This document reflects a hypothetical case study for illustrative purposes only and does not constitute personalized investment advice.

Current Portfolio Snapshot

Account	Value	Current Allocation	Key Concern
Roth IRA	$150,000	50/50 Stocks/Bonds — ETF Index Funds (0.04% ER)	Under-utilizing tax-free growth potential
IRA	$1,200,000	50/50 Stocks/Bonds — ETFs, Mutual Funds, Indiv. Stocks	1.5% mgmt fee; allocation misaligned for retirement
401(k)	$750,000	100% Equity — 50% U.S. / 50% International	No fixed income; not retirement-ready
Trust	$900,000	40% CDs / 60% Stock Mutual Funds (0.90% ER avg)	High exp-ratio; tax-inefficient; estate planning gaps
Individual	$200,000	50% Cash / 50% High-Dividend Individual Stocks	No TOD designation; cash drag; taxable income inefficiency

Account-by-Account Recommendations

Roth IRA — Target: 100% Equities (Aggressive Growth)

- Remove all bond exposure — this tax-free account should work hardest over the longest horizon
- Use broad-market, ETF index funds as the portfolio core for diversification.
- Asset location play: complement the ETF core with individual large-cap growth stocks — gains and dividends compound entirely tax-free, making this the ideal account for direct equity ownership
- Review tax-bracket through retirement for annual conversion strategy.

IRA ($1,200,000 | 1.5% Mgmt Fee) — Target: 60% Equity / 40% Bonds

- Evaluate the 1.5% fee-based account — At 1.5%, this might be a brokerage/bank product. Talk with a fiduciary, fee-only RIA advisor to understand your cost.
- Consolidate high expense ratio mutual funds into index ETFs to reduce internal cost drag.
- Place the bond allocation within this account — tax-deferred accounts are the most efficient location for bond income
- Target a 60% broad equity index / 40% intermediate bond index split

• Model Roth conversion opportunities annually, especially in lower-income years before retirement

401(k) ($750,000) — Target: 60% Equity / 40% Bonds

• Redirect new contributions toward bond and equity index funds, year by year, reducing equity exposure to reach the 60/40 target.

• Adjust equity percents — 20% U.S. Growth, 20% U.S. Value, 15% International, 5% Small cap

Trust ($900,000) — Target: 75% Equity / 25% Bonds (Tax-Efficient & Heir-Optimized)

• Consider replacing/mix of the 40% CD allocation with tax-exempt municipal bonds or treasury bonds to reduce taxable interest. Build a 5-year bond ladder for cash flow needs during bear markets.

• Replace the high average expense ratio mutual funds with low-cost ETF index equivalents.

• ETFs minimize capital gains distributions — critical in a taxable trust account

• Equity growth in a trust receives a stepped-up cost basis at death, significantly reducing capital gains tax on heirs.

• Target a 75/25 stock-to-bond allocation — provides continued growth while moderating volatility.

• Additional income bucket in retirement with a tax-loss harvesting strategy when stocks are sold to keep target allocation.

• Review and update trust as needed with an estate planning attorney

Individual Account ($200,000) — Target: 75% Equity / 25% Bonds + TOD Added

• Add a Transfer on Death (TOD) beneficiary designation immediately — this is free, takes minutes, and avoids probate

• Redeploy the 50% cash position into diversified equity index ETFs to eliminate cash drag

• Shift from high-dividend individual stocks to ETF indexes to reduce taxable dividend income

• Consider treasury or muni bonds, keep 6 months in a cash/money market for emergency fund.

• Harvest tax losses annually to offset gains elsewhere in the portfolio

Key Strategic Themes

• At Age 55, the client qualifies for IRS catch-up contributions. Ensure full utilization of max deferrals plus catch-up amounts for both the 401(k), Roth IRA, and if the company offers a Roth 401(k).

• Asset location strategy: bonds belong in tax-deferred accounts (IRA, 401(k)), equities belong in the Roth (tax-free growth) and taxable accounts (step-up in cost basis at death)

• Retirement glide path: shift IRA and 401(k) to 60/40 now — do not wait until retirement to de-risk

• Roth maximization: 100% equity in the Roth for the next 5+ years; maximize contributions; consider conversions

• Estate and tax planning: ETFs and stocks in taxable and trust accounts provide heirs with a stepped-up cost basis.

• Consider hiring a fiduciary, fee-only advisor if ongoing disciplined management is not feasible on your own.

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