

PARTICIPANT CASE STUDY

OUR FUTURES PROJECT
Keeping our talent in Pittsburgh



PITTSBURGH BUSINESS TIMES



FRAGASSO
FINANCIAL ADVISORS

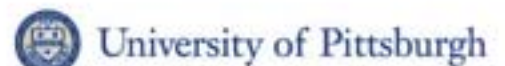


WHIRL

chatham UNIVERSITY



LA ROCHE COLLEGE



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PROJECT

OBJECTIVE

To advise a family in their financial planning and investment management that results in a path to success focused on the family's unique needs and goals.

SCOPE

A multi-generational situation that requires a view of and commentary on all aspects of the extended family's financial circumstances that results in appropriate investment deployment and management.

RESOURCES

The student may utilize and reference resources and sources and they should be properly footnoted and credited. Schedules supporting advice, guidance and conclusions are encouraged.

TIME LINE

- Fall Semester 2008** Receipt of and work on the case study under supervision of participating professors
- December 1, 2008** Submission of completed case study responses by students to participating professors
- December 31, 2008** Submission of up to five best responses by students from each institution to Fragasso Financial Advisors
- January 2009** Narrowing of the five semi-finalists from each school to three by the judging panel
- February 2009** Oral defense of submissions from the three finalists from each institution before the judging panel
- March 2009** Reception at the Rivers Club in Oxford Centre for all semi-finalists and finalists (up to as many as 40 students), the participating professors, school deans and participating administrators.
- Representatives from various Pittsburgh-based financial corporations will also attend to get to know the students and participating faculty.
- Winners of the competition announced and recognized.
1. First place winner awarded a full-time, permanent position in the Portfolio Management Department of Fragasso Financial Advisors
 2. Second place winner awarded \$5,000
 3. Third place winner awarded \$2,500

Enclosure

Literature on Fragasso Financial Advisors
Also see www.fragassoadvisors.com



THE CASE



Frank and Kathleen are both age 45. They met in college and married shortly thereafter. Frank is an attorney specializing in commercial litigation, mostly defending insurance companies in litigant claims, and is a partner in his 25 person law firm. He makes \$250,000 a year. Kathleen is a middle school teacher in the Pittsburgh Public Schools and makes \$62,000 annually.

Frank and Kathleen have two children, Michael age 12 and Susan age 10. Given Frank's and Kathy's professional status and Michael's and Susan's excellent schools grades, it is expected that they will attend the highest rated colleges where they can be accepted. Professional or graduate school may also be in their futures.

Frank's parents, Samuel and Alice, are recently retired. Sam was a partner in the same law firm with Frank and was bought out by the firm with cash upon retirement for an amount equal to Sam's most recent 12 months legal billings, which was considerable as he was a major business getter for the firm. Alice never worked outside the home and cared for their six children. Sam and Alice are to be considered financially comfortable, but we don't know the extent of their assets. Upon the death of both of them, their assets will be split equally among their six children.

Kathleen's father was a school teacher and is deceased. Kathleen's mother, Sally, is a retired homemaker, age 71. Her assets are to be considered modest and she lives in a small ranch style home in a suburb of Pittsburgh where a new high school is to be built and property taxes likely will rise as a result. Kathleen is an only child and cares deeply for her mother. She feels an obligation to make sure that she will be all right financially as her parents sacrificed to get her through college. Sally does not have major health considerations now, but she has always exhibited a fragile physical profile. She is living on Social Security payments and her monthly survivor benefit from her deceased husband's teacher's pension. Sally is breaking even on her expenses vs. income currently.

Frank and Kathleen have been good savers in addition to buying a large home, worth about \$650,000 and carrying a \$300,000 mortgage at 6.5%, in an upscale suburb of Pittsburgh, and a luxury automobile for Kathleen. Frank drives a luxury auto leased by his company for him. They dress well and belong to one of the better country clubs. Frank uses it extensively for golf and for entertaining business contacts. Kathleen enjoys the women's paddle tennis league and socializing there. They are considering buying a place at the eastern sea shore for family vacations. This may cost them \$600,000 based on the prices they viewed at their shopping expedition this past summer.

Their personal investment portfolio is valued at \$400,000 and consists of stocks Frank has picked based partly on his on-line investment research but mostly coming from conversations he has had with business and professional contacts. Frank has \$750,000 in the company's profit sharing retirement plan. The company typically contributes 10% of each employee's earnings each year, but contributions have been as low as 5% and as much as 15%, depending on the firm's revenues each year from their primarily litigation law practice. There is not a component in the plan for employee's to contribute. Kathleen has \$195,000 in her teacher's retirement plan through the school district. Her contribution is fixed at 3% of her earnings by state law and district/union arrangements. Frank and Kathleen usually have about \$20,000 as a residual balance in their checking account and consider that their rainy day money.

Frank has \$500,000 of term insurance at the law firm of which \$100,000 is paid by the company and Frank buys the remaining \$400,000 personally as part of the group insurance contract. Kathleen has a \$10,000 whole life policy her parents bought for her as a young girl with \$4,500 of cash value. Her premiums are only \$50 a year. She is provided with another \$35,000 of term coverage as part of her union-negotiated contract with the school district.

Frank is covered by the company's disability policy that provides 66 2/3% of an employee's past year's earnings if disabled to a maximum of \$7,500 a month. Kathleen has no disability coverage but her retirement plan value and accumulated sick days are considered to address that need.

Neither Frank nor Kathleen has long term health care insurance.

Frank's partnership in the law firm is valued at \$2,000,000 on the company's books. There is no formal arrangement to buy out a retiring, disabled or deceased partner's share of the practice. The purchase of Sam's part of the practice was the first time the firm had to deal with that issue. There are six partners in the firm, including Frank, and the rest of the employees are recent law grads working as associates, paralegals and administrative support persons.

Frank and Kathleen have set aside \$20,000 each for Michael's and Susan's education expense. It is invested in Uniform Transfer to Minors Accounts for each child and invested in the same growth mutual fund for each.

Frank and Kathleen have articulated their life goals to include:

1. Retirement financial security at normal retirement age living essentially as they do now
2. The possible acquisition of the second home at the beach where they will vacation now and spend winters when they retire
3. Education of children
4. Financial security and care for Kathleen's mother
5. Tax savings considering their high combined income

You are now to analyze the data and present the most comprehensive plan of action for meeting Frank and Kathleen's goals. Weave a complete picture that demonstrates your grasp of the extended family's circumstances and needs in relation to the goals listed. Use and footnote all resources and sources that seem appropriate to you. The answers are not expected to be resonant in your mind right now. It is your demonstrated ability to analyze, research and solve the problems presented in the most mature and appropriate manner that we are seeking. Take the solutions to the highest level of detail that you wish, but be mindful that this is a holistic planning process, not a collection of random ideas. Support your work with schedules, data and projections as you deem needed. And good luck to you.

INSTRUCTOR'S NOTES

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- Fragasso Financial Advisors (FFA) personnel are available to speak to participating students at the onset of the project, if you wish – email Paul at vietocompete.com to coordinate conference call arrangements. No calls will be scheduled after September 25.
- FFA is available any time during the semester to answer your questions. Call any of the FFA personnel in your contact sheet.
- The dates for the February oral defense presentations and the award reception will be finalized soon and communicated to you. We need to coordinate the schedules of the judges and the financial firms participating in the awards reception.
- Your professional judgment in narrowing the submissions to five semi-finalists should consider both the fullest application of the material presented and the maturity of thought demonstrated in the solutions. It is not necessary that you agree with particular investments chosen or other similar tactical decisions. You and we should be interested primarily in the depth of analysis of the client's situation and the appropriateness of the solutions presented in assisting the clients to reach their stated goals.
- Intentionally, there are multiple facets to this case covering most all of the aspects of personal financial planning and investment management. Students should be encouraged to consider all aspects of the case before plunging into solutions.
- The judges will have notes covering all of the planning and investment issues that we wish to see covered and a scoring sheet to objectively rate each submission. This will be used to narrow the five cases submitted to them by you to the three that will be called for oral defense of their case solutions.
- The students called to defend their solutions may have collected data, obtained professional opinions and discussed this with family and friends. That is fine per the rules of this competition. That is how real work life works. But that student will need to defend his or her thesis and to answer the questions of the judges, and that too is how real work life works. We feel that is a realistic method for determining who might best succeed as a financial planning and investment analyst in our field. We deal with real people and must come up with the best solutions and courses of action for them gained from every available and appropriate source as well as to rely on our educational experiences.
- The judging panel will consist of individuals from FFA and from the community. It will comprise a diverse group with experience in financial management, community affairs, law and non-profit work. The panel will evaluate for the most comprehensive solution set, clearly presented and not focus solely on the most technically proficient answers, though that is also important.