Case Study: **Getting Off the Corporate Treadmill**

Wealth Management, Phase Two

Over a lunch meeting, Jim, a longtime client was sharing his experience with his recent annual performance review at work. As usual, his review went well. He had exceeded his goals for the year and the company was pleased with his leadership within the business unit. As a result, he maxed out his bonus and was awarded more stock grants. His review meeting ended as it usually did with a congratulatory handshake and a reset of his goals for the coming year. He left the meeting asking himself, "Is this it? Another 12 months of conference calls, office politics, time away from my family on business trips all to get more stock and a handshake…..and then do it all again?"

For the rest of lunch we discussed other goals he had for his career and his life – helping a young company with strategy and operational development, working in a not-for-profit with a mission of personal importance to both he and his wife, Mary, and teaching and coaching at their undergraduate alma mater. These weren't new ideas as they had regularly come up in our conversations over the years. But this time, the dialogue had a noticeably different tone of purpose. We concluded lunch by mutually deciding to re-work the family financial plan to design specific strategies to help move from talk to action. Specific action items included:

1) To accelerate his "retirement" date from his corporate career;
2) To evaluate income replacement strategies;
3) To consider healthcare insurance alternatives;
4) To review the role of their investment real estate properties;
5) To provide back-up sources of liquidity

The Fairhaven Solution

Development of an "exit strategy" introduced new significance to the financial planning process – Jim and Mary were considering breaking away from a 20+ year career that provided the family a financially comfortable lifestyle. Departing from that routine was a big change. Primary to them both was understanding clearly their future sources of income.

We first reviewed the distribution options of Jim's deferred compensation plan. Knowing this career change was a potential option one day, over the years we had continually evaluated the merits and risks of a lump-sum versus a laddered distribution plan. Because the law restricts how and when distribution options can be changed, our prior planning decisions paid off and this plan would provide a steady income for the first several years during the transition.

Mary owned several investment real estate properties through a limited liability company we had advised them to form. We reviewed re-allocating the excess cash flow from these properties from debt reduction to income replacement. We also reviewed their overall asset allocation and considered the introduction of a bond ladder within their fixed income investments to increase the predictability of their expected cash flow. *continued on page 2*

Summary of Services Provided

- Guide the translation of goals into a specific action plan
- Coordinate with tax advisors to develop a tax-efficient income replacement strategy
- Implement strategic financing vehicles
- Evaluate healthcare insurance alternatives
- Network with non-financial resources

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With the level and nature of their income expected to change, we coordinated with their CPA to evaluate the acceleration of deductible expenses into a higher income tax year. Jim also owned a lot of company stock with a low cost basis. To tax-efficiently diversify this stock exposure and accelerate the tax benefits of their philanthropy, we led the discussion and evaluation of Donor Advised Funds, including both national and regional, community-based providers.

Believers in the strategic use of debt, Jim and Mary carried modest mortgages on both their primary home and investment real estate properties. Also, they were comfortable with short-term, floating interest rates. We helped them understand how banks might evaluate differently their credit risk after Jim no longer had a steady source of income and that this might impair their ability to access traditional financing. While they still had access to the mortgage market, we encouraged them to consider locking-in longer term rates which provided them more predictability in their month to month cash needs. We also suggested establishing back-up sources of liquidity, including both a home equity line of credit and a securities backed credit line.

Healthcare insurance had always been provided by Jim's employer. We helped Jim and Mary understand COBRA coverage and its role as a short-term solution when exiting group insurance. Longer-term, we coordinated with insurance specialists to explore the individual insurance marketplace considering not just insurance premiums but also access to after hours and emergency care, coinsurance, copays and deductibles. We also helped Jim and Mary understand the role of Health Savings Accounts (HSAs).

Beyond financial planning and analysis, we connected Jim and Mary with a variety of professionals within our network. These included executive search consultants specializing in corporate board placement, commercial and investment bankers focused on small to mid-sized privately held companies, and university administrators.

Six months after that lunch meeting, Jim and Mary executed on their plan to move to "Phase Two".

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