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# Sudden Immersion into Financial Decisions

*ZWM helps a divorcee with grown children take steps to quickly improve her financial acumen*

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## **The Client**

Kathy, age 53, is recently divorced with two single children, ages 20 and 25. Until they entered college, Kathy was a stay-at-home mom living in Chicago's North Shore suburbs. Before her marriage, she had worked for five years at a large company in Chicago's Loop. Recently, she's been volunteering a day a week for each of two charitable institutions.

She and her ex-husband divorced several months ago. He was the "breadwinner" and had handled all of the couple's financial matters. Kathy hadn't paid much attention to her husband's management of their finances, and now found herself in the position of having to take over that task for herself. Kathy's attorney, familiar with the work of Zimmerman Wealth Management (ZWM), referred her to Tom Zimmerman for wealth management advice and counsel.

## **The Goals**

Given her new situation, Kathy wanted to quickly gain a thorough understanding of her current financial position and a clear picture of what her new financial life would look like. She had received \$2.5 million in investments from the divorce settlement, and \$1 million from his retirement accounts. Additionally, she was now sole owner of their moderately sized North Shore home and a 50% owner of the family's vacation home in Vail, Colo. Her children are already financially independent — one is in college, with tuition covered by a trust established by her late parents; the other has established a very successful career path as an executive at a large, out-of-state manufacturing company.

Kathy's first order of business was to determine whether she could continue to support her current lifestyle

with her existing capital without returning to the work force full time. She also needed answers to a variety of questions: What are the financial implications of selling her share of the Vail home? Will she need to continue with her part-time job or switch to a full-time job? Should she start setting limits on her spending? Does she have enough working capital to cover her financial obligations in the event of a health emergency? Her goals in working with ZWM were to find out these answers, learn how to manage her existing assets and financial obligations and determine what steps were needed to ensure her long-term financial security.

## **Our Approach**

After an initial 90-minute fact-finding session, we set about to help Kathy identify her expenses, and then help install a system to monitor her spending over a specific time pe-

riod. This would enable us to clearly pinpoint the cost of her lifestyle. In this session, we learned that Kathy was not interested in becoming a “computer expert” but that she was willing to learn more about various programs. To help her get a handle on spending, we recommended Kathy hire an expert consultant on the software program Quicken, so she could not only keep track of, but also understand exactly where her money was going. This strategy gave Kathy a valuable tool that helped her better track her expenses. After this spending baseline was quantified, we could get to the serious planning that was needed.

### **The Results**

After a four-month analysis of her expenses, Kathy was able to provide us with a precise figure for her expenditures. This information gave us the raw materials for our detailed analysis

and allowed us to demonstrate how long her money would last if she kept spending the same amount each year without going back to work. Then, we “stress-tested” that initial projection by adding in variables such as lower returns on investments, higher inflation and an unexpected health-care event.

Those projections led to our design of a customized, more conservative investment plan for Kathy that provided the income stream she needed to support her new life. Investments were made in high quality bonds and her equity portfolio was realigned to reflect her concern for preserving her capital while providing a competitive rate of return.

The resulting analysis gave Kathy some options. For example, the projections showed that if Kathy sold her part of the home in Vail for its value

of \$1.2 million and took \$500,000 and bought a condo in an outlying area close to Vail, she would not have to go back to work unless she chose to. They also showed that by following these steps, Kathy could continue to keep and maintain her home on the North Shore and completely support her current lifestyle, comfortable in the knowledge that her financial future will be secure over time.

In the coming months, we will help her sort out the details of her estate plan, to make sure that all is in order. We will also examine all of her insurance policies to be sure that all of the potential risk management issues are covered.

And, as part of our ongoing service, we will continue to help Kathy become more familiar and more comfortable with her new financially-independent life.