Financial Planning Recommendation

Prepared for: Mike and Linda Thompson

Date: January 20, 2026

Re: Early Retirement Package Decision

Executive Summary

RECOMMENDATION: Accept the early retirement package.

The Firm's comprehensive analysis of your financials, goals and risk tolerance indicates that you are in a position to retire now with a high level of confidence. Based on the results of a Monte Carlo Simulation, our analysis shows you have a 96% probability that your portfolio will sustain your desired lifestyle until age 92.

Though accepting this early retirement package will result in approximately $350,000 less wealth over your lifetime than if you work until age 62, in exchange for giving you four additional years of freedom, you will also no longer have any risk to job security due to the announced layoffs at TechFlow.

Key Numbers at a Glance

Current Net Worth	$4.2 million
Retirement Assets (tax-deferred)	$1.97 million
Annual Spending Need	$115,000 (inflation-adjusted)
Pension Income (100% J&S)	$44,640/year
Social Security (combined at FRA)	$56,520/year
Healthcare Bridge Cost (9 years)	$195,000 total
Monte Carlo Success Rate	96%

Critical Decisions

Pension Options for Retirement: Select 100% Joint and Survivor Annuity

We recommend that you elect the 100% Joint and Survivor Annuity option (Option C) paying $3,720 per month, rather than the lump sum $892,000 or the Single Life Annuity paying $4,850 per month.

Rationale:

1. Provides you guaranteed income for your and your spouse's lifetime
2. Yields the highest net present value considering your spouse's longer life expectancy
3. Eliminates investment risk on this income source
4. The implied return hurdle for the lump sum option of 5.85% is feasible; however, it is subject to market risk.

Social Security Strategy for Retirees: Delay Mike until Age 70 and Claim Spousal Beneficiaries at Age 67

Mike should wait until he turns 70 years old to receive the maximum Social Security benefits of $3,910 per month versus $2,180 if he starts collecting at age 62. Linda should apply for spousal benefits at her Full Retirement Age (FRA) of 67, which is estimated to be approximately $1,575 per month.

This strategy provides the most total lifetime retirement income benefit and optimizes the most significant survivor's benefit to Linda if Mike passes before her.

Stock Options for Retirement: Exercise and Diversify The Option

You must exercise all vested and accelerated options within 90 days of separation from employment. At current market value, these options are worth about $228,000.

When you exercise your options, you should:

1. Set aside $70,000 for federal and state tax liability (ordinary income)
2. Reinvest $158,000 into your diversified investment portfolio
3. Do not maintain investment in TechFlow beyond the termination of your employment.

Tax Planning Opportunities

Roth Conversion Strategy

The time between the time you retire and age seventy, when you will start receiving Social Security and need to take required minimum distributions (RMDs), is a great opportunity for doing Roth conversions. You are likely to fall into lower tax brackets during these years than you would have been in your working years, as well as probably have a lower bracket than you will be in during your later years in retirement.

Recommendation: Convert $50,000 - $100,000 each year from a Traditional IRA/401(k) to a Roth IRA through the year 2033, keeping within the 22% federal tax bracket.

Advantages:

- Pay taxes today at 12-22%, rather than potentially 24%+ in the future

- Decrease size of future Required Minimum Distributions

- Tax-free growth and withdrawals for decades

- Roth withdrawals will not count against your taxable income when calculating Social Security.

Healthcare Bridge Strategy

Healthcare will be the highest risk expense prior to becoming eligible for Medicare. Therefore, we propose the following strategy:

From April 2026 - September 2027 (18 months): COBRA

- Estimated Cost: $1,090/month (in subsidized mode) and then $2,180/month (in unsubsidized mode)

- Total Cost: Approximately $26,000

From October 2027 - February 2032 (when Mike will have Medicare): ACA

- Estimated Costs: $1,900 - $2,100/month

- Must be careful to manage MAGI correctly for maximum subsidies

From March 2032+: Mike will have Medicare and Linda will continue with the ACA until September 2035.

HSA Strategy: Do not use the current balance of the HSA ($18,500) and allow it to continue growing without any tax ramifications until you need it to pay for Medicare premiums and qualified medical expenses in later years of retirement.

Key Risks and Contingencies

1. Risk of a Market Downturn

The greatest risk to your retirement is a serious drop in the stock market within the first five years of retirement. To lessen this risk, have at least two years' worth of living expenses available in cash or short-term bonds. If the stock market suffers a decline of over 20%, consider reducing discretionary expenses for a temporary period of time, and postpone gifts to children until after your investment portfolio has had a chance to recover from the decline.

2. Inflation of Medical Expenses

Medical expenses will be greater than what our calculations indicate. You have a contingency plan, in that the rental properties can potentially provide an emergency source of funds, if they are ever needed.

3. Insurance for Long-Term Care

You currently are self-insuring for long-term care. With assets of $4.2 million, this is a reasonable strategy, but we should re-evaluate the decision in 5-7 years. You may also want to consider the evaluation of a hybrid life insurance/long-term care insurance plan.

4. Life Expectancy

Our life expectancies assume that Linda lives to be 92 years of age. In the event that you or Linda live longer, the 100% Joint & Survivor pension and delayed Social Security benefits serve to protect against the risk of outliving your money. Our projections indicate that, at age 90 in the median scenario, there will be approximately $2.6 million remaining in the investment portfolio.

Action Items - Next 60 Days

PRIORITY ACTION PLAN

As Soon as Possible (by March 11):

Arrange to receive the Early Retirement Package; select the 100% Joint and Survivor Pension Option, and enroll in COBRA Health Insurance.

Within 90 Days After You Receive the Early Retirement Package:

1. Utilize all available Stock Options prior to the expiration date.

2. Re-direct the current 401(k) account to the Traditional IRA account that you have established at Fidelity Investments.

3. Verify and update all Beneficiary Designations for your different accounts.

4. Change the employer's Life Insurance Policy to an Individual Policy, or lapse the policy if you do not need it any longer.

Within Six Months After Receiving the Early Retirement Package:

1. Begin doing Roth Conversions for the planned amount of $50,000.

2. Review and update your Estate Documents. Wills were last updated in 2018.

3. Review and rebalance your Investment Portfolio to meet the target Investment Allocation(s) as determined by you.

Every Year You Should:

1. Review Your Action Plan and make adjustments as necessary.

2. Do a Roth Conversion every year until March 31, 2033.

Conclusion

Mike and Linda, you have saved a lot of money, and worked hard for it.

Now that you are ready to retire, you have earned the right to do so on your own terms, and the fact that the financial numbers will support this package means that you can continue to enjoy the same way of living, and should have a high level of confidence going forward.

So now it comes down to personal values and what each of you finds most important. For example: when considering "Is 4 years of your life worth $350K?" for most people in your financial circumstance, the answer is yes! Time is a precious asset, and there is no way to purchase additional time.

We are here for you and wish you the best as you go through this career transition. Please do not hesitate to reach out to us if you have any questions regarding this important decision.