SIMPLIFY WEALTH
PLANNING

FINANCIAL PLAN

Sample Hypothetical Client Plan (Private Tech M&A)

About This Example & Methodology (Read First)

- Hypothetical nature. This plan is a fictional, educational illustration. It combines details from multiple scenarios solely to demonstrate the depth of our planning process. It does not represent advice for your circumstances and does not reflect a particular client's results.
- Capital-market & planning assumptions. Projections are based on JPMorgan's long-term capital market assumptions, general inflation of 2.5%, and current marginal tax rates of September 2025.
- Monte Carlo simulations. Where stated (e.g., "98% simulated success"), results come from trials across the planning horizon, using the above inputs. "Success" is defined as meeting modeled spending and goal outlays without portfolio depletion in each simulation. Monte Carlo results are not predictions; they show a range of possible outcomes, based on assumptions that will change over time. There is no guarantee that those results will be achieved.
- Important limitations. Hypothetical, back-tested, or simulated results do not:
  - reflect cash flows, taxes, or fees exactly as an investor would experience in real time;
  - incorporate all market frictions, plan changes, or behavioral responses;
  - account for future changes in laws, tax rules, employer plans, or capital-market conditions.
- Actual results will vary and may be materially different.
- Security/strategy references. Any references to specific securities or issuers (e.g., Company ABC, Company XYZ) or strategies (e.g., ISOs/AMT, §351 exchanges, ESPP, backdoor/mega-backdoor Roth, direct indexing, tax-loss harvesting) are illustrative only. They are not recommendations to buy, sell, or implement and may not be appropriate for you. Consult your tax and legal professionals before implementing any tax strategy.
- Confidentiality & MNPI. If you are subject to employer confidentiality policies, insider-trading restrictions, or lock-ups relating to an acquisition, do not rely on this example to make decisions; obtain firm-specific guidance from your employer and legal/tax/financial advisors.
- No offer / no guarantee. This material is informational and not an offer to provide advisory services in any jurisdiction where we are not appropriately registered/exempt. Past performance is not indicative of future results; investing involves risk, including loss of principal.
- Firm information. Simplify Wealth Planning ("SWP") is a registered investment adviser in Texas and in other jurisdictions where exempt. Registration does not imply a certain level of skill or training. See our Form ADV Part 2A for services, fees, and risks (link).
- Third-party trademarks. Trademarks and company names are the property of their respective owners and are used here for illustrative identification only.

Table of Contents

Executive Summary

Summary

- You are tremendously positioned to take advantage of a lot of tax savings opportunities moving forward, especially once the Company XYZ transaction closes. An early retirement for both of you is very much in the cards.

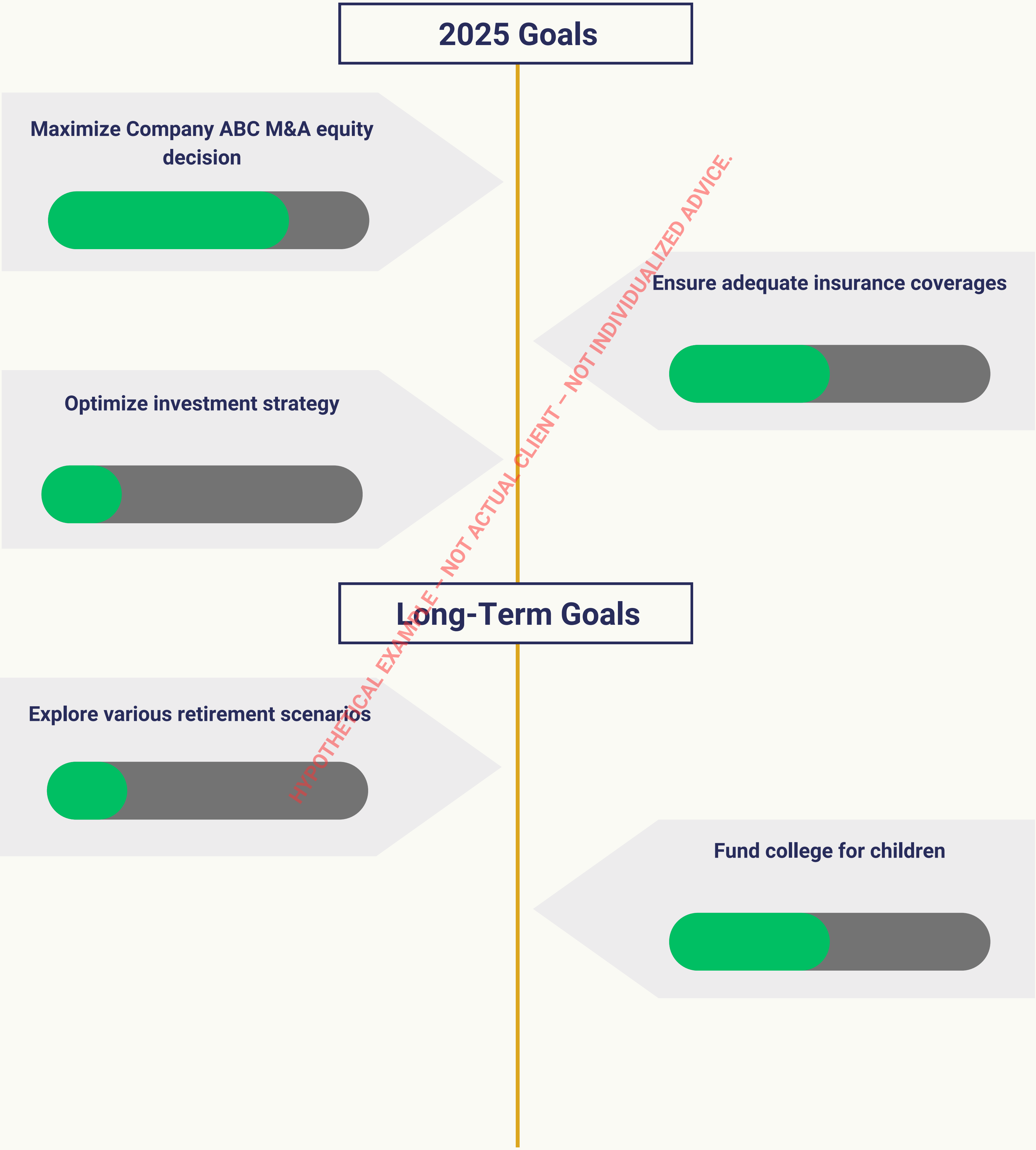
Key Points

- We recommend a strategy of exercising 80% of your vested options while taking the 20% cash payout from the acquisition. This approach best balances securing favorable long-term capital gains tax treatment with managing concentration risk and ensuring you have sufficient liquidity
- By systematically maximizing your annual contributions to all available tax-advantaged accounts (HSA, 401(k), Backdoor Roth, Mega Backdoor Roth, and ESPP), you can add approximately $2,880,000 to your long-term net worth.
- Implementing a direct indexing and tax-loss harvesting strategy within your taxable brokerage accounts will further optimize your after-tax returns, adding an estimated $170,000 in value over the next ten years.

Through our strategies, we project you can enhance your plan's probability of success from 94% to 97% and increase your plan's ending assets by $3M in today's dollar equivalent (From $8.7M to $11.9M)

Goals


% Complete
0%
100%


2025 Goals
Maximize Company ABC M&A equity decision
Ensure adequate insurance coverages
Optimize investment strategy
Long-Term Goals
Explore various retirement scenarios
Fund college for children

Implementation

Implementation Plan
Phase 1: September - October 2025
#1. Implement investment portfolio transition trades (+ reposition 401k)
#2. Finalize M&A equity decisions
#3. Consider primary goal for life insurance and adjust coverage as per shown on details page
#4. Use our insurance broker to get updated insurance quotes
#5. 401k rollovers (old company 401k into new company 401k)
Phase 2: November 2025 - January 2026
#1. Further evaluate usage of backdoor Roth and Mega backdoor Roth
#2. Decide college funding plans and begin funding
#3. Connect you with CPA
#4. Establish estate planning documents
#5. Confirm beneficiaries are properly flagged on accounts
#6. Consider pursuing automated tax-loss harvesting approach in taxable account

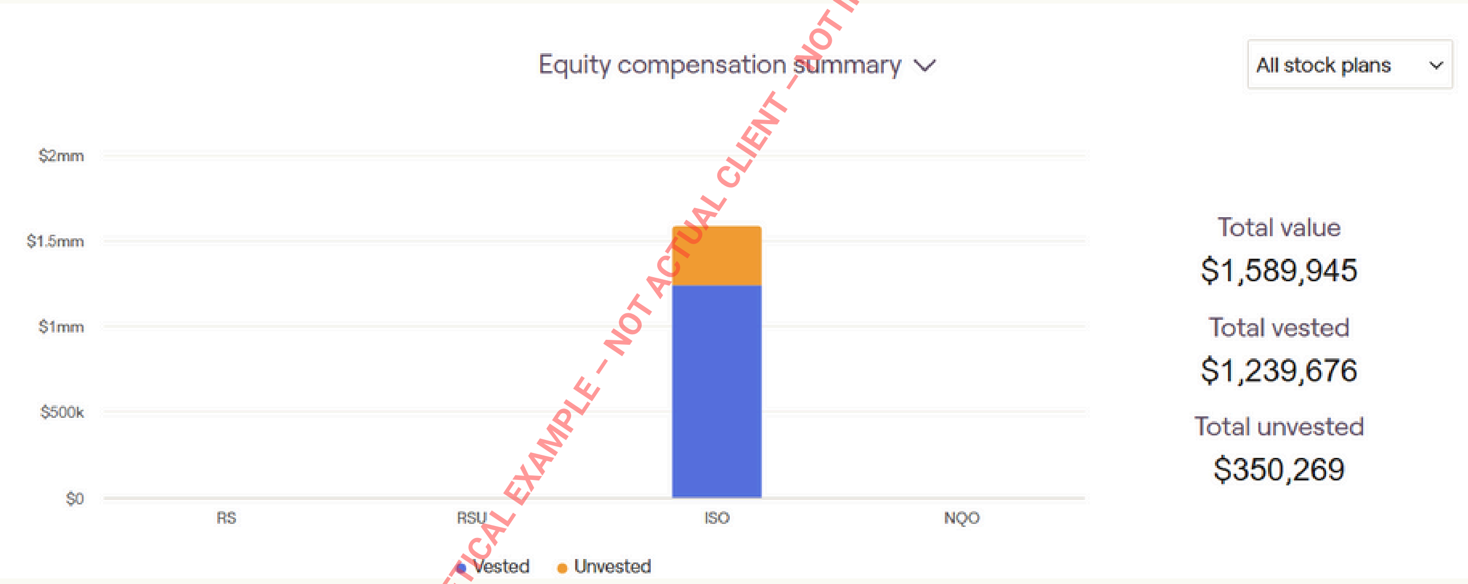
DETAILS

Equity Compensation Holdings Overview

Key Points

- All figures based on $9 per share FMV
- You currently have 155,786 shares which are Vested & Unexercised
- You also have 43,488 Unvested shares which will convert to Company XYZ options
- All shares on track to vest by 2028

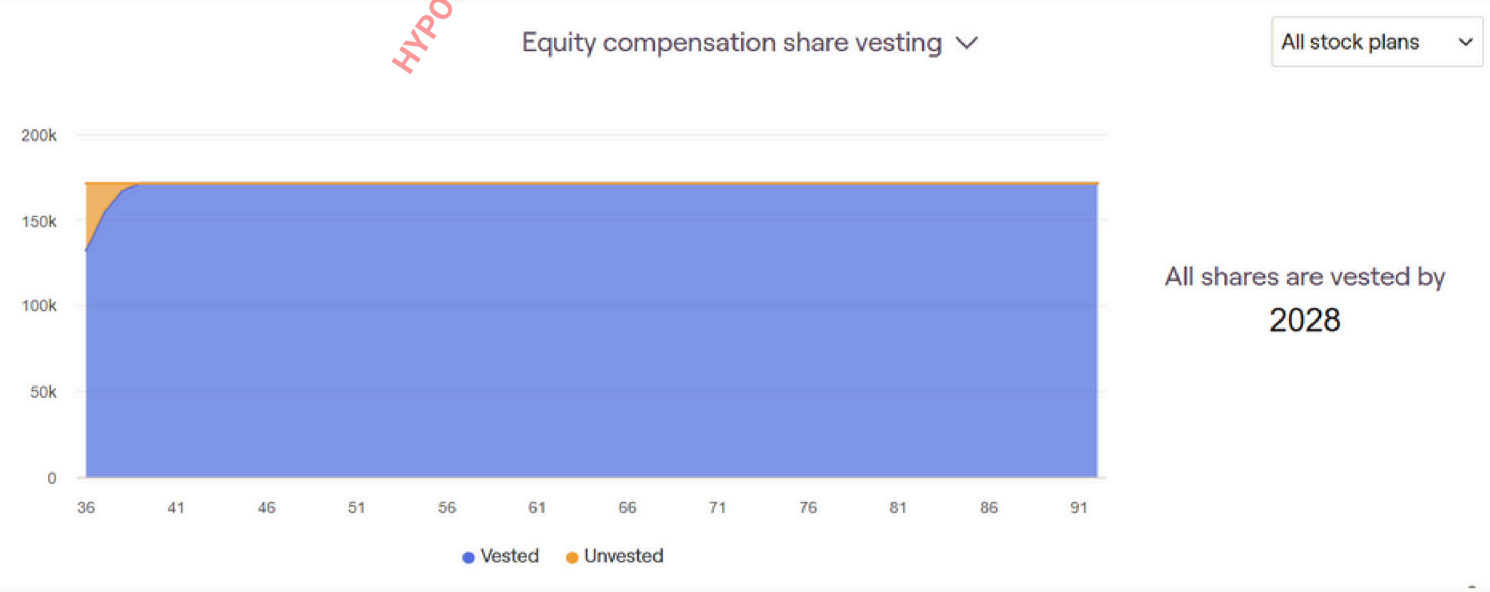
Equity Compensation Holdings Summary



Total value
$1,589,945

Total vested
$1,239,676

Total unvested
$350,269



All shares are vested by
2028

Equity Compensation – Acquisition Analysis

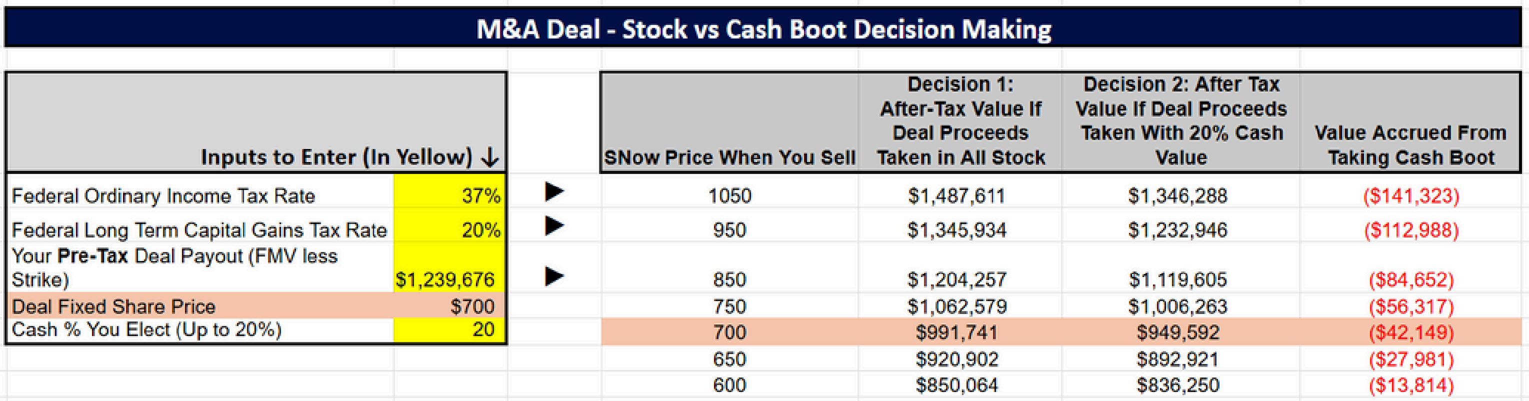
How Much Cash Should I Take?

- With a fixed price deal structure (most common), any upside in Company XYZ’s stock price above the $700 deal price accrues to the Company ABC shareholder
- The more the Company XYZ’s price trades above $700, the less appealing taking a cash payout is
    - Cash payout is also taxed at ordinary income tax rates and thus makes it less appealing

How Acquisition Pricing Impacts Your Decision

Structure Type	What’s Fixed	Who Bears Market Risk	What This Means
Fixed Exchange Ratio (most common) 💰	# of acquiring company’s shares per target company’s share/option is locked at signing (i.e., $700/share reference)	Target company shareholders – value changes if acquirer’s stock price moves.	Value rises or falls with acquirer’s price. Used when acquirer wants certainty on dilution.

📌 **Key Takeaway: Employees must understand that the acquiring company’s stock price can impact the decisions path they take with their equity (i.e., stock vs cash split they elect)**



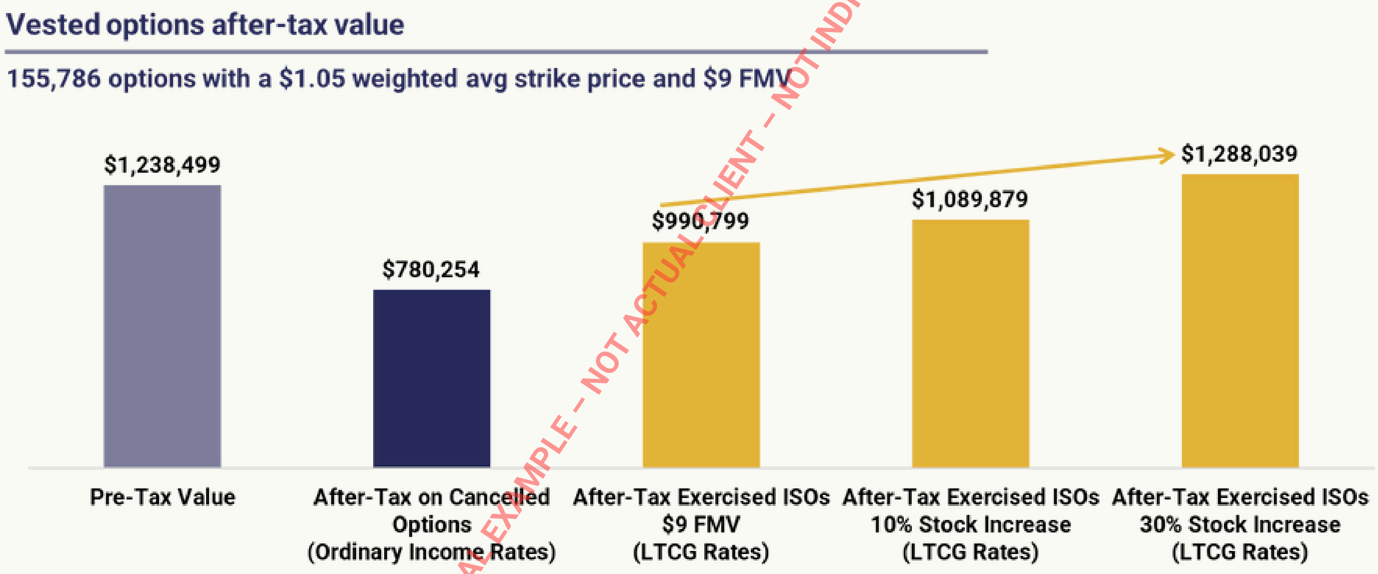
M&A Deal - Stock vs Cash Boot Decision Making

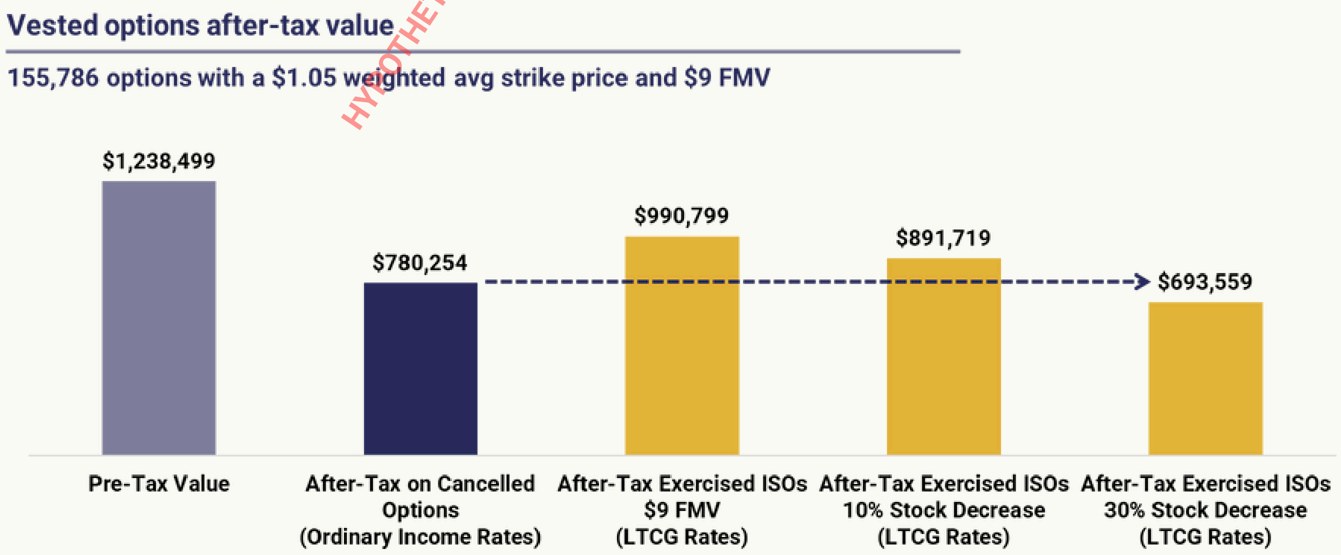
Inputs to Enter (In Yellow) ↓			SNow Price When You Sell	Decision 1: After-Tax Value If Deal Proceeds Taken in All Stock	Decision 2: After Tax Value If Deal Proceeds Taken With 20% Cash Value	Value Accrued From Taking Cash Boot
Federal Ordinary Income Tax Rate	37%	▶	1050	$1,487,611	$1,346,288	($141,323)
Federal Long Term Capital Gains Tax Rate	20%	▶	950	$1,345,934	$1,232,946	($112,988)
Your **Pre-Tax** Deal Payout (FMV less Strike)	$1,239,676	▶	850	$1,204,257	$1,119,605	($84,652)
Deal Fixed Share Price	$700		750	$1,062,579	$1,006,263	($56,317)
Cash % You Elect (Up to 20%)	20		700	$991,741	$949,592	($42,149)
			650	$920,902	$892,921	($27,981)
			600	$850,064	$836,250	($13,814)

Equity Compensation - Recommended Strategy

Key Points

- The preferential tax rate you can get by exercising leaves you with a healthy margin for error
    - Company XYZ price would need to decline by ~30% from the deal's fixed share price of $700 to be a wash on the strategy
- **For someone like you with the cash flow flexibility to take calculated risks, and the desire to maximize your after-tax outcome from this windfall, exercising a large % of your options and holding 1 yr for the tax benefits is recommended.**



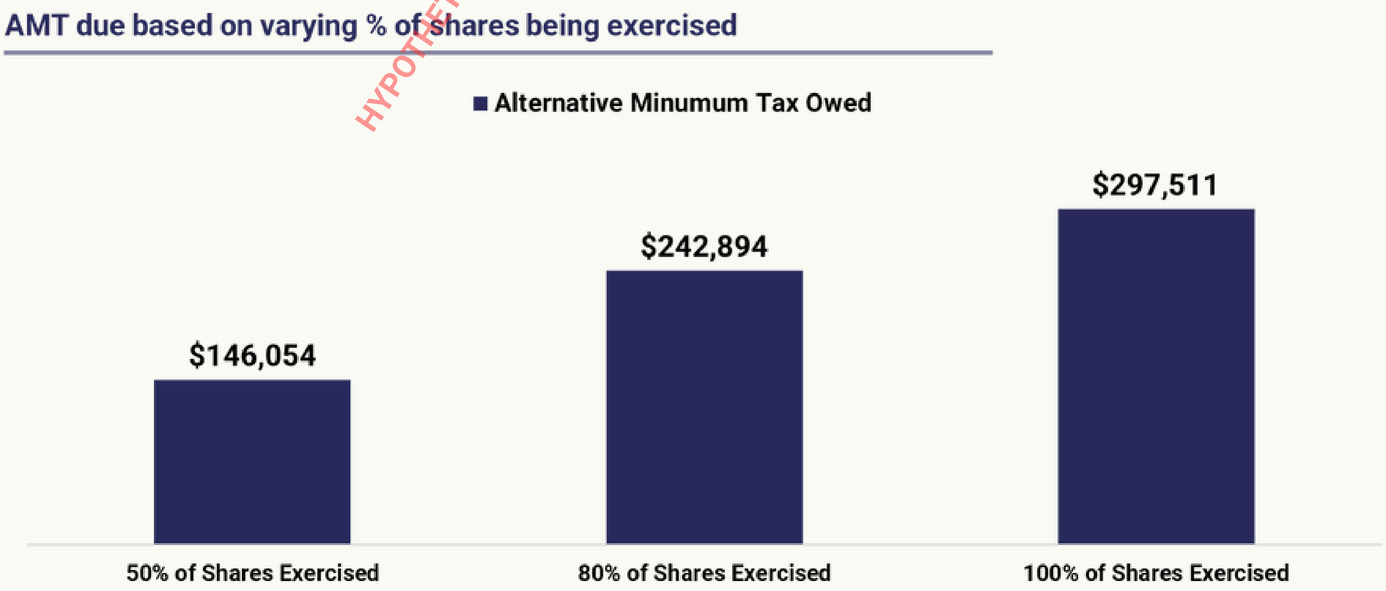


Notes: 37% used for ordinary income rate and 20% used for LTCG rate.

Equity Compensation - AMT Tax Analysis

Key Points

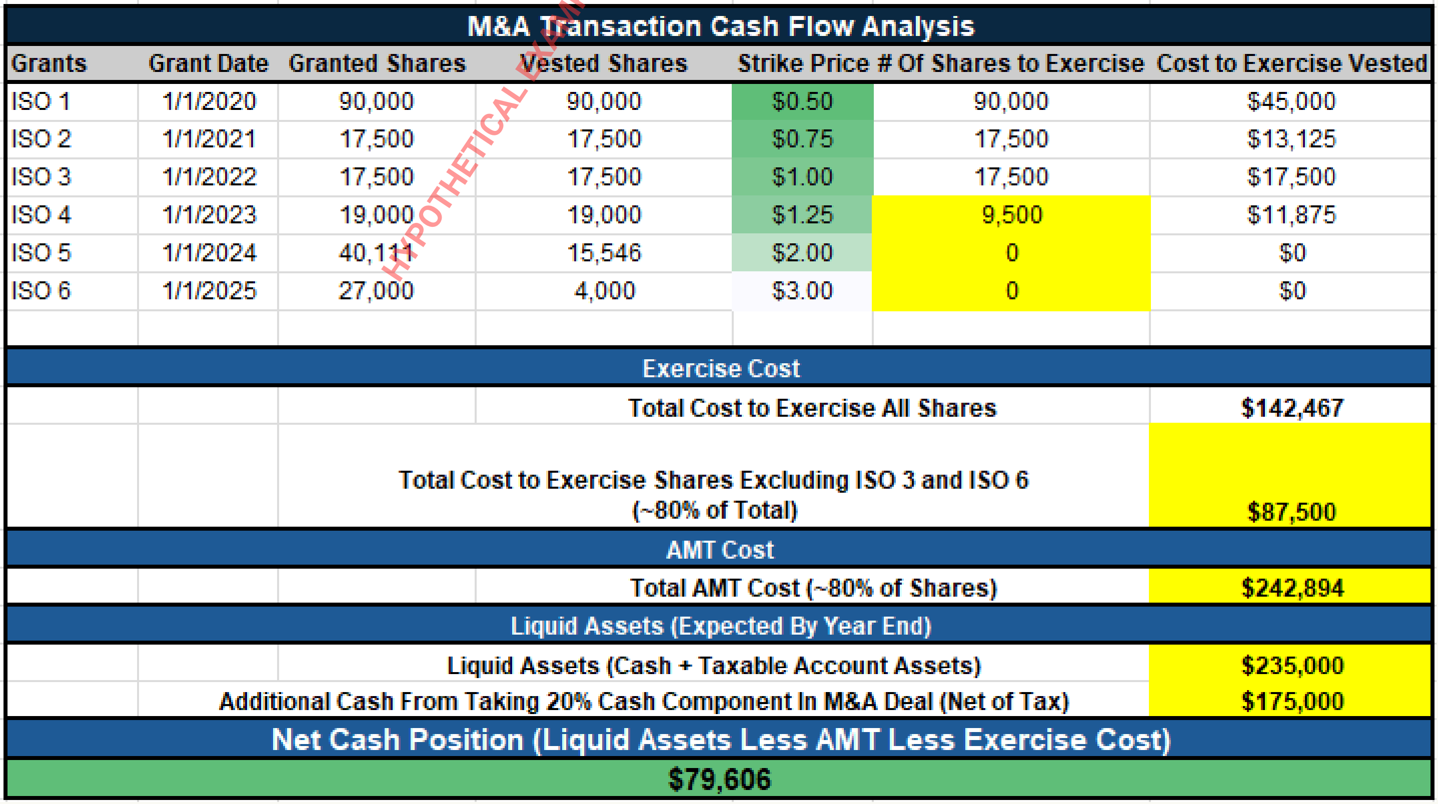
- Based on your projected income, our analysis shows that your AMT payable related to the ISO exercises will be between $146k and $297k, depending on how many shares you exercise
    - **Remember, AMT is a prepayment of tax, not an additional tax bill**
    - AMT payable creates an equivalent AMT credit, which is then used to offset your tax bill in the future (largely when you sell the shares that caused the AMT bill)
- **AMT does not need to be paid in advance**
    - As long as you meet your safe harbor tax requirement for the year:
        - 110% of the prior year's tax liability
            - **Based on your 2024 federal taxes paid of $66,558, if you pay $73,213, you will have met the safe harbor requirement**
        - Then you will simply owe your AMT taxes due at tax filing time (April of the following year)
        - If you then file for an extension of taxes, you would owe ~7% interest (annualized rate; smaller if only 3 months) + 0.25% per month late penalty on any AMT amount due
            - Annual equivalent APR for 3 month loan of ~10%
            - This is important since it could buy you valuable time while you're waiting for the 1 year mark to qualify for long-term capital gains



Equity Compensation - Cash Flow Analysis

Key Points

- You should understand how you would manage AMT in a worst-case scenario
  - If Company XYZ stock price were to be severely eroded (scandal, competitive pressure, severe market downturn, etc.), you would still be on the hook to pay the AMT bill
- **RECOMMENDATION: From a risk management standpoint, exercising 80% of the shares and taking the 20% cash payout is likely the best course of action**
  - The 20% cash payout would inject another ~$175k (net of tax) into your liquid assets reserve (assuming share price holds up during lockup)
  - **You can exercise 80% of the shares for around ~$88k.**
    - **To manage cash flow, our recommendation is to partially exercise ISO 4 and to avoid exercising ISOs 5 and 6.**
  - **By following this strategy, you would give yourself a ~$79k cash position buffer, which would have you covered on the exercise cost and full AMT bill payment.**
    - You can always let more of the shares cancel (i.e., by not exercising them) to build up an even larger cash buffer (subject to selling post 45-day lockup on the shares).



M&A Transaction Cash Flow Analysis

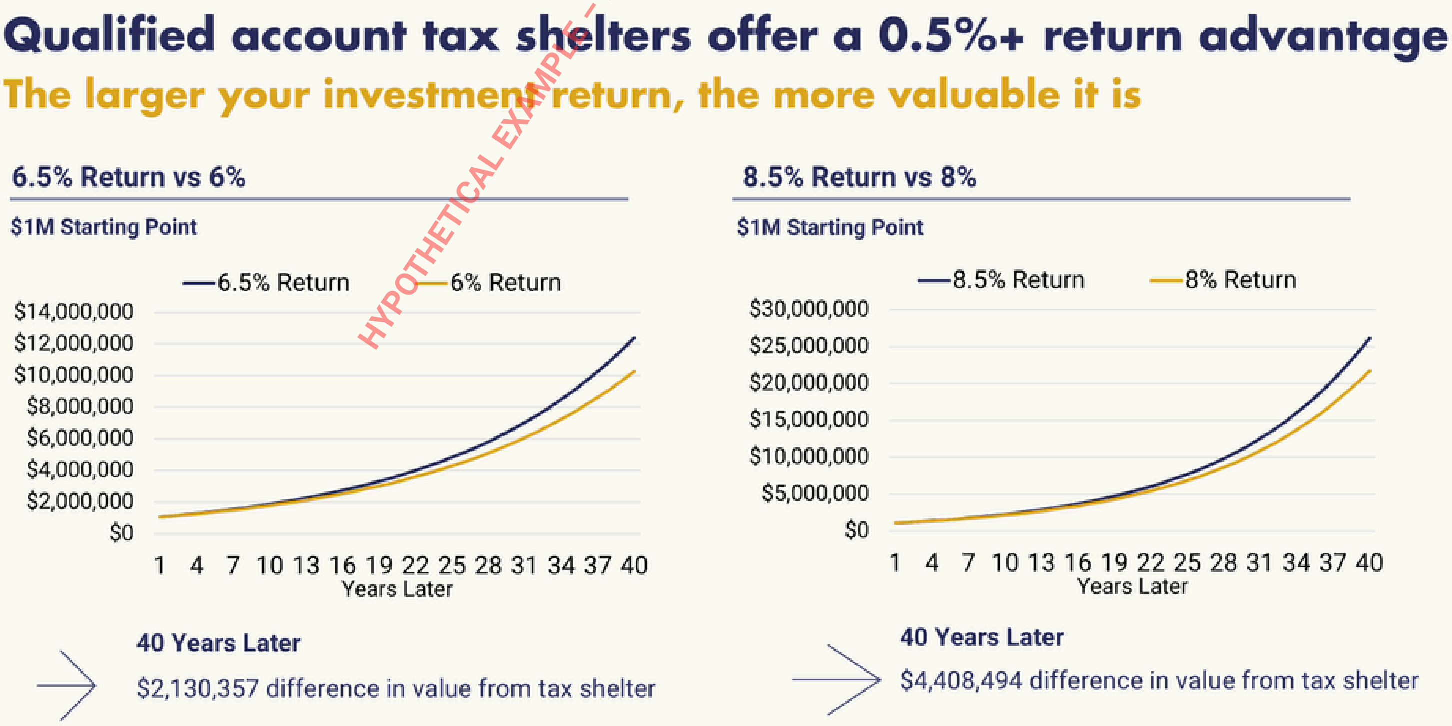
Grants	Grant Date	Granted Shares	Vested Shares	Strike Price	# Of Shares to Exercise	Cost to Exercise Vested
ISO 1	1/1/2020	90,000	90,000	$0.50	90,000	$45,000
ISO 2	1/1/2021	17,500	17,500	$0.75	17,500	$13,125
ISO 3	1/1/2022	17,500	17,500	$1.00	17,500	$17,500
ISO 4	1/1/2023	19,000	19,000	$1.25	9,500	$11,875
ISO 5	1/1/2024	40,111	15,546	$2.00	0	$0
ISO 6	1/1/2025	27,000	4,000	$3.00	0	$0

Exercise Cost	
Total Cost to Exercise All Shares	**$142,467**
Total Cost to Exercise Shares Excluding ISO 3 and ISO 6 (~80% of Total)	**$87,500**
AMT Cost	
Total AMT Cost (~80% of Shares)	**$242,894**
Liquid Assets (Expected By Year End)	
Liquid Assets (Cash + Taxable Account Assets)	**$235,000**
Additional Cash From Taking 20% Cash Component In M&A Deal (Net of Tax)	**$175,000**
Net Cash Position (Liquid Assets Less AMT Less Exercise Cost)	
$79,606	

Tax Planning Fundamentals

An over looked concept

- When the government offers you a tax shelter, it’s generally a good idea to take advantage of it
- **Why?**
  - Because the tax shelter offered by things like 401k, IRA, Roth, Backdoor Roth, Mega Backdoor Roth can easily amount to **+0.5% in return** per year (conservative estimate for high earners)
    - The rationale is, if you hold these investments in a taxable account and 2% is paid out each year via dividends/interest at an all-in tax rate of 30%, that equates to a roughly 0.5% annual tax drag
  - It may sound small, but it is enormous
    - And the more your account earns, the more valuable it is
  - This is precisely why the advice is to keep your high-earning equities in your Roth (i.e., asset location)
- This is a foundational concept and applies directly to the following tax planning recommendations



Qualified account tax shelters offer a 0.5%+ return advantage

The larger your investment return, the more valuable it is

6.5% Return vs 6%

$1M Starting Point

40 Years Later

$2,130,357 difference in value from tax shelter

8.5% Return vs 8%

$1M Starting Point

40 Years Later

$4,408,494 difference in value from tax shelter

Optimizing Usage of HSA Accounts

Notes

- Being able to max out an HSA is one of the most valuable wealth-building strategies
  - This is one of the most valuable accounts, in being the only account type with triple tax-advantages
  - Jimmy is currently contributing $1,000 to his HSA
  - By maxing this account contribution each year under family limits ($8,550 max for 2025), you increase your financial plan's wealth by $142,875 (today's dollar equivalent)

Maximize HSA vs Partial Funding Today - Ending Assets ($)

Max out HSA vs no has a $142,875 higher ending net worth than Current plan

+$142,875 benefit from maximizing HSA contributions

Maxing Out 401k

Notes

- A general principle to follow is when you are offered a tax shelter, you should fully maximize it to the extent your cash flow allows for it
- I recommend doing so via the traditional 401k path to maximize your tax deduction (Mega Backdoor Roth will allow for building the Roth account)
    - By maximizing the 401k plans fully, it is projected to increase your financial plan's wealth by $135,019 (today's dollar equivalent)

Maximize 401k vs Partial - Ending Assets ($)

Maxing out 401k vs no has a
$135,019 higher
ending net worth than Current plan

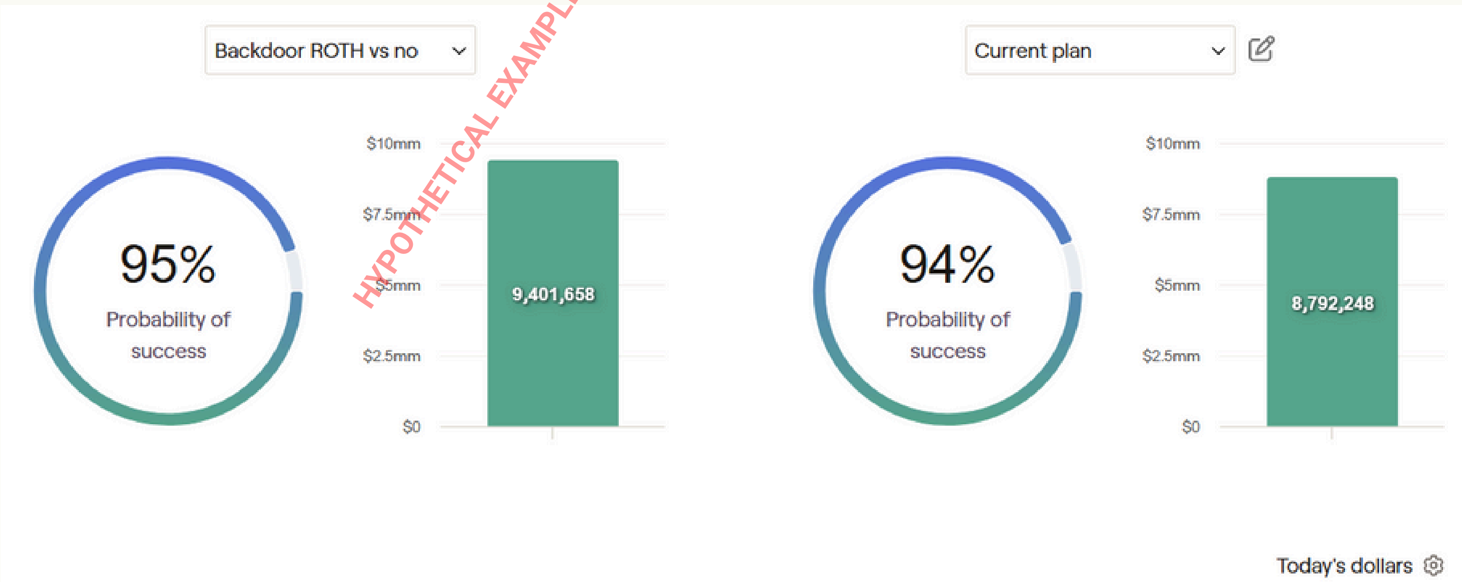
+$135,019 benefit from maximizing 401k plans

Capitalizing on Backdoor Roth IRA

Notes

- When you have excess cash flow but are prevented from contributing to IRA and Roth IRA due to income limits, a workaround is the pursue a Backdoor Roth IRA
- The is a perfectly legal technique, but it requires tax filing expertise to ensure it's done correctly
- By maxing this account contribution each year ($7,000 each for both Jimmy and Jennifer), you increase your financial plan's wealth by **+$563,800 (today's dollar equivalent)**
- Conversions into Roth IRA (including backdoor and Mega backdoor) must be in place for 5 years to avoid penalty (even on contribution)
  - After that, you can withdraw **contributions** without any penalty

Maximize Backdoor Roth (Left) vs Don't Use It (Right) - Ending Assets ($)



Backdoor ROTH vs no

Current plan

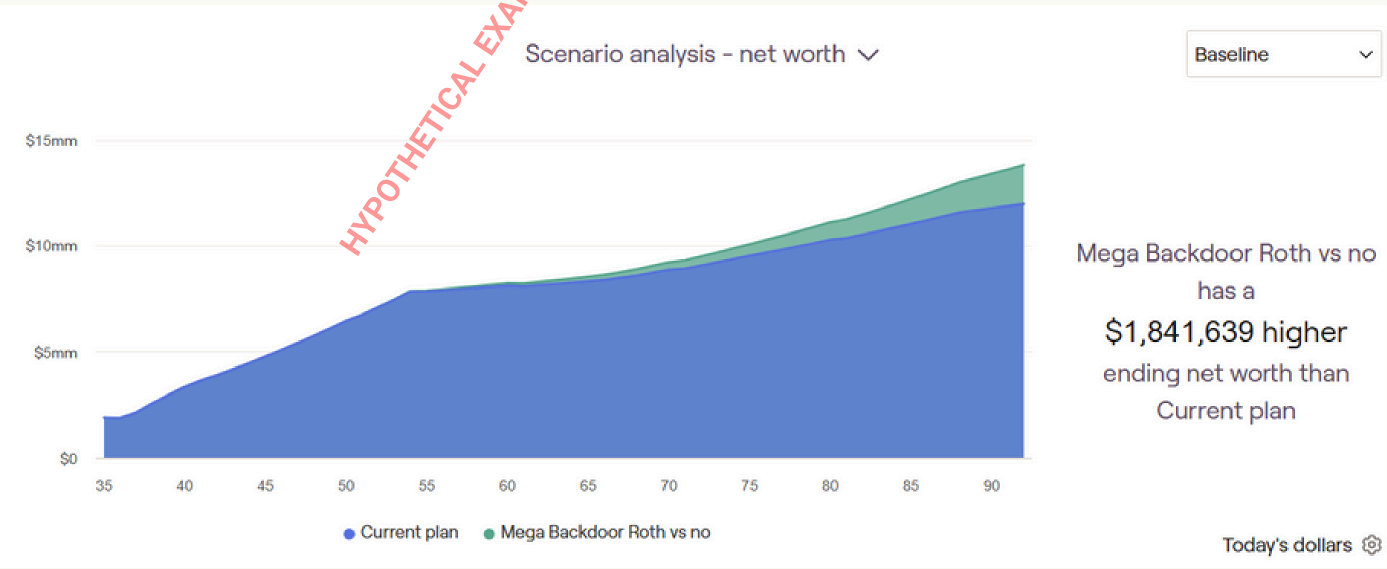
+$563,800 benefit from maximizing Backdoor Roth contributions (today's dollars)

Tax Planning - Mega Backdoor Roth IRA

Notes

- If you have the cash flow to support a strategy like this, it can be quite powerful:
    - Normally, you can only put a relatively small amount of after-tax money into a Roth (via regular Roth IRA contributions)
    - But with the Mega Backdoor Roth, you use your plan's after-tax 401(k) bucket to contribute well beyond the usual Roth limits
- Once in Roth form, those funds compound without any tax drag (tax drag of 0.5% per year). Over 20+ years, that difference is substantial.
- Also, Roth offers flexibility to access funds without penalty if you need it
    - While better for long-term savings, the Roth has many flexibility advantages (e.g., tap into in a pinch, etc)
- Since you're relatively young, maximizing this consistently over your working career will help you amass an additional **+$1,841,639 in net wealth (today's dollar equivalent)**
- Conversions into Roth IRA (including backdoor and Mega backdoor) must be in place for 5 years to avoid penalty (even on contribution)

Maximize Mega Backdoor Roth vs Don't - Ending Assets ($)



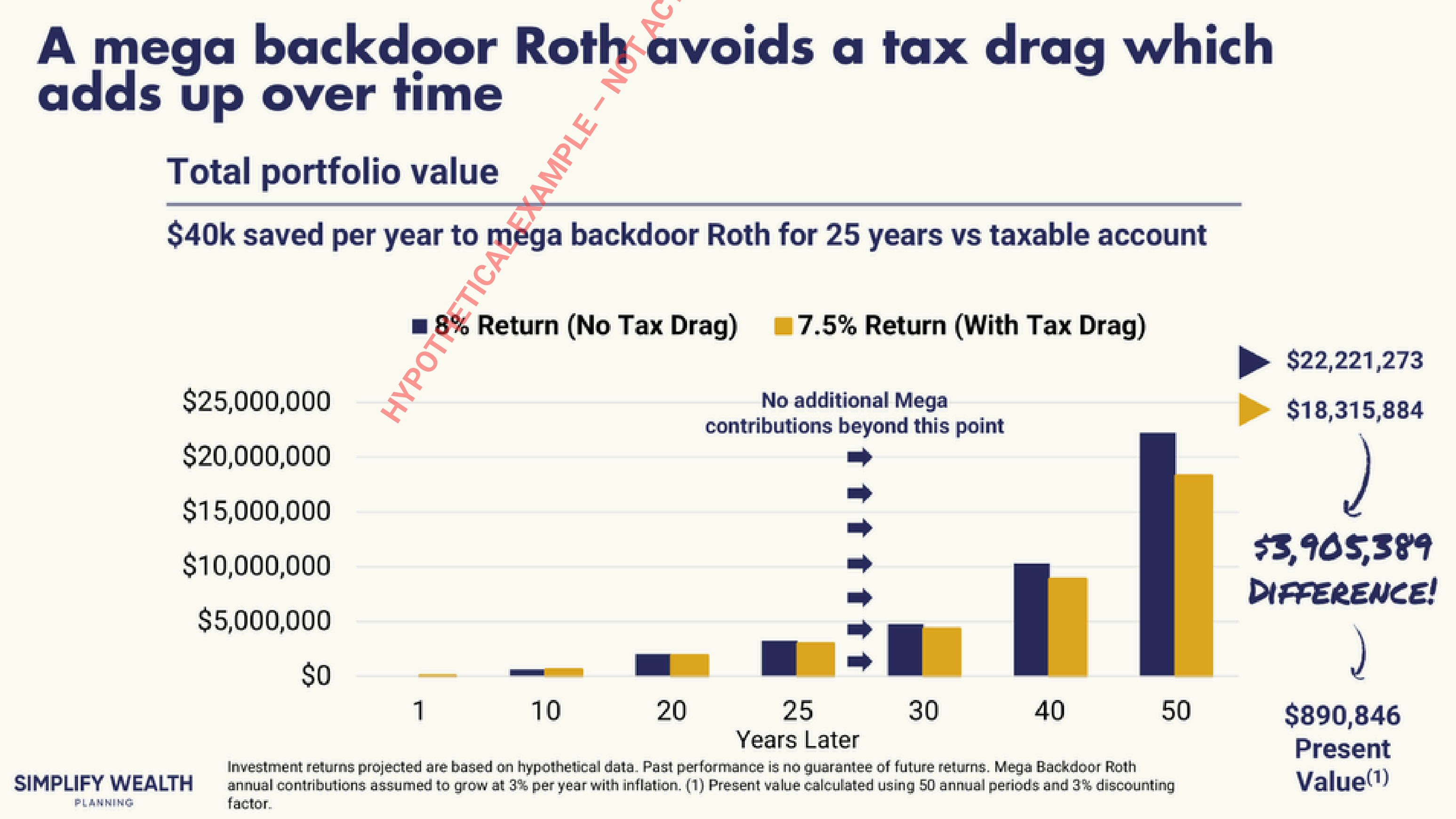
Mega Backdoor Roth vs no has a $1,841,639 higher ending net worth than Current plan

+$1,841,639 benefit from maximizing Mega Backdoor Roth contributions (today's dollars)

Conceptually Understanding Mega Backdoor Roth

Tax shelter benefit

- The central concept with a Mega Backdoor Roth is that if you have excess cash flow, which you might otherwise put into a taxable brokerage account (taxed each year), you could take advantage of the ~0.5% tax shelter and enhance your wealth
- Also, Mega Backdoor Roth can receive much larger sums of money ~$40k+ per year, which makes the benefit very compelling
- The idea is that you take advantage of this during your working years and then continue to allow compounding to work in your favor.



A mega backdoor Roth avoids a tax drag which adds up over time

Total portfolio value

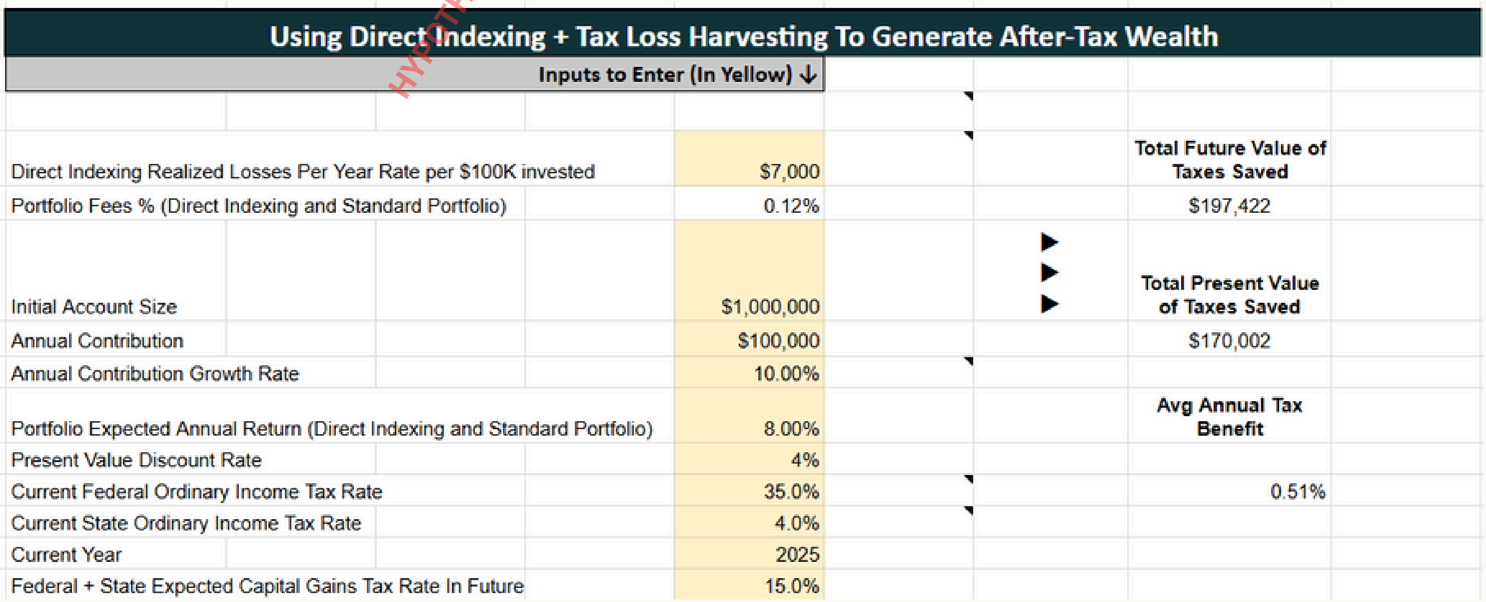
$40k saved per year to mega backdoor Roth for 25 years vs taxable account

Investment returns projected are based on hypothetical data. Past performance is no guarantee of future returns. Mega Backdoor Roth annual contributions assumed to grow at 3% per year with inflation. (1) Present value calculated using 50 annual periods and 3% discounting factor.

Tax Loss Harvesting (TLH) - Crucial For High Earners

Notes

- This is crucial for people with excess cash flow who continuously add contributions to taxable accounts
- **Why It's So Powerful:**
    - The value of TLH hinges on three foundational components:
        - 1. The ability to generate losses and convert losses into tax savings
        - 2. The benefit received is directly proportional to the market return you can achieve by reinvesting the tax savings
        - 3. The optimal behavior includes harvesting losses daily, making consistent contributions, and harvesting in a direct-indexed portfolio
    - **For a high-income client who realizes ongoing short-term gains (RSU sales, ESPP dispositions, rebalancing trades, etc.), the marginal tax savings on each harvested dollar can be well north of 35%. This is key. That's why booking short-term losses is valuable.**
- **Where it can backfire:**
    - If the investor expects their tax rate to be higher in the future, any harvests may only subtract value.
- In your case, pursuing this while being high-earning, a tax loss harvesting strategy in your taxable account via a direct indexing portfolio could net you approx. +0.51% of additional after-tax benefit per year
    - When evaluated over the next 10 years, this equates to ~$170k benefit in today's dollar equivalent



Using Direct Indexing + Tax Loss Harvesting To Generate After-Tax Wealth

Inputs to Enter (In Yellow) ↓				
Direct Indexing Realized Losses Per Year Rate per $100K invested	$7,000		**Total Future Value of Taxes Saved**	
Portfolio Fees % (Direct Indexing and Standard Portfolio)	0.12%		$197,422	
Initial Account Size	$1,000,000	▶ ▶ ▶	**Total Present Value of Taxes Saved**	
Annual Contribution	$100,000		$170,002	
Annual Contribution Growth Rate	10.00%			
Portfolio Expected Annual Return (Direct Indexing and Standard Portfolio)	8.00%		**Avg Annual Tax Benefit**	
Present Value Discount Rate	4%			
Current Federal Ordinary Income Tax Rate	35.0%		0.51%	
Current State Ordinary Income Tax Rate	4.0%			
Current Year	2025			
Federal + State Expected Capital Gains Tax Rate In Future	15.0%			

Tax Monitoring - Keeping Track Of Tax Payments

Notes

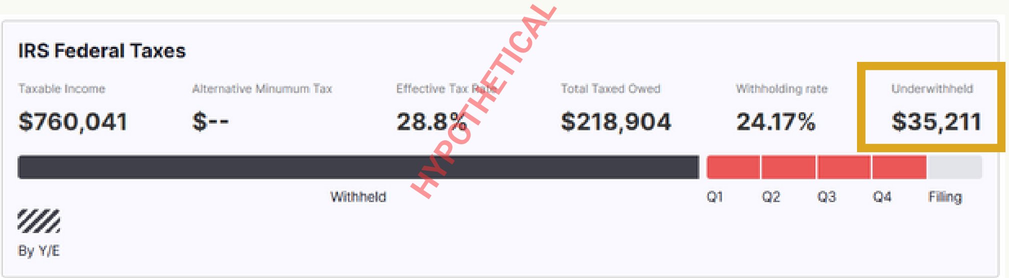
- We leverage your paystubs and investment account statements throughout the year to understand where you're tracking from a tax standpoint
- This helps us understand how much tax you've withheld for in your paychecks and how much you might be short/over
- **This is important for the following reasons:**

1. It helps avoid a surprise at tax time
2. It helps to avoid underpayment penalties
3. It gives us more flexibility in deciding which shares to target for sales, etc

In case of underpayment, we help guide clients on increasing paycheck withholdings to get back on track and/or making estimated tax payments directly to the IRS

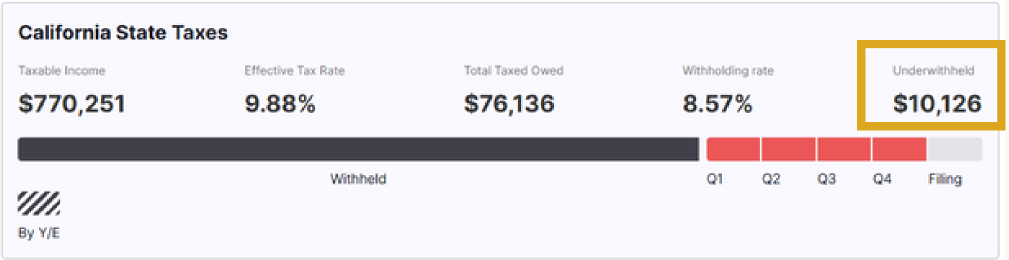
Tax Summary for 2025

Taxable Income	Net Self-Employment Income	Alternative Minumum Tax	Total Taxes Owed	Total underwithheld
$760,041	$--	$--	$295,040	$45,338



IRS Federal Taxes

Taxable Income	Alternative Minumum Tax	Effective Tax Rate	Total Taxed Owed	Withholding rate	Underwithheld
$760,041	$--	28.8%	$218,904	24.17%	$35,211



California State Taxes

Taxable Income	Effective Tax Rate	Total Taxed Owed	Withholding rate	Underwithheld
$770,251	9.88%	$76,136	8.57%	$10,126

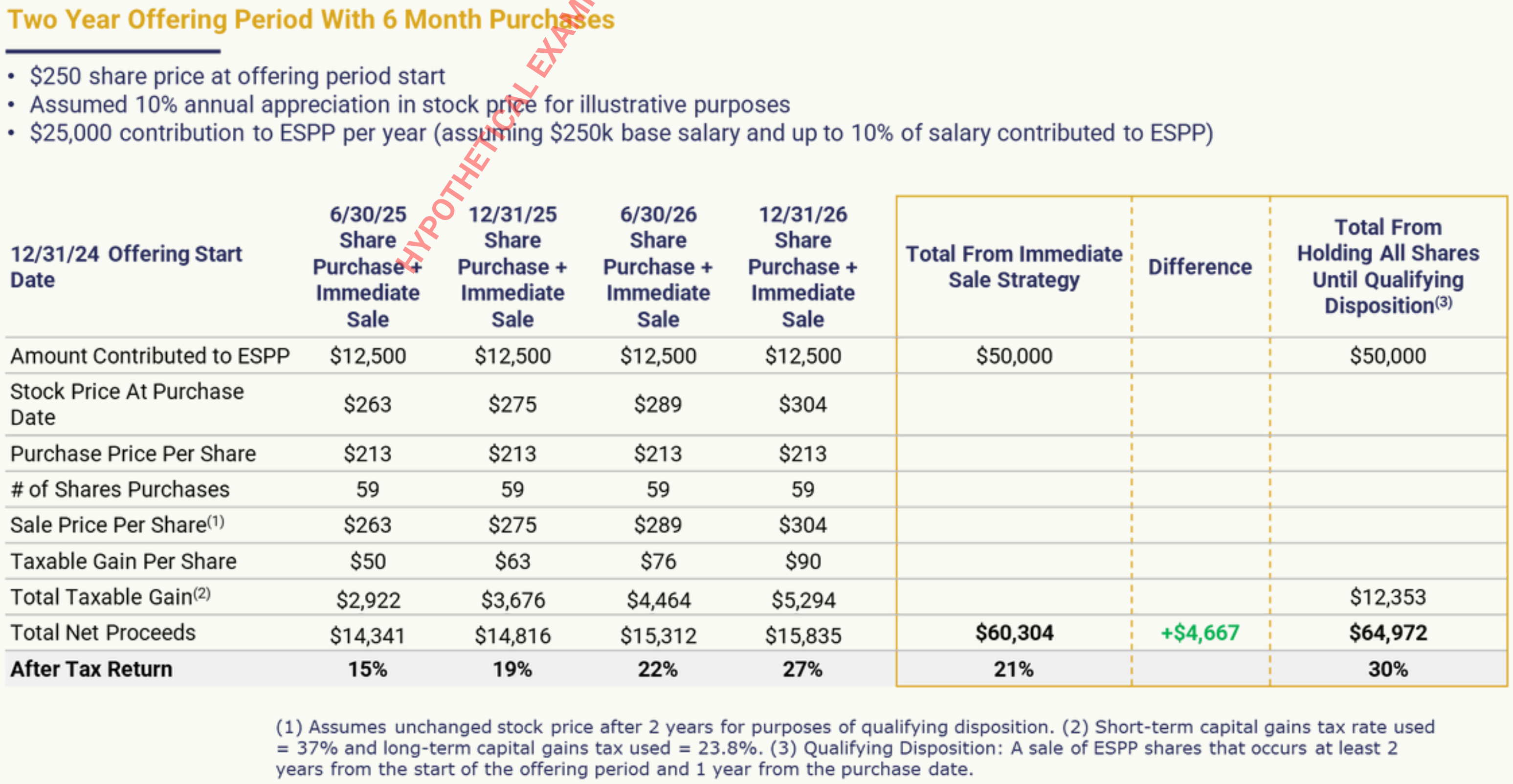
Tax Schedule

☐ Due Apr 14 2025	Q1 Federal	$8,803
☐ Due Apr 14 2025	Q1 State	$2,532
☐ Due Jun 14 2025	Q2 Federal	$8,803
☐ Due Jun 14 2025	Q2 State	$2,532
☐ Due Sep 14 2025	Q3 Federal	$8,803
☐ Due Sep 14 2025	Q3 State	$2,532
☐ Due Jan 14 2026	Q4 Federal	$8,803
☐ Due Jan 14 2026	Q4 State	$2,532
☐ Due Apr 15 2026	Filing Federal	$0
☐ Due Apr 15 2026	Filing State	$0

ESPP Participation

Key Points

- **Company XYZ offers a 15% discount on company stock via the ESPP for employees**
- The two strategies to pursue:
  - **Option 1 (immediate sale):** take the immediate gain during each purchase period and sell as soon as your trading window opens
    - Pro: Lowest risk from a concentrated stock standpoint
    - Con: Not as tax-efficient as holding until long-term gains can be captured
  - **Option 2 (qualifying disposition):** Qualifying Disposition is a sale of ESPP shares that occurs at least 2 years from the start of the offering period and 1 year from the purchase date.
    - Pro: Locks in more favorable tax treatment
    - Con: Riskier from a stock concentration standpoint, and potential stock price decline, although the long lookback period can help a lot with reducing risk
- By maxing out the usage of the ESPP, you can enhance your plan's net wealth by +$196,022 (today's dollar equivalent)



Two Year Offering Period With 6 Month Purchases

- $250 share price at offering period start
- Assumed 10% annual appreciation in stock price for illustrative purposes
- $25,000 contribution to ESPP per year (assuming $250k base salary and up to 10% of salary contributed to ESPP)

12/31/24 Offering Start Date	**6/30/25 Share Purchase + Immediate Sale**	**12/31/25 Share Purchase + Immediate Sale**	**6/30/26 Share Purchase + Immediate Sale**	**12/31/26 Share Purchase + Immediate Sale**	**Total From Immediate Sale Strategy**	**Difference**	**Total From Holding All Shares Until Qualifying Disposition⁽³⁾**
Amount Contributed to ESPP	$12,500	$12,500	$12,500	$12,500	$50,000		$50,000
Stock Price At Purchase Date	$263	$275	$289	$304			
Purchase Price Per Share	$213	$213	$213	$213			
# of Shares Purchases	59	59	59	59			
Sale Price Per Share⁽¹⁾	$263	$275	$289	$304			
Taxable Gain Per Share	$50	$63	$76	$90			
Total Taxable Gain⁽²⁾	$2,922	$3,676	$4,464	$5,294			$12,353
Total Net Proceeds	$14,341	$14,816	$15,312	$15,835	**$60,304**	**+$4,667**	**$64,972**
After Tax Return	**15%**	**19%**	**22%**	**27%**	**21%**		**30%**

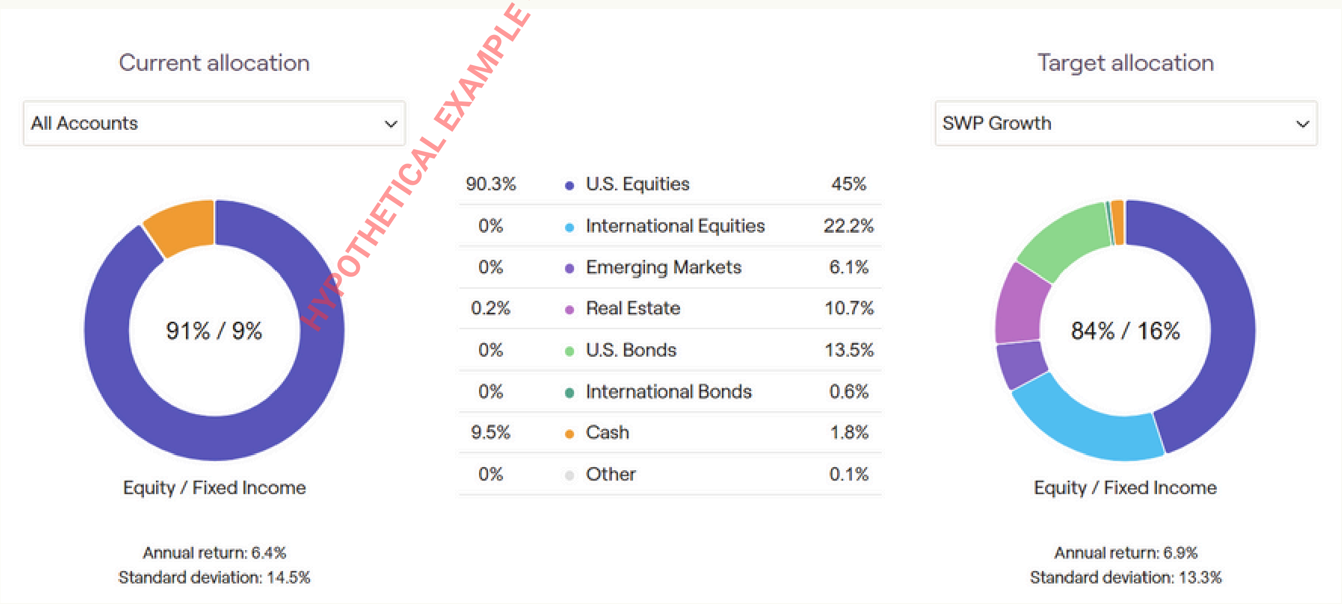
(1) Assumes unchanged stock price after 2 years for purposes of qualifying disposition. (2) Short-term capital gains tax rate used = 37% and long-term capital gains tax used = 23.8%. (3) Qualifying Disposition: A sale of ESPP shares that occurs at least 2 years from the start of the offering period and 1 year from the purchase date.

Investments Overview

Notes

- While you're in your prime working years, focusing on a portfolio which can help maximize growth is a good approach to take
- While your portfolios are generally following this today, they can be optimized a bit further, such as by providing more diversification, inflation protection and seeking the TLH and direct indexing approach discussed earlier to enhance your after-tax returns (this part not able to be modeled into the RightCapital analysis)

Current Asset Allocation vs Proposed



90.3%	● U.S. Equities	45%
0%	● International Equities	22.2%
0%	● Emerging Markets	6.1%
0.2%	● Real Estate	10.7%
0%	● U.S. Bonds	13.5%
0%	● International Bonds	0.6%
9.5%	● Cash	1.8%
0%	● Other	0.1%

Current allocation: Annual return: 6.4%
Standard deviation: 14.5%

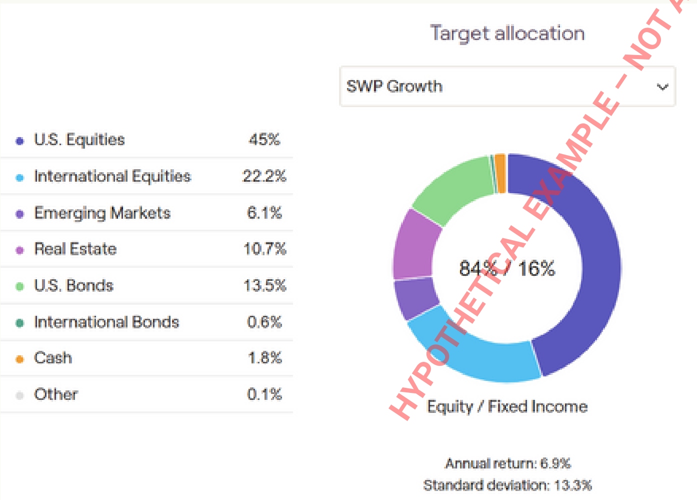
Target allocation: Annual return: 6.9%
Standard deviation: 13.3%

Investments Overview

Notes

- Based on your risk assessment, you're geared towards an equity-heavy, growth portfolio
- Since you don't have many large near-term liquidity needs, largely pursuing a growth portfolio (with appropriate diversification and strategic hedges) can be achieved
    - We'll want to be mindful of any tax implications in your taxable accounts as we transition to a long-term strategy
    - We'll also want to be strategic with asset location (which type of assets you hold in which account type)
- See investment policy statement for additional recommendations on 529 plan portfolio

Proposed Asset Allocation and Asset Location

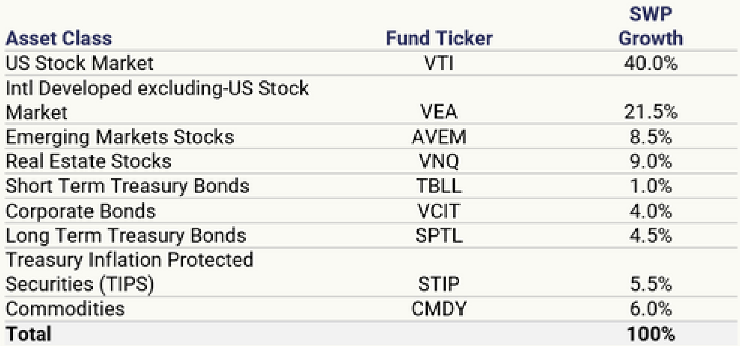


Target allocation

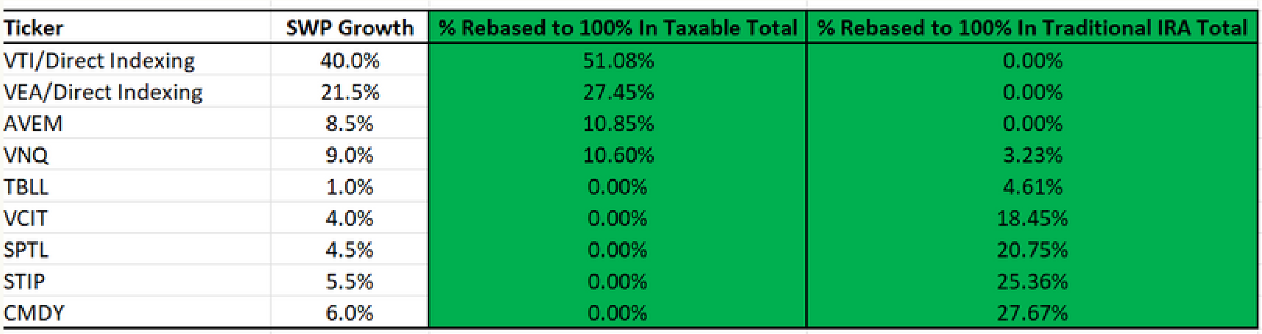
SWP Growth

● U.S. Equities	45%
● International Equities	22.2%
● Emerging Markets	6.1%
● Real Estate	10.7%
● U.S. Bonds	13.5%
● International Bonds	0.6%
● Cash	1.8%
● Other	0.1%

Annual return: 6.9%
Standard deviation: 13.3%



Asset Class	Fund Ticker	SWP Growth
US Stock Market	VTI	40.0%
Intl Developed excluding-US Stock Market	VEA	21.5%
Emerging Markets Stocks	AVEM	8.5%
Real Estate Stocks	VNQ	9.0%
Short Term Treasury Bonds	TBLL	1.0%
Corporate Bonds	VCIT	4.0%
Long Term Treasury Bonds	SPTL	4.5%
Treasury Inflation Protected Securities (TIPS)	STIP	5.5%
Commodities	CMDY	6.0%
Total		**100%**

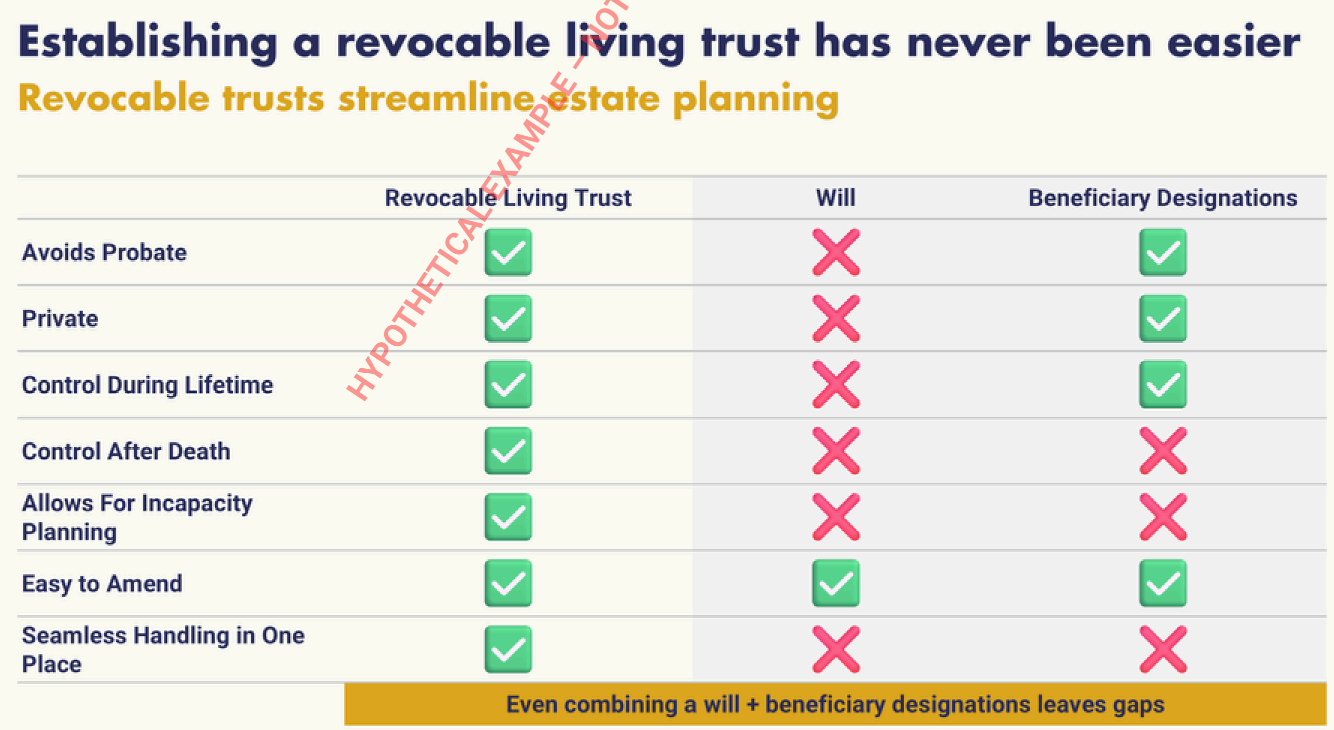


Ticker	SWP Growth	% Rebased to 100% In Taxable Total	% Rebased to 100% In Traditional IRA Total
VTI/Direct Indexing	40.0%	51.08%	0.00%
VEA/Direct Indexing	21.5%	27.45%	0.00%
AVEM	8.5%	10.85%	0.00%
VNQ	9.0%	10.60%	3.23%
TBLL	1.0%	0.00%	4.61%
VCIT	4.0%	0.00%	18.45%
SPTL	4.5%	0.00%	20.75%
STIP	5.5%	0.00%	25.36%
CMDY	6.0%	0.00%	27.67%

Estate Planning - The Value To You

Notes

- Through a platform I use, EncoreEstate Plans, you can set up common estate planning documents in a seamless manner (revocable living trust, last will, living will, power of attorney, and appointment of health care proxies) for ~$600
    - The benefit is that all the docs are then centralized in one place and any making changes is easy
    - EncoreEstate also provides access to live attorney support at competitive rates in case you have more detailed questions
- We partner with EncoreEstate Plans, who is going to draft the documents. My job is to help you more clearly understand what your estate planning goals are. Someone else is going to do the actual legal document drafting.
    - It's important to ensure assets moved into a trust are titled properly and that you don't inadvertently retitle assets such as 401k, IRA, HSA into a revocable trust, as that would be considered a taxable distribution



Establishing a revocable living trust has never been easier

Revocable trusts streamline estate planning

	Revocable Living Trust	Will	Beneficiary Designations
Avoids Probate	✓	✗	✓
Private	✓	✗	✓
Control During Lifetime	✓	✗	✓
Control After Death	✓	✗	✗
Allows For Incapacity Planning	✓	✗	✗
Easy to Amend	✓	✓	✓
Seamless Handling in One Place	✓	✗	✗
	Even combining a will + beneficiary designations leaves gaps		

I am not an attorney and Simplify Wealth Planning does not provide legal services. Our role is to help you articulate your estate-planning goals and to store completed documents in your financial plan. All legal documents are prepared by you directly through EncoreEstate Plans or outside attorney licensed in your state, where applicable. We encourage you to consult independent counsel before executing or relying on any estate-planning documents.

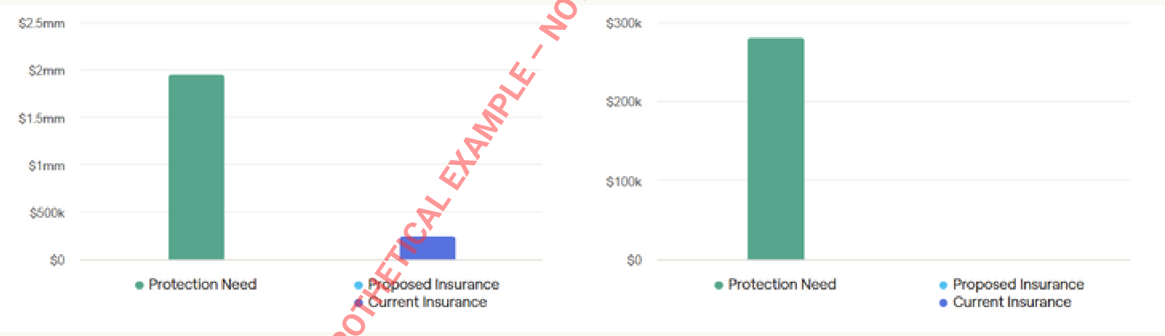
Insurance Coverage Optimization - Life

Key Points

- Based on current projections, and for solving for reaching all of your financial goals, current life insurance coverage is not sufficient
  - The purpose of life insurance is to protect your ability to generate income from a premature death (30 years worth of income potential in your case)
  - Term life insurance is a great solution for this and is generally affordable
- However, life insurance can also be used to preserve a certain lifestyle for your family afforded to them via your paycheck
  - Preserving lifestyle often encompasses the ensuring goal route and typically requires more coverage
- Jimmy has some coverage through his employer, but our analysis indicates he needs to increase coverage from $250k (employer provided) to around $2M
- Our recommendation for Jennifer is $300k in term life insurance coverage

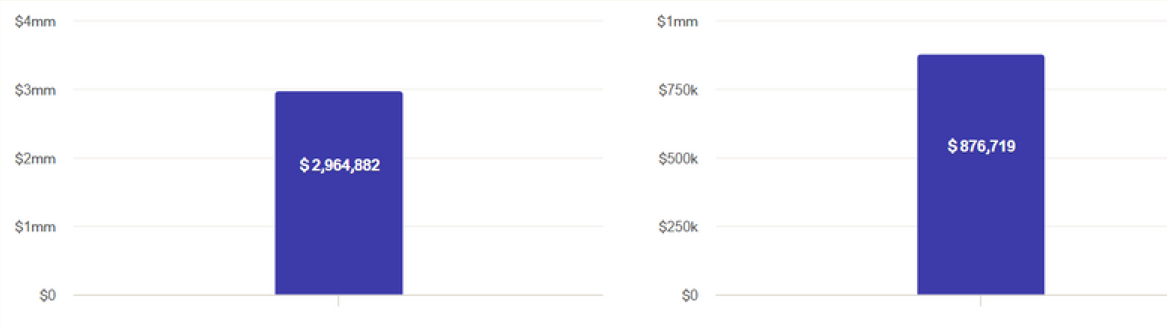
Life Insurance Analysis - Goals Coverage

Jimmy **Jennifer**



Life Insurance Analysis - Lifestyle Preservation Coverage Needed

Jimmy **Jennifer**

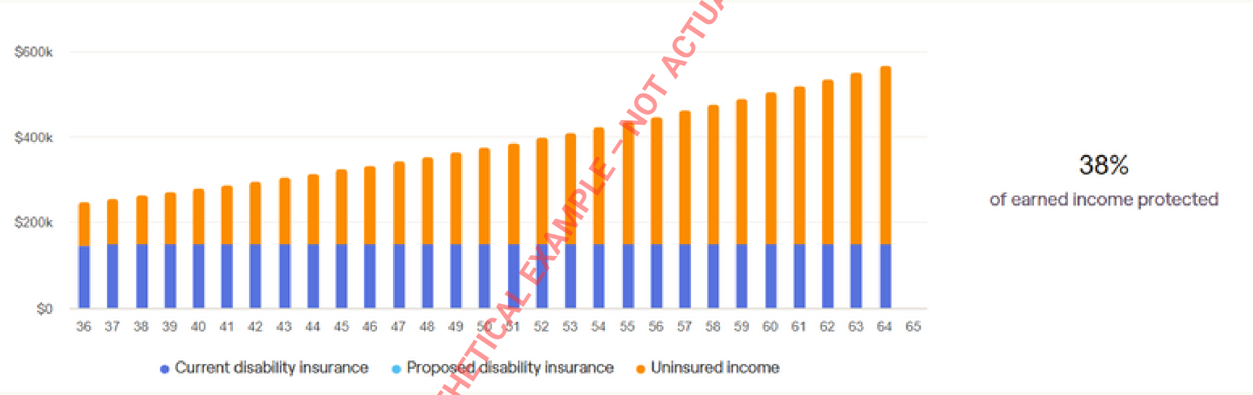


Insurance Coverage Optimization - Disability

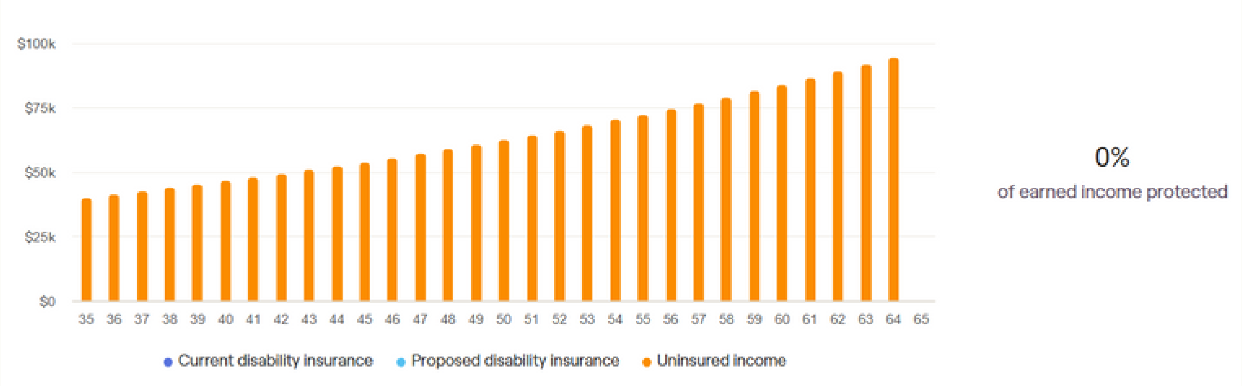
Key Points

- Jimmy currently has disability insurance through work, with a 38% coverage ratio. Since the employer pays for the insurance, the 60% benefit does not have an inflation adjustment and thus makes it net out to 38%
    - Also, when the employer pays, the benefit is taxable, so that is also a factor to consider
    - We should inquire around whether the employer would allow you to pay the premiums, which would then make the benefit tax free (and any subsequent changes to coverage if they allow it); otherwise, we should explore supplementary coverage
    - We can discuss Jennifer’s coverage, but individual plans can be expensive

Disability Insurance Income Coverage - Jimmy Disabled Tomorrow



Disability Insurance Income Coverage - Jennifer Disabled Tomorrow

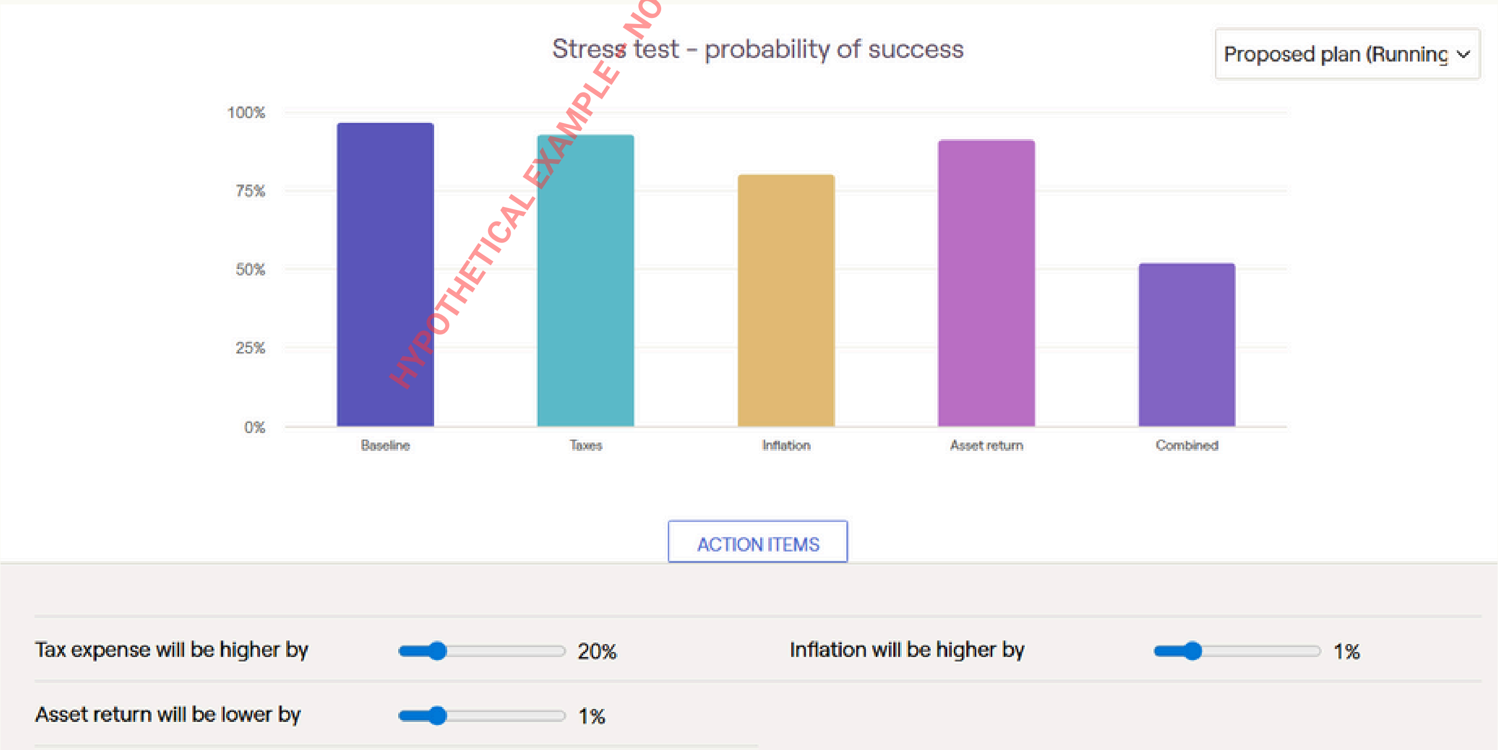


Stress Testing

Notes

- It’s imperative to stress test your financial plan for potential challenges, such as anemic market returns, higher inflation, higher taxes, or many factors combined.
- Our stress test shows that for any singular factor that were to hit, there is very little chance of your plan not working out
- If many of the factors were to happen simultaneously, the plan’s probability of success could fall from 96% to closer to 52%
    - 52% is still a solid figure to target in a very stressed scenario

Stress Test Results - Probability of Succes



Tax expense will be higher by 20%

Inflation will be higher by 1%

Asset return will be lower by 1%

Success Probability Changes With Earlier Retirement

Notes

- The changes below assume all recommendations previously outlined are implemented and the only changes are the projected retirement age
- Results are based on straight-line projections and do not include what would happen if the retiree would face prolonged stressed market conditions
- The results show that Jimmy retiring between ages 50-55 is a realistic proposition
    - It will reduce your margin for error, but based on non-stressed conditions, it should be achievable

	Current **Jimmy Retires at age 55** **Jennifer Retires at age 45**	**Proposed** **Jimmy Retires at age 50** **Jennifer Retires at age 45**	**Proposed** **Jimmy Retires at age 45** **Jennifer Retires at age 45**
Probability of Success	97%	78%	38%
Projected Ending Assets (Today's $)	11,943,069	5,655,153	$0