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Maximizing the Financial Moment

His business thrives while ZWM plots a conservative growth strategy for the couple

The Client

Scott, age 44, is a business owner and his wife, Ellen, is a stay-at-home mother to their two children under the age of 10. After a five-year period of growing pains with the business, Scott finds himself at a stage where things are going very well. His business is thriving and he's accumulated most of the things he's aspired to own: a nice car, memberships to various exclusive clubs, a beautiful home in an affluent community on Chicago's North Shore, a boat and a second, lakefront home in Michigan.

Long through the acquisition stage, Scott has reached a point in his life where he's saving more than \$20,000 per month. He has occasionally dabbled in the stock market, based on a mixed bag of advice from friends and different financial advisors. But he did not have an overall investment plan that would ensure his financial assets were being put to the best use. He realized he needed more than

just a "financial advisor"; he needed a wealth manager – someone with the ability and skill to look at his complete financial situation, offer him sound financial advice, and ensure that the resulting actions were implemented and closely monitored. One of Scott's best friends referred him to Zimmerman Wealth Management.

The Goals

The main goal for Scott was to establish a personal investment plan that made sense for his – and his family's – particular situation. He also wanted someone knowledgeable to review his now-outdated estate plan, which had been put in place after the birth of their first child ten years earlier, before the change in his wealth status and in the estate tax laws. And he wasn't sure how much life insurance he needed, or what type of policy was appropriate, despite his brother-in-law's best efforts to sell him a variable life insurance

policy with a face value of \$5 million. Finally, Scott wanted to know if the 401(k) plan he put in place five years ago was still the best kind of plan for his employees, his business and himself.

Our Approach

Our first step in helping Scott achieve his goals was to analyze his current situation and provide him with a comprehensive financial plan that would help him understand the kind of wealth he could amass by age 60. As part of the overall planning process, we also reviewed his existing estate plan and helped Scott establish some new objectives that included minimizing his tax exposure and establishing a gifting program that would help fund his children's college education.

The planning process brought to light the need for a succession plan for his business, which has caused Scott to re-think a number of important is-

sues in his personal and business life. We are continuing to work on this aspect of Scott's financial life..

Finally, after consulting with Scott and his chief financial officer, we analyzed the structure and investment choices in the current 401(k) plan at the company. We determined that there are many new approaches to retirement plans that might benefit Scott, his employees and the company. As a result, we helped Scott and his CFO interview three new 401(k) providers in order to initiate a more up-to-date platform.

The Results

Through the planning process we concluded that, even were his business growth to slow down and/or plateau, Scott's personal wealth would amass to over \$15 million by the time he reached age 60. This knowledge made Scott and Ellen very comfortable with a more conservative investment plan. This was designed to give him a more diversified portfolio of equities that

put a greater proportion of his money into stocks of larger companies; his old, disjointed allocation had 60% of his assets in small growth companies. The new portfolio also allocated more of his assets to large-cap, mid-size and foreign stocks while maintaining an appropriate balance in small capitalization stocks.

His estate plan was updated, and as part of it Scott began an annual gifting program into a college savings plan for his children in the amount of \$22,000 per year per child. We also prepared a capital needs analysis, which projects the amount of money his family would need to maintain an appropriate lifestyle in the event of his death. This took into account the new estate plan and its impact on what the children would receive so that Scott could more accurately determine his life insurance needs. To this end, we obtained three different quotes from three different life insurance vendors (one of which was his brother-in-law) and consulted with

Scott on the policy design that best suited his needs. An appropriate policy with a \$3.5 million death benefit was then selected, which, combined with the couple's other assets, was sufficient to sustain his family.

As for the 401(k) plan for his business, we helped Scott's company choose a provider that offers ten different investment choices versus the previous plan's four, has online access to 401(k) account balances, 24/7 customer service, and a built-in loan provision for employees, a newly added benefit. The new 401(k) plan saves Scott's company more than \$8,000 a year.

Scott and his family now consider themselves well positioned for the future and fully confident that they are making the most of their assets for the near- and long-term. With this new financial peace of mind, they even felt comfortable enough to fund a much-needed renovation to the kitchen of their second home without losing a moment's sleep over the expenditure.