

Maximize your Wealth: Case Studies in Financial Planning

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“Compound interest is the eighth wonder of the world. Those who understand it, earn it. Those who don't, pay it.”

- *Einstein*

Overview

- Many people know they want to make good financial decisions but aren't sure where to start or what is available.
- Our purpose is to present some case studies and options to clarify ways to get started towards achieving your goals.



Image via Pressmaster

Start with the Basics

- Basics of financial planning: begin with retirement, life insurance, disability insurance, short- and mid-term savings, and college planning for children
- Many people affiliated with the Equine industry don't have corporate benefits like they would in a typical salaried, 9-5 career.



Terisé Cole/USHJA

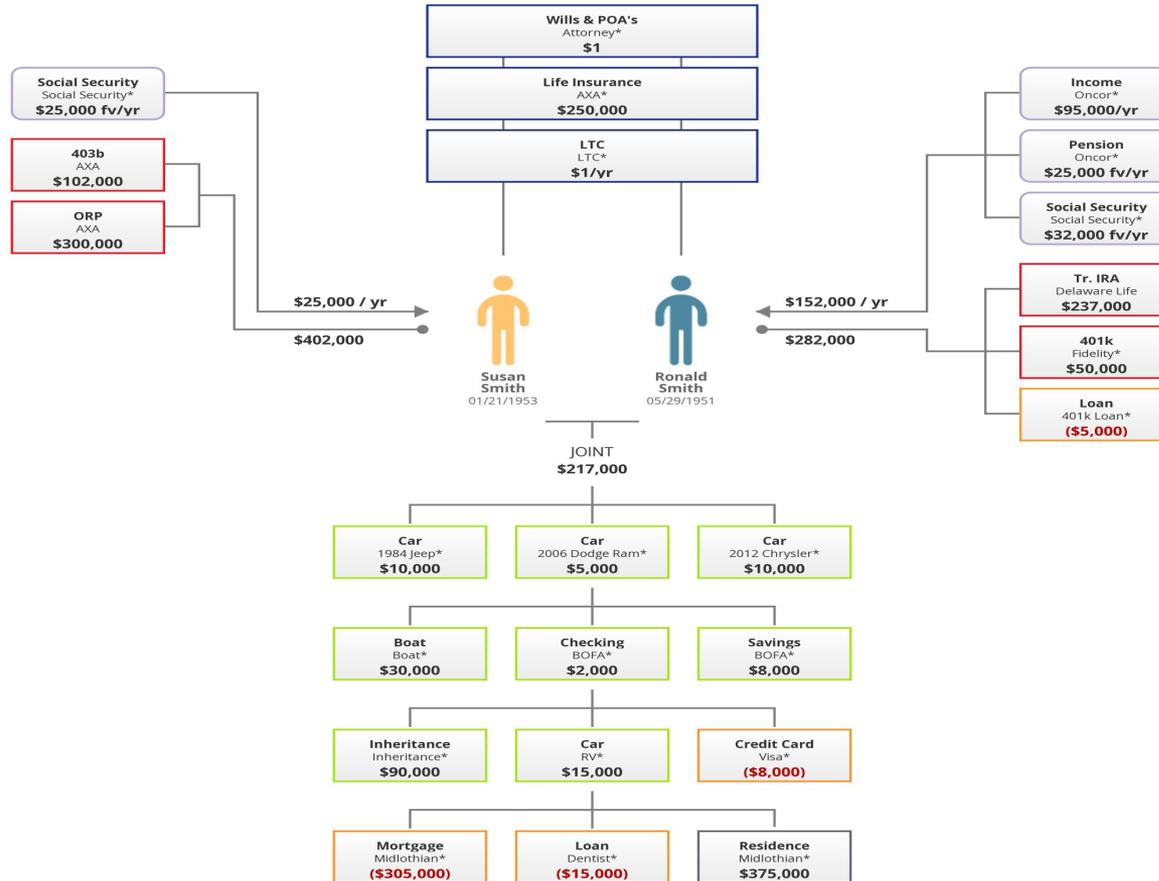
Main “Pain” Points we commonly hear from horse people:

- Working hard their entire life and ending up with not much to show for it
- Tax sheltering – best ways to reduce income horse-related expenses and winnings/ sales, such as utilizing LLC, etc...
- Fear of getting injured – who would run their business, train the horses, do the work to keep the doors open, etc.

Main “Pain” Points we commonly hear from horse people:

- Not having benefits – how to find the best options when they are already so busy
- Investing everything back into their business/ facility – is this the best use of their profits, or is there something else?
- How to allocate money in the best places – reverse budgeting to save first and pay yourself, then spending the remainder

Example of Our Planning Tool:



Case Study #1: The Trainer Family

Robert & Kelsey Trainer have been training horses successfully for 20+ years. They have great long-term clients, a barn with 40 horses in training, four grooms and one assistant trainer. He typically makes the finals on several horses and makes commissions on horse sales. Their invoices are typically around \$1,000,000 per year. They bought their own facility 10 years ago, and most of the time feel like they're barely paying the expenses each month. They've always tried to think about the future but just don't know the best steps to take. They have two teenagers, and neither one seems interested in the business. They would like both the kids to go to college.

Trainer Family Assets

Training facility:	\$1,500,000
Horse tack:	\$100,000
Tractors/ farm equip:	\$200,000
Pickups/ Trailers	\$300,000
Business bank acct:	\$60,000
Personal accounts:	\$25,000
Personal horses:	\$120,000
Inherited IRA:	\$90,000
Mortgage:	(\$900,000)
Vehicle Notes:	(\$200,000)



Terisé Cole/USHJA

Strategy for The Trainer Family

- Establish SIMPLE IRAs under the business and have them both fund at the maximum per year, \$15,500 per year. This will also help them reduce their taxes.
- Implement disability insurance policies and business overhead expense insurance - in case they were to get hurt. This way they can pay their mortgage and their employees. Cost of about \$10,000/ yr for the policies.



Terisé Cole/USHJA

Strategy for The Trainer Family

- Purchase term life insurance policies on each other: \$2 Million, 20-year terms, to replace income and pay other debts. Cost of about \$4000/ yr.
- Open a brokerage account for mid-term needs, investing in treasuries and money market, earning about 4%, and keep \$40,000 of the business funds here. This is still available to use if needed.
- Complete basic maintenance of facility, such as painting & repairs, in case they eventually decide to sell.



Tricia Booker/USHJA

The Results for The Trainer Family

- By Age 65:
 - \$1.35M in the SIMPLE IRAs, based on a 20 year timeframe and 7% compounded rate of return
 - Take withdrawals of \$7,800/ month based on life expectancy of A90 and 5% compounded rate of return
 - Sell facility for \$1,800,000 and pay off remaining mortgage/ 2nd mortgage of \$600,000. Use remainder to purchase a home and small acreage to retire on.
 - Claim social security at full retirement age of 67, and receive \$25,000 annually, each.



Rachel Sowinski/USHJA

Case Study #2: The Spendalot Family

Donald & Tina Spendalot are both Doctors with a combined income of \$450,000. They have two young children, one of whom competes in hunter/ jumpers, and so does Tina. They are concerned about how much they spend on training each month, and if there is a better way to offset their taxes with these expenses. They also want to retire as soon as possible and are willing to save money in other areas if needed.

Spendalot Family Assets

His 401k:	\$200,000
Her 401K:	\$175,000
Home:	\$900,000
Combined Tr. IRA's:	\$120,000
Brokerage Acct:	\$125,000
Show Horses:	\$175,000
I-Bonds:	\$10,000
Personal Savings:	\$50,000
Mortgage:	(\$500,000)
Vehicle Notes:	(\$100,000)



Strategy for The Spendalot Family

- Save 12% of their household income into various types of retirement accounts in order to retire at Age 60, in 23 years
- Form a partnership with another owner or trainer, to purchase and sell a horse each year, forming an LLC to run this business under and deduct expenses
- Buy 3M in term 20 life insurance coverage to replace each of their incomes if something were to happen
- Buy specific disability policies related to their “own occupation”



Terisé Cole/USHJA

Results for The Spendalot Family

- They'll be able to retire and replace about 75% of their income starting at A60, also counting Social Security for each of them – about \$37,000 annually for each of them
- They'll be able to save on taxes by utilizing the LLC they have established



Terisé Cole/USHJA

Questions? Want to set up a virtual consultation?

Email us at:

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These case studies are highly simplified and are estimates only. Please consult your own advisor for advice unique to your personal situation.

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