

# Second time's the charm: Achieving financial independence after 50

## Background

The client, Mrs. Q, hit financial success at 50 years old, earning approximately \$1.4 million per year. Prior to this later success, she had no significant savings.

## Situation

### **Need for a strategic and organized plan for cash flow and long-term legacy**

Without any significant savings, Mrs. Q's goal now is to build up her savings and investments to reach "financial independence" as soon as possible. Ultimately, she would like to shift her career to something she finds more interesting but less remunerative.

## Solution

### **Starting from scratch, we created a holistic financial plan with a savings and investment strategy designed to address short and long term goals**

#### **step 1**

The first step in creating a comprehensive plan was to understand not only Mrs. Q's financial needs, but also how family considerations would integrate into the planning. To do this, we worked with the client's accountant and estate attorney to ensure that her children and second marriage would be protected and funded the way she wanted them to.

#### **step 2**

The next step was to identify and/or set up all accounts that will be part of the plan, ensuring that they are titled appropriately for estate planning purposes. In this case:

- Personal account (Revocable Trust)
- Cash balance retirement plan
- 401(k) and Profit Sharing plan
- IRA and Roth IRA accounts
- Health Savings Account (HSA) for potential medical expenses
  - The result of utilizing the various types of accounts, Mrs. Q is able to put away over

\$200,000 a year with tax advantaged entities. This saves her \$80,000 each year and really accelerates her path to financial independence

### **step 3**

The third step was to create a balance sheet and a cash flow projection so that we understand her current as well as future income needs.

### **step 4**

To create the savings and investment strategy, our next step was to determine:

- How large the savings account needed to be based on annual income requirements
- How best to invest the portfolio based on long-term goals and risk tolerance
- How to create a reliable, tax efficient income stream

### **step 5**

Prior to finalizing the portfolio, we did a market volatility “stress test” and built in a buffer of low-volatility investments to support the growth-oriented portfolio

- We have a plan to adjust the portfolio when the market is up
- we have a plan to adjust the portfolio when the market is down.
- We have thought about contingencies so we can be proactive and not let emotions divert us from our overall lifetime plan

### **step 6**

The last step in the plan is to implement and monitor to the plan.

- There may be life changes along the way
- There may be market opportunities along the way

## **Conclusion**

### **Crafting a legacy plan that integrates family and finances.**

The plan is in place and Mrs. Q is making great progress towards her financial goals.

She is sending in money automatically each month to her personal account, which we are using to fund tax advantaged accounts, and leaving the balance in her personal trust. Then investing each entity- with the least tax efficient investments in the advantaged accounts, and the most tax efficient in her personal trust

We continue to monitor progress and make adjustments when necessary. Through the year, we have formal check ins with Mrs. Q. where we review progress and discuss any proactive planning for the upcoming year with Mrs. Q and her accountant.

Published January 2025

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