



## Case Study: Empty Nesters with Their Eye on Retirement



### Summary of Services Provided

- Refocusing their priorities and bringing current their financial plan
- Cash flow replacement strategies
- Tax-efficient strategic asset location
- Retirement geography analysis
- Multi-generational financial advisory

*For more information,  
please contact:*

Marc Horner, CFP®, CIMA®  
Wealth Advisor  
President  
mhorner@fairhavenw.com  
630.990.9000



### Wealth Management

Last spring, a couple's youngest child graduated from college and started his first job. Also, their oldest child and her husband recently welcomed the arrival of twin baby girls. With their children out of college and developing their own careers and families, this couple now has the time to re-focus on their own future. While they have been diligent savers, raising and educating a family has had its demands and they are unsure about their retirement preparedness. We advised them to update their financial plan which should focus on accomplishing five primary goals:

- 1) To confirm they are on track to meet their retirement income goals;
- 2) To understand more specifically how their paychecks will be replaced in retirement;
- 3) To consider financial and non-financial factors in their geographical location in retirement;
- 4) To update their estate plan, especially with the arrival of their first grandchildren;
- 5) To help their children establish their own financial planning priorities and goals.

### Solution

Fairhaven worked closely with the couple to help them understand the probability of achieving their retirement income goals with the use of Monte Carlo analysis. We also explained an alternative financial planning strategy designed to create more specific sources of cash flow, rather than solely rely on probabilities. Sometimes referred to as a "bucket" approach to retirement planning, we discussed the role of bond ladders in helping re-produce regular cash flow similar to the paychecks they have become accustomed to during their 30+ year working careers.

Through a review of their overall balance sheet, we identified opportunities to simplify. By consolidating the number of accounts and institutions with which the couple worked, we were able to help the couple more accurately monitor and manage their overall asset allocation and portfolio risk.

We reviewed their overall asset allocation and uncovered opportunities to be more strategic and tax-efficient with asset location decisions. We worked closely with their estate planning attorney in updating their estate plan documents, including establishing appropriate 529 plans for each of the couple's new grandchildren.

With a range of state income tax rates, we updated their financial plan and included scenarios assuming different states of residence throughout their retirement.

We worked with each of the couple's adult children in establishing their own financial plans. We communicated the importance of asset allocation and the role of Roth IRAs and Roth 401(k)s in diversifying their income tax exposure. For their daughter and son-in-law, we discussed the role of life insurance, and educated them on the relative advantages and disadvantages of term and permanent insurance. Finally, we helped them connect with and evaluate mortgage providers for the purchase of their first home.

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