Meeting Transcript - Retirement Planning Discussion

Client Consultation with Vantage Financial

Date: February 12, 2025

Location: Vantage Financial Office (Virtual Meeting via Zoom)

Attendees:

- Client: John Doe (Age: 58, Current Salary: $120,000/year)
- Financial Advisor: Sarah Thompson (Vantage Financial)
- Investment Specialist: Michael Carter (Vantage Financial)

Portfolio Analysis & Financial Ratios Meeting Transcript

[00:00] Sarah Thompson (Vantage Financial): Good afternoon, John. Today, we?ll analyze your current investment portfolio and discuss key financial ratios that determine your risk and return expectations. Let's begin with a summary of your asset allocation.

[00:30] John Doe: Sure. My portfolio consists of:

- **401(k):** $850,000 (70% equities, 30% bonds)
- **Roth IRA:** $210,000 (80% equities, 20% bonds)
- **Brokerage Account:** $150,000 (60% equities, 40% fixed income)
- **Total Portfolio Value:** $1,210,000

[01:30] Michael Carter (Vantage Financial): Given your retirement horizon of about 7 years, your allocation leans aggressive. Let's calculate some key financial ratios:

1. **Equity-to-Fixed Income Ratio:**
   - Total Equities: **$855,000** (70% of 401(k), 80% of Roth, 60% of brokerage)
   - Total Fixed Income: **$355,000** (30% of 401(k), 20% of Roth, 40% of brokerage)
   - **Equity Ratio:** 71%

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   - **Fixed Income Ratio:** 29%

2. **Portfolio Beta (Risk Level)**:

    - Your equity holdings have an average beta of **1.1**, meaning your portfolio is **10% more volatile than the market**.

3. **Current Yield (Income Generation)**:

   - Dividend Stocks Yield: **2.5% average**

   - Fixed Income Yield: **3.8%**

   - **Total Portfolio Yield:** 2.9% ($35,090 annual passive income)

4. **Safe Withdrawal Rate (SWR)**:

   - Using the **4% rule**, you could withdraw **$48,400 per year** without depleting your assets.

[03:00] Sarah Thompson: Your portfolio appears well-diversified but is slightly aggressive given your planned retirement age of 65. One consideration is rebalancing to a **60/40 equity-to-fixed-income** ratio to lower volatility.

[03:30] John Doe: That makes sense. What about risk-adjusted returns?

[04:00] Michael Carter: Good question. Let's look at two key metrics:

- **Sharpe Ratio (Risk-Adjusted Return):** 1.2 (above 1.0 is favorable)

- **Sortino Ratio (Downside Risk-Adjusted Return):** 1.5 (indicating better risk efficiency)

[05:00] Sarah Thompson: These indicate a **good return for the risk level**. However, as you near retirement, shifting toward income-generating assets?such as **high-yield bonds and dividend stocks**?could help stabilize cash flow.

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[05:30] John Doe: So, a possible action plan would be:

1. **Reduce Equity Allocation:** Shift toward 60% equities, 40% fixed income.
2. **Enhance Income Yield:** Invest in dividend-paying stocks and municipal bonds.
3. **Portfolio Risk Adjustment:** Reduce beta from 1.1 to 0.9 by adding defensive sectors.
4. **Tax-Efficient Withdrawals:** Use Roth IRA funds strategically to avoid high tax brackets.

[06:30] Michael Carter: Exactly. We?ll draft a portfolio adjustment proposal and send it within the next few days.

[07:00] John Doe: Sounds good. I appreciate the insights.

[07:30] Sarah Thompson: Great! We?ll follow up soon. Thanks, John.