Meet the Wallace Family

Steve, age 47

- Works as a master electrician for a local company, earning $80,000 per year
- This is a union job, so generous benefits and a pension
- Would like to retire and start taking Social Security at age 62

Emily, age 46

- Works as a paralegal, earning $64,000/year
- Job is stable, and she enjoys her work

Andrew, age 18

- Graduated from high school last year, and is finishing a “gap” year of volunteer work
- Is ready to begin some post-secondary education but still unsure of where his interests lie. He lives at home.

John, age 80

- Steve’s father, currently living in an independent living facility, although it looks like a step-up to assisted living is in the near future
- Steve provides $200 a month to supplement John’s Social Security and pension payments, although $200 will not be enough to afford the additional assisted living costs. Steve has no siblings.

Olivia, age 10

- Emily’s niece, of whom Steve and Emily have legal guardianship due to the death of her parents three years ago
- Olivia has a small trust fund in the amount of $10,000, earmarked for her college education
- Olivia is a very talented artist and has “designs” (sorry) that she’d like to go to the Chicago Art Institute (currently $53,000/year)

Financial Situation

Assets

- Steve and Emily’s house has a current market value of $560,000, with $396,000 of equity.
- They each have a car, as does Andrew. Steve’s truck is valued at $13,000 for trade-in or sale, Emily’s is valued at $23,000, and Andrew’s has little value, $3,000.
- Steve has a 401(k) through his company with a balance of $210,000. He contributes 3% of his salary. His company offers a 5% match. Emily also has

a 401(k) through her law firm, with a balance of $102,000. She makes sporadic contributions and the firm provides no match.
- Their joint savings account has a balance of $7,000, and their checking account has an average balance of $1,500.

Debts

- Steve and Emily bought their house in 2005 with a 5.5%, 30-year fixed mortgage. Their total, current monthly payments (P&I, insurance and taxes) are $2.022.
- Neither Steve nor Emily have any student loans.
- Both have credit cards. Steve's one card has an average of a $1,000 balance, while Emily's two cards have an average combined balance of $2,500.
- Emily's 2019 Subaru Forester has a balance of $4,370. Steve's 2015 Ford F150 truck is paid off.

Miscellaneous

- Steve's pension—at age 62—would pay him 50% of his ending salary.
- When Andrew was born Steve and Emily started a 529 plan for him but were not consistent with their contributions. The account has $5,700 in it.
- Both Steve and Emily have life insurance policies provided by their employers, with payouts of $100,000 and $75,000, respectively.
- Steve has good health insurance through his employer, insurance that will continue at the group rate once he retires. His insurance currently covers his family, but will revert to individual upon retirement. Emily has access to basic health insurance but has not used it since she's currently covered under Steve's plan.
- The family's three cars are insured with low-deductible policies for a combined cost of $490/month.
- They usually receive about $3,000 a year in income tax refund. They typically use this money for a family vacation.
- They are considering tapping into their home equity for both the current (and probably future) increased cost of care for John and to adequately support both Andrew and Olivia.

Goals

- Steve is very focused on retiring at age 62. He has had some health issues lately and wants to be able to enjoy his hobbies while his health still allows him to do so.
- One of Steve's hobbies is woodworking. He would like to set up a home woodworking space, outfitted with the tools he thinks he would need. He

estimates that cost would be $8,000. He would also very much like a new truck.

- Emily has not thought about a retirement date.
- They would like to accelerate their time to paying off their mortgage, so would like to begin adding to their monthly payments each month. The thought of owning their home free and clear has great appeal to them.
- They would like to help Andrew with his plans, as ambiguous as those are. They would also like to get him out of the house so he can learn how to become more independent. They are not opposed to financially helping him while he's attending whatever post-secondary institution he chooses to attend.
- They are committed to supporting John, Steve's father, throughout the rest of his life. The increase in cost for the step-up care is $300/month, bringing their contribution to $500/month.
- They are also committed to providing for Olivia. She has the trust fund, but they realize they would need to supplement that for her to be able to go to the Chicago Art Institute.
- They recognize that their retirement account balance may not be sufficient, especially if Steve retires at age 62.

Things to Consider

- Is Steve's desire to retire at 62 realistic? What adjustments would need to be made in their budget to allow for that?
- With Olivia still being so young, how do her needs and dreams figure into their retirement planning?
- How can Steve and Emily balance the needs of their children and Steve's father?
- How can Steve and Emily balance their own future retirement needs and their present needs?
- What should their current priorities be? Mortgage pay-down? Paying off Emily's car? Buying Steve a new truck? Providing support for John and/or Andrew?
- Is Olivia's dream of attending the CAI realistic?
- Once Emily's car is paid off, to what use(s) could that payment be directed?