

COMPREHENSIVE FINANCIAL PLAN

SAMPLE PLAN — FOR ILLUSTRATION ONLY

Daniel & Rebecca Hendricks

Prepared by Chris Reddick, CFP®, RICP®, EA

Chris Reddick Financial Planning, LLC

creddick@chrisreddickfp.com

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CONFIDENTIAL — Sample for Prospective Client Review

1. Executive Summary

This sample plan illustrates how Chris Reddick Financial Planning approaches a typical educator household. Daniel (age 52, high school principal) and Rebecca (age 50, elementary teacher) are both Texas public school employees participating in the Teacher Retirement System of Texas (TRS). They want a clear roadmap to retire by ages 60 and 58 respectively, fund their two daughters' college costs, and finally make sense of how their TRS pensions, 403(b)/457(b) plans, and Social Security work together.

Following the January 2025 repeal of the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO), the family's expected lifetime Social Security income increased meaningfully. This plan builds the new benefit reality into a coordinated retirement income strategy while addressing investment costs, tax efficiency, and college funding.

Key Financial Snapshot

Combined Annual Salary	\$172,000
Net Worth	\$1,148,000
Total Investable Assets	\$614,000
Primary Residence Equity	\$352,000
TRS Pension Status	Both clients vested; Rule of 80 reachable
Children	Sophia (16) and Madeline (13)
Plan Probability of Success	Improves from 71% to 92% with recommendations

Five Priority Recommendations

1. Maximize 403(b) and 457(b) contributions to capture both catch-up provisions starting at age 50
2. Reposition \$187,000 in high-cost variable annuity 403(b) products to a low-cost vendor on the TRS-approved list
3. Build a coordinated retirement income strategy combining TRS pensions, restored Social Security benefits, and personal savings
4. Establish 529 plans for both daughters with a realistic four-year in-state public university funding target
5. Complete foundational estate planning documents — currently no wills, powers of attorney, or healthcare directives in place

2. Client Profile & Financial Goals

Personal Information

Client	Daniel Hendricks, age 52, High School Principal (NEISD), 28 years TRS service
Co-Client	Rebecca Hendricks, age 50, 4th Grade Teacher (NEISD), 24 years TRS service
Children	Sophia (16, junior in HS) and Madeline (13, 8th grade)
Planning Horizon	Age 92 for both clients
Daniel's Target Retirement Age	60 (effective summer 2034)
Rebecca's Target Retirement Age	58 (effective summer 2034)
Combined Salary	\$172,000 (\$102,000 + \$70,000)
Monthly Retirement Spending Goal	\$8,200 in today's dollars
Primary Residence	\$465,000 value, \$113,000 mortgage at 3.25%

Financial Planning Goals

- Retire together in summer 2034 with both reaching the TRS Rule of 80 (age + service \geq 80)
- Understand exactly how TRS, Social Security (post-WEP/GPO repeal), and personal savings combine to fund retirement
- Reduce investment fees on existing 403(b) accounts that are held in high-expense annuity products
- Fund four years of in-state public university tuition for both daughters (UT Austin, Texas A&M, or similar)
- Build a tax-efficient withdrawal strategy that manages IRMAA brackets in retirement
- Establish basic estate documents to protect minor children if both parents pass
- Ensure adequate disability and life insurance coverage during the working years
- Pay off the mortgage before or shortly after retirement

3. Balance Sheet & Net Worth

Assets

Account	Owner	Balance
Checking (Frost Bank)	Joint	\$8,400
High-Yield Savings (Ally)	Joint	\$32,000
Daniel's 403(b) — VALIC Variable Annuity	Daniel	\$142,000
Rebecca's 403(b) — Equitable Variable Annuity	Rebecca	\$45,000
Daniel's 457(b) — TCG Administrators	Daniel	\$78,000
Daniel's Roth IRA (Vanguard)	Daniel	\$54,000
Rebecca's Roth IRA (Vanguard)	Rebecca	\$48,000
Joint Brokerage (Fidelity)	Joint	\$85,000
UTMA — Sophia	Custodial	\$11,500
UTMA — Madeline	Custodial	\$8,200
TRS Pension (PV estimated)	Both	Not on balance sheet (benefit stream)
Primary Residence	Joint	\$465,000
2022 Honda Pilot	Joint	\$26,000
2019 Toyota Camry	Joint	\$14,500
Total Assets		\$1,017,600

Liabilities

Liability	Balance	Rate / Term
Primary Mortgage (Wells Fargo)	\$113,000	3.25%, 12 years remaining
Honda Pilot Auto Loan	\$11,400	4.9%, 36 months remaining
Credit Cards (paid monthly)	\$0	—

Liability	Balance	Rate / Term
Total Liabilities	\$124,400	

Net Worth Summary

Total Assets of \$1,017,600 less Total Liabilities of \$124,400 equals Net Worth of approximately \$893,200, plus the present value of two TRS pensions estimated at \$254,000 combined for an economic net worth of roughly \$1.15 million.

4. Cash Flow & Emergency Fund

Current Year Cash Flow

Category	Annual	Monthly
Gross Salary (combined)	\$172,000	\$14,333
Federal Income Tax	(\$14,800)	(\$1,233)
FICA / Medicare (Rebecca only — TRS opts out of SS for Daniel's role)	(\$5,355)	(\$446)
TRS Member Contributions (8.25%)	(\$14,190)	(\$1,183)
403(b) Contributions (current)	(\$12,000)	(\$1,000)
457(b) Contributions (Daniel)	(\$6,000)	(\$500)
Health/Dental/Vision Premiums	(\$8,400)	(\$700)
Net Take-Home Pay	\$111,255	\$9,271
Total Living Expenses	(\$96,000)	(\$8,000)
Discretionary Cash Flow	\$15,255	\$1,271

Emergency Fund Analysis

Current liquid emergency reserves: \$32,000 in the Ally savings account, equal to approximately 4 months of essential expenses (\$8,000/month). Public school employment is among the most stable in the country, so a 3–4 month reserve is reasonable. The recommendation is to maintain the current balance while shifting any excess to investing.

Recommendation

Hold the emergency fund at \$32,000–\$40,000 in the Ally High-Yield Savings account. Once the balance grows beyond \$42,000 from interest and any unspent paycheck overflow, sweep the excess into the joint brokerage account on a quarterly basis. This maintains liquidity without letting cash drag accumulate.

5. TRS Pension & Retirement Income Strategy

How TRS Works for Both of You

Texas TRS is a defined benefit pension. The annuity formula is: Years of Service × 2.3% × Final Average Salary (5 highest years for Tier 6 members). Eligibility for unreduced retirement requires meeting either age 65 with five years of service or the Rule of 80 — where age + years of service equal or exceed 80.

Projected Pension Benefits at Retirement

Member	Retirement Age	Years of Service	Estimated FAS	Annual Pension
Daniel	60 (2034)	36 years	\$118,000	\$97,704
Rebecca	58 (2034)	32 years	\$82,000	\$60,352
Combined	—	—	—	\$158,056/yr

These figures assume current TRS Tier 6 rules and modest 2.5% annual salary growth. Actual benefits depend on the final five years of compensation. The TRS Member Account can run an updated estimate at any time.

Social Security After WEP/GPO Repeal

The Social Security Fairness Act, signed in January 2025, eliminated both the Windfall Elimination Provision and the Government Pension Offset retroactive to benefits payable for January 2024 and later. This is a meaningful change for Hendricks-style households.

- Daniel paid into Social Security for 18 years before becoming a Texas school administrator. His estimated benefit at age 67 is \$1,950/month — previously this would have been reduced by approximately \$720/month under WEP. He now receives the full benefit.
- Rebecca pays into Social Security through a separate part-time tutoring side business and has 22 quarters of coverage. Combined with her primary teaching career projection, she has a small earned benefit of about \$390/month at age 67, plus eligibility for spousal benefits on Daniel's record without GPO offset.

Combined Social Security at Full Retirement Age

Daniel: \$1,950/month at FRA (age 67). Rebecca: \$975/month at FRA, claiming the larger of her own benefit or the spousal benefit on Daniel's record. Combined household Social Security at age 67: approximately \$2,925/month or \$35,100 per year. Recommended claiming age: Daniel 70 (delayed credits), Rebecca 67 (FRA).

6. Investment Strategy & 403(b)/457(b) Optimization

The 403(b) Vendor Problem

A long-standing issue in Texas public school 403(b) plans is that the most aggressively marketed vendors are insurance companies offering variable annuity products with total expense ratios commonly exceeding 2.5% per year. Daniel's \$142,000 VALIC account and Rebecca's \$45,000 Equitable account both fall in this category. Over the next decade, these fees could cost the household over \$40,000 in lost compounding.

Recommended Vendor Switch

Item	Current (VALIC/Equitable)	Recommended (Aspire/Vanguard)
Annual Expense Ratio	~2.45%	~0.10%
Surrender Charges	Yes (5–7 years)	None
Investment Lineup	Limited proprietary funds	Full Vanguard index fund menu
Annual Fee Cost on \$187K	~\$4,580	~\$190
Estimated 10-Yr Fee Drag	\$45,000+	~\$1,900

Recommended Asset Allocation (Combined Household)

Asset Class	Current %	Target %	Notes
US Total Stock Market	32%	45%	VTI / VTSAX core position
International Developed/Emerging	8%	20%	VXUS for global diversification
US Bonds	12%	25%	BND, shifting to TIPS as retirement nears
Variable Annuity Subaccounts	42%	0%	Eliminate after surrender period review
Cash / Money Market	6%	10%	Includes 403(b) stable value option

This 70% stock / 25% bond / 5% cash target is appropriate for a household 8 years from retirement that will also receive \$158,000 of annual inflation-adjusted pension income, which functions as a very large bond-like asset on the household balance sheet.

7. Retirement Contribution Strategy

Maximizing the Educator-Specific Tax Shelters

One of the underappreciated advantages of being a Texas public school employee is access to both a 403(b) and a 457(b) plan, with separate contribution limits. Combined with both Roth IRAs, the household can shelter substantially more than a typical private-sector household.

Account	2026 Limit	Catch-Up (Age 50+)	Daniel Target	Rebecca Target
403(b)	\$23,500	+\$7,500	\$23,500	\$23,500
457(b)	\$23,500	+\$7,500	\$15,000	Not offered at her campus
Roth IRA	\$7,000	+\$1,000	\$8,000	\$8,000
Total Annual	—	—	\$46,500	\$31,500

Combined recommended retirement savings: \$78,000 per year, equal to about 45% of gross household income. This is aggressive but achievable given the household has discretionary cash flow plus the avoided fee drag from switching 403(b) vendors. The plan should be phased in over 18 months — first by redirecting current 403(b) contributions to the new low-cost vendor, then increasing 457(b) contributions, then maximizing both Roth IRAs.

Pre-Tax vs. Roth Allocation

With combined gross income of \$172,000 placing the household in the 22% federal bracket, and projected retirement income at age 70 of approximately \$193,000 (two pensions plus Social Security plus RMDs), tax rates in retirement may be similar to or higher than today. The recommendation is a blended approach: 60% pre-tax, 40% Roth. Pre-tax contributions in the 403(b) and 457(b), Roth contributions through the Roth IRAs, and once the 403(b) vendor switch is complete, Roth 403(b) contributions for any amount above the basic limit.

8. Retirement Income Plan

Projected Income at Retirement (Both Retire 2034)

Income Source	Daniel (60→70)	Rebecca (58→67)	Both at 70+
TRS Pension (3% COLA assumed)	\$97,704/yr	\$60,352/yr	\$200,000/yr (inflated)
Social Security (claim ages)	Wait until 70	Claim at 67	\$48,000/yr (inflated)
Personal Savings Withdrawals	\$30,000/yr	Same	\$45,000/yr
Total Household Income	—	—	~\$293,000/yr at age 70

At a target retirement spending of \$8,200/month in today's dollars (roughly \$134,000/year inflated to 2034 at 2.5%), the income plan provides a comfortable cushion. The bridge years (ages 60–67 for Daniel, 58–67 for Rebecca) before Social Security are funded primarily by the two pensions plus modest portfolio withdrawals.

Monte Carlo Results

Plan Success Probability

Based on 1,000 Monte Carlo simulations using historical capital market assumptions, the plan currently shows a 71% probability of success. After implementing the recommended changes — vendor switch, increased contributions, coordinated Social Security claiming — the probability rises to 92%. Stress tests for sequence-of-returns risk and a 25% market drop in the first retirement year still show success above 80%.

9. Tax Strategy

Working Years (2026–2034)

The household's marginal federal bracket is 22%, with no state income tax in Texas. Maximizing pre-tax 403(b) and 457(b) contributions reduces taxable income by \$46,000 in 2026 alone, saving approximately \$10,120 in federal tax. The Saver's Credit phases out above \$79,000 MFJ, so it does not apply.

Early Retirement Years (2034–2041)

During this window, both pensions are flowing but Social Security has not yet started (Daniel is delaying to 70). Combined taxable income from pensions alone is approximately \$158,000, placing the household at the top of the 22% bracket. This is the prime Roth conversion window — every dollar of conversion done at 22% saves a dollar that would later be taxed at 24% or higher when RMDs and full Social Security flow.

Roth Conversion Opportunity

Plan to convert \$40,000–\$50,000 per year from the traditional 403(b) to a Roth IRA during ages 60–67. This fills the 22% bracket without triggering 24%, reduces future RMDs starting at age 75, and creates a tax-free legacy for the daughters. Estimated total conversions over 7 years: \$300,000–\$350,000.

RMD Planning (Age 75+)

Without conversions, projected RMDs at Daniel's age 75 would be approximately \$42,000/year, pushing the household to a total taxable income near \$260,000 and into IRMAA Tier 2 (approximately \$400/month combined Medicare premium surcharge). With the recommended conversions, RMDs drop to approximately \$24,000 and the household stays in IRMAA Tier 1.

10. Education Funding

College Funding Targets

The plan assumes both daughters attend an in-state Texas public university (UT Austin, Texas A&M, UTSA, or similar). Estimated 2026 cost of attendance is \$30,000/year all-in (tuition, fees, room and board). Inflated at 5% college inflation, the four-year total is roughly \$138,000 for Sophia (starting fall 2027) and \$156,000 for Madeline (starting fall 2030).

Funding Source	Sophia (4 yrs)	Madeline (4 yrs)	Notes
529 Plan (recommended new)	\$60,000	\$80,000	Texas College Savings Plan
UTMA accounts (existing)	\$15,000	\$11,000	Held to senior year for FAFSA
Cash flow during school	\$30,000	\$35,000	\$7–9K/yr from earnings
Sophia/Madeline part-time	\$15,000	\$15,000	Work-study + summers
Daniel's parent PLUS or HELOC backstop	\$18,000	\$15,000	Last resort
Total Coverage	\$138,000	\$156,000	100%

Recommended 529 Funding Plan

Open two Texas College Savings Plan accounts. Front-load contributions over the next 4 years rather than stretching them out, to give the funds maximum compounding time before withdrawals begin. Texas does not offer a state income tax deduction for 529 contributions, so an out-of-state plan is acceptable if it has lower fees — Utah's my529 and Nevada's Vanguard 529 are competitive alternatives.

- Year 1 (2026): \$15,000 to Sophia's account, \$12,000 to Madeline's
- Year 2 (2027): \$15,000 to each account
- Year 3 (2028): \$12,000 to Madeline's only (Sophia withdrawing)
- Year 4 (2029): \$10,000 to Madeline's
- Allocation: 70% stock / 30% bond glide path moving to age-based fund as enrollment nears

11. Insurance & Risk Management

Life Insurance

Coverage	Daniel	Rebecca	Status
Current Group Term (1× salary)	\$102,000	\$70,000	Adequate for school plan
Recommended Total	\$700,000	\$500,000	Term life through age 65
Recommended Additional	\$598,000	\$430,000	20-year level term
Estimated Annual Premium	\$420	\$310	Healthy non-smoker rates

The need analysis assumes funds to pay off the mortgage, fund both daughters' college, and replace 10 years of the deceased spouse's after-tax income. TRS survivor benefits provide a meaningful but partial backstop and do not eliminate the need for additional term coverage during the working years.

Disability Insurance

Both clients participate in the school district's group long-term disability plan, which provides 60% income replacement after a 90-day elimination period, capped at \$7,000/month. Daniel's current coverage is adequate. Rebecca's coverage at 60% of \$70,000 is \$3,500/month, which is sufficient given the household's two-income structure. No supplemental policy is recommended at this time.

Property & Liability

Existing State Farm homeowners and auto policies should be reviewed for two specific issues. First, dwelling coverage limits should be verified against current rebuilding costs in San Antonio's appreciated market — many older policies are now 20–30% underinsured. Second, an umbrella liability policy of \$1 million is recommended at approximately \$250/year given the household income and net worth. Daniel's principal role may carry incidental personal liability exposure that an umbrella policy addresses.

12. Estate Planning

Current Status

Urgent Gap

The household currently has no wills, no powers of attorney, no medical directives, and no guardianship designation for the children. With two minor daughters, this is the highest-priority action item in the plan. If both parents were to die without a will, Texas intestacy law would distribute assets and a court would select a guardian — neither outcome is ideal.

Recommended Documents

- Last Will and Testament for each spouse, including specific guardianship designation for Sophia and Madeline
- Statutory Durable Power of Attorney (financial)
- Medical Power of Attorney
- Directive to Physicians (living will / advance directive)
- HIPAA Authorization
- Designation of Guardian Before Need Arises (specifies whom Sophia and Madeline should live with if both parents are temporarily incapacitated)

Beneficiary Designations Audit

All retirement accounts and life insurance policies should have current primary and contingent beneficiaries.

Recommendations:

- 403(b), 457(b), Roth IRAs: Spouse as primary, daughters as contingent (per stirpes)
- TRS pension: Confirm spousal joint-and-survivor option election at retirement
- Group life through district: Update if not already current
- UTMA accounts: Confirm successor custodian named (currently no successor on either)

Trust Considerations

A revocable living trust is generally not necessary in Texas given the state's streamlined probate process. However, the plan recommends including a contingent testamentary trust within each will to receive any inheritance on behalf of the daughters if they are still minors when both parents die. This ensures funds are managed by a trustee until each daughter reaches a designated age — typically split distributions at ages 25, 30, and 35 rather than a lump sum at 18.

Estimated Cost

A flat-fee estate planning attorney in San Antonio typically charges \$1,500–\$2,500 for the full document set described above. Online platforms like Trust & Will or LegalZoom are lower cost (\$500–\$700) but produce more generic documents. Given the minor children and guardianship considerations, working with a qualified attorney is recommended.

13. Prioritized Action Plan

Immediate (Next 30 Days)

Action	Owner	Status
Engage estate planning attorney for wills, POAs, directives, guardianship	Both	Open
Open Texas College Savings 529 accounts for both daughters	Both	Open
Update beneficiaries on all retirement accounts and life insurance	Both	Open
Review existing 403(b) surrender charge schedules in writing	Daniel	Open

Short-Term (60–180 Days)

Action	Owner	Status
Initiate 403(b) vendor change to Aspire/Vanguard low-cost provider	Both	Open
Apply for \$1M umbrella liability policy	Both	Open
Apply for additional 20-year term life insurance	Both	Open
Increase 457(b) contributions to \$15,000/year for Daniel	Daniel	Open
Begin monthly 529 contributions (\$1,000 + \$1,250 across both)	Both	Open

Ongoing

Action	Frequency	Status
Annual TRS Member Account benefit estimate review	Annually in May	Recurring
Roth IRA contributions (\$8,000 each)	Annually by April 15	Recurring

Action	Frequency	Status
Portfolio rebalancing review	Semi-annually	Recurring
Review homeowners and auto coverage at renewal	Annually	Recurring
Plan progress review and update	Annually	Recurring

14. Important Disclosures

This sample financial plan was prepared by Chris Reddick Financial Planning, LLC for illustrative purposes only. The Hendricks family is a fictional household designed to represent a typical educator client situation. All figures, projections, account balances, and recommendations are hypothetical and should not be construed as advice for any specific individual.

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Chris Reddick Financial Planning, LLC

543 Tranquil Oak, San Antonio, TX 78260

210-218-8040 | creddick@chrisreddickfp.com | chrisreddickfp.com