ACP

Alliance of Comprehensive Planners

ACP 2019 Case Study Information

Introduction

Below is a case study of a fictional family named the Petersons. They represent an upper middle-class family in their late 30s early 40s who live in Nevada. In addition to tax analysis via common tax forms contestants should identify significant issues and inconsistencies in the Person's current financial plan.

Background

Names:

Jim Peterson (36)- Unemployed/Starting a Business

Susan Peterson (41)- Pediatric Surgeon

Children:

Amber Peterson (15)

Andrew Peterson (13)

Susan currently works for the Community Hospital where she is a W-2 employee. Her salary is $500,000 per year. She commonly spends between 65 and 75 hours a week operating on sick and helpless children throughout the regional hospitals. She makes a substantial income, but the money still seems to leave as quickly as it comes. The hospital covers all the family's medical and dental and vision insurance. There are numerous employee benefits offered by the hospital that are confusing to Susan.

Jim is currently an unemployed computer security technician. He just opened the business of his dreams "Jim's Adventures" in, which is located on their property. Jim's first year self-employment income was $7,000. He says he is too busy to track driving miles for his business. He uses the dining room table as his office.

Jim is an avid outdoorsman and extreme sport enthusiast and just recently built a motocross course on the Peterson's 15-acre plot. His next ambition is to build a 35-foot rock climbing wall next to their pool. All of this is for his new business and to hopefully encourage young Andrew to put down the video games and get a bit more active.

Goals & Objectives

- Susan wants to review their current insurance policies to make sure they are prepared for unexpected events
- Jim would like to make sure that they have sufficient assets since he is not currently working and starting a business
- Education is very important to Susan and she would like to explore their options for funding their children's college education
- The Petersons feel like they pay an awful lot in taxes each year and would like to see if there are any tax-efficient strategies to reduce the amount they are paying
- Susan is somewhat worried about the financial situation in the event of her unexpected passing. She would like to have a way to provide for Jim while still reserving some assets to go directly to her children. Jim simply says "what's his is hers"

Insurance Information

Susan and Jim both have $500,000 Universal Life Insurance Policies that they purchased 10 years ago. Susan currently pays $1,400/yr and Jim pays $2,100/yr. Neither individual has disability income insurance or any type of business insurance, long term care insurance or any additional life insurance.

Tax Information

The Peterson's are currently in the 35% federal tax bracket (20% long-term capital gains tax rate). They live in a state with no income taxes.

Retirement Information

The Petersons currently have several traditional IRAs that they have accumulated over the years. Susan has two Traditional IRA accounts worth $110,000 and Jim has two Traditional IRA accounts worth $48,000.

Jim has a tax-deferred 401k plan from his previous employer worth roughly $114,000.

They have additional assets in a taxable account worth $575,000. Most of these assets were inherited last year from Susan's wealthy aunt.

The couple currently has no tax-exempt retirement assets.

Susan currently does not participate in her company's 401(k) or Cash Balance Plan that is available for partner physicians. Her colleague told her that the Cash Balance Plan was very risky. Jim has considered setting up a plan now that he is self-employed.

Investment Information

All of their IRA's are invested in cash. Their old advisor recommended that they go to cash after the market crashed in 2008.

The 401(k) has an allocation of 80% Equities and 20% Fixed Income.

The taxable account is comprised of a handful of individual stocks (stock tips from a few of Jim's high-tech friends) and Class A American Funds, none of which issue qualified dividends, and corporate bonds paying coupons semi-annually.

All excess cash flow is invested in the handful of individual stocks recommended to Jim. This amounts to approximately $5,000 per month.

Estate Information

Susan & Jim both have simple wills created naming each other as beneficiaries in the event of their death. These wills were drafted roughly 14 years ago when Susan was just finishing up medical school. They have no additional estate planning documents currently prepared.

ACP
Alliance of Comprehensive Planners

Case Study Tasks

1) Analyze tax organizer and complete the following forms:

- Form 1040
- Form 8960 (if applicable)
- Form 8959 (if applicable)
- Schedule A (if applicable)
- Schedule B (if applicable)
- Schedule C (if applicable)
- Schedule D (if applicable)

2) On a separate document conduct a SWOT analysis and list 4 of each:

- Strengths
- Weaknesses
- Planning Opportunities
- Financial or Non-Financial Threats

3) Utilize the check digit document while preparing the 1040 in order to verify progress

Alliance of Comprehensive Planners

Check Points

Line 1040 amounts are as follows:

Line 1	$500,000
Line 8	$34,625
Line 10	$514,325
Line 15	$130,917

ACP
Alliance of Comprehensive Planners

<u>Deadlines</u>

Announcement: **May 10**

Submission Deadline: **September 8**

Submission Review: **September 9 – September 29**

Submission Announcement: **September 30**

Conference: **November 12 –15**

Alliance of Comprehensive Planners
2601 Iron Gate Drive, Suite 101• Wilmington, NC 28412
Phone: 910-769-1569 •Fax: 910-523-5504
www.acplanners.org