someone will be there to provide sound guidance to Sue.

We built a personalized website for Jim and Sue that displays the current values of all of their investments in one place. Sue doesn't worry about not being able to keep track of things anymore. As it turned out, Betty had purchased a Long-Term Care policy through AARP. That was a HUGE relief for Jim and Sue, as they know now that Betty will have the money to get the care she needs if it becomes necessary. Like many of us, Betty had procrastinated in updating her will and other estate planning documents since Sue's father had passed away. We were able to introduce her to an attorney that works closely with our firm to provide current documents that delineate Betty's wishes- right down to who gets the grandfather clock in the hallway.

Helping people to consider and identify their concerns and goals, and then devise a plan to fund and address them, is the focus of my work. It would be my pleasure to work with you. Visit www.spectrumwealthmgmt.com to get started.

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