# Single Mom

Meet Carrie, Planning for Mid-Life and Beyond

## Background

Carrie, a resident of Eugene, Oregon, is 39 years old and recently divorced. After dealing with the emotional and financial trauma of the divorce, Carrie has gained firmer footing now that she has re-established herself in a sales position with a mid-sized supplier of computer chip-making equipment.

The divorce decree gives her custody of the three children, all girls aged 13, 10, and 6. Carrie and her ex-husband sold their previous home and Carrie has settled into a four-bedroom home in the same neighborhood. The home is worth $398,000.

## Investment Profile

Carrie receives $2,200 in monthly child support payments, and her new job will pay her $165,000 plus bonuses. Her split of the taxable portfolio is $216,800 and she has a tax-deferred IRA valued at $173,000. Finally, Carrie has been the primary caregiver of her mother, age 92, who has been battling emphysema and was recently placed in a nursing home. Upon her mother's death, Carrie expects to receive approximately $450,000 as a beneficiary of her mother's estate.

## Wealth Planning

Carrie is responsible for 50% funding of her children's college education, and she has significant anxiety in funding her retirement given her family's historical longevity. Particularly, Carrie wants to have a solid long-term care funding plan for her later years having had the major emotional and physical burden of taking care of her mother.

The planning priorities are:

1. Education Funding
2. Retirement Income Planning
3. Long-Term Care
4. Minimize Taxes

## Investment Plan Execution

### Core Tactic

Invest $40,000 per year in an Advisor VUL® for four years (total premium of $160,000) with 65% being funded from her lifestyle budget and the remaining 35% as a reallocation from Carrie's taxable portfolio. Additional contributions of up to $250,000 will be made upon Carrie's inheritance. The initial death benefit is $1,199,070.

| Planning Priorities | Advisor VUL®'s Execution Benefits |
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| **Education** | • Life insurance is not considered in a family's financial aid calculation.<br>• There are no giving restrictions as with a 529 plan.<br>• No penalties are incurred to transfer balances if the allocated amount is larger than the actual college costs. |
| **Retirement Income Planning** | • Withdrawals from the policy's portfolio will be made to create an annuity-like income stream to supplement her social security income.<br>• Carrie will be able to begin the withdrawals at any age and adjust them as needed, if, for example, she downsizes her home and uses the net sale proceeds to pay her lifestyle expenses for several years.<br>• The resulting withdrawals will not be taxed as income as with an IRA.<br>• The policy's death benefit is built-in and not an expensive add on as would be the case with a deferred variable or fixed annuity. |
| **Long-Term Care** | • A basic, low cost LTC policy (e.g. assisted living; no inflation protection; funding limits; horizon limits) is funded through Carrie's annual budget.<br>• To address health care inflation, the VUL portfolio's tax-free growth potential will serve as the needed inflation protection (i.e. displacing the expensive LTC inflation rider).<br>• Should longevity or care requirements dictate, withdrawals from the VUL policy will be used to fund the difference between the LTC policy's funded care and what is desired. |
| **Minimize Taxes** | • Particularly important given Oregon's increasing income tax profile, the tax-free structure eliminates taxes on:<br>1. Portfolio income<br>2. Short- and long-term capital gains<br>3. Alternative minimum tax.<br>• Any investment receives tax-free treatment allowing for higher returning and higher income investments.<br>• There are no taxes charged for cash access used to support other planning needs or unforeseen circumstances, and this allows Carrie to reduce her emergency budget once her oldest daughter goes to college. |