

Challenge

Sam and Sarah Smith, a couple in their mid-60s, were nearing their retirement. They worked hard most of their lives and saved diligently. They accumulated a comfortable nest egg of about \$2 million, primarily through their company retirement plans. Although they have conscientiously saved money and their 401(k) plans have been profitable, Sam and Sarah were worried about outliving their funds. They were also concerned about how to transition from earning a steady paycheck to generating a retirement income stream from their savings. They had dreams of traveling the world and helping their grandchildren pay for college, but they wondered if achieving these goals would be possible. They asked questions such as “How much can we spend each year without running out of money?” and “Do we have enough money to support ourselves, pay for travel expenses, and help pay for our grandchildren’s college tuition?”



Recommendation

The Smiths were confused because they heard different opinions about how to invest. Their insurance agent recommended that they put their nest egg into an annuity that would provide income for the rest of their lives. A co-worker told them about his stock investments that were yielding 12% to 15%. A friend explained that there are many fees and commission payments associated with annuities and that high yield stocks are very risky, with the potential to incur substantial financial losses. Another trusted friend suggested that they get professional advice from a NAPFA fee-only advisor.

Sam and Sarah searched online and found Allodium. They contacted us for an initial consultation to evaluate their situation. We learned that Sam and Sarah didn’t want the hassle of managing their finances. They just wanted to enjoy their retirement. Allodium developed a comprehensive financial plan and investment strategy to provide them with retirement income for life that would outpace inflation. The investment strategy utilized low-cost mutual funds and ETFs to create a globally diversified portfolio that would efficiently grow their wealth over the course of their retirement years.

Result

The Smiths agreed with our suggestions. Allodium set up a monthly deposit directly into their bank account with the potential to increase in the future to offset inflation. For the first five years, we added an additional amount to the budget per year so they could fulfill their dream of traveling. We also presented several options for saving towards their grandchildren’s college education. Sam and Sarah chose to make annual contributions to a 529 plan to achieve this goal. Once Sam and Sarah understood the comprehensive financial plan, investment strategy, and how the distribution would be implemented, they felt very comfortable living within their monthly budget. After their first year of travel, they told us that it was liberating to know how much they could spend with a professional advisor to help them manage the details.

© 2022 Allodium Investment Consultants

This Case Study is a fictional scenario to illustrate the potential benefits of working with an Investment Advisor. Each investment plan should be tailored to a client's individual circumstances and therefore will generate unique outcomes. This Case Study is for informational purposes only and is not intended to be relied upon as an investment recommendation.