

Mark & Stacy: COVID-19 Cash Generation



Mark, age 47, and his wife Stacy, age 46, live in Los Angeles with their two children Brad, 14, and Linda, 12. Unfortunately, Mark's job as an in-house lawyer for a major movie company was eliminated and Mark started unemployment on 6/1/2020. Stacy's independent marketing work has not been impacted.

Mark & Stacy enjoyed an expensive lifestyle and had not been saving as much as they now wish they had. They had been planning to buy a vacation home in Oregon but have put this goal on hold. Brad & Linda attend private school and would much rather not switch schools. Mark & Stacy find comfort knowing that they have \$600,000 in various investment accounts. They know they may have to reduce spending and need a strategy to manage cash flow for the up to twelve months that it might take Mark to find a new job.

Personal Balance Sheet Information

Investments by account:

- \$300,000 in Mark's 401(k) through former employer
- \$100,000 in Stacy's 401(k) through former employer
- \$50,000 in Mark's traditional IRA
- \$50,000 in Stacy's Roth IRA
- \$100,000 in a joint taxable brokerage account

Home appraised at \$1,500,000.

Mortgage \$700,000. Refinanced at 3.5% last year.

No other debt apart from leases on 2 BMWs.

Mark had life insurance through his employer at 1X his base salary of \$190,000.

Health insurance for the family was through Mark's employer. The family started COBRA in June.

Personal Income Statement Information

	2019		Jun-Dec 2020	Jan-May 2021
	total	monthly	monthly	monthly
Income				
Mark base	\$190,000	\$15,833	\$0	\$0
Mark bonus	\$60,000	\$5,000	\$0	\$0
Stacy self employed	\$30,000	\$2,500	\$2,500	\$2,500
Mark's unemployment (\$450/week)			\$2,679	\$720
Taxes & Deductions				
401k Contribution	-\$10,000	-\$833	\$0	\$0
Payroll/self-employment taxes	-\$16,454	-\$1,371	-\$383	-\$383
CA state tax/refund for Jun-Dec 2020	-\$16,188	-\$1,349	-\$22	\$0
Federal tax/refund for Jun-Dec 2020	-\$40,623	-\$3,385	\$461	\$0
Saving & Spending				
Saving IRA	\$1,250	\$104	\$104	\$104
Saving brokerage	\$1,250	\$104	\$104	\$104
Housing (interest, principal, insurance)	\$43,512	\$3,626	\$3,626	\$3,626
Housing (local property tax)	\$11,325	\$944	\$944	\$944
Tuition for Brad & Linda	\$50,000	\$4,167	\$4,167	\$4,167
COBRA payments			\$1,600	\$1,600
Cars	\$9,600	\$800	\$800	\$800
Spending on everything else	\$79,798	\$6,650	\$6,650	\$6,650
Income after Taxes & Deductions	\$196,735	\$16,395	\$5,236	\$2,838
Saving & Spending	\$196,735	\$16,395	\$17,995	\$17,995
Shortfall	\$0	\$0	-\$12,759	-\$15,157

Note: Inside Advice® Benchmarking uses Standardized Customer Hypotheticals drawn from Hearts & Wallets consumer databases in order to compare advice and guidance from across the industry. Inside Advice® Benchmarking methodology, terminology and related concepts are proprietary to Hearts & Wallets.