STRATEGIC PLANNING HELPS A FOREIGN-BORN COUPLE BECOME FINANCIAL EFFICIENT

A Financial Planning Case Study

Dr. Elaina Lu, an Assistant Professor, and her husband Zichen, a startup programmer, earn a combined $255,000. They face high taxes, uncertain retirement savings, and a decision on whether to buy a home. Their foreign-born status adds a layer of complexity as they navigate the U.S. financial and retirement systems.

Zichen's job insecurity adds pressure, and the financial strain is affecting their relationship. They're seeking to address these challenges and plan for long-term stability and home ownership but are unsure where to start.

OBJECTIVES

- Develop a comprehensive retirement strategy, balancing contributions to and independent savings.
- Implement strategies to lower their taxable income.
- Analyze the financial implications of renting versus buying a home and determine which is most optimal.
- Maintain sufficient liquid savings to manage potential job loss or unexpected expenses.

Achievements

Began contributing to her employer's 403(b) and 457 plans, and Zichen set up a Solo 401(k) on his own.

Increased contributions to their retirement to lowered their taxable income and moved from the 24% to the 22% tax bracket.

An extensive housing and COLA analysis finds that purchasing a $420,000 home is more efficient than renting a $2,400/month apartment.

Built up a joint savings account with $1,500 monthly contributions to creating a down payment fund.

Created a 5-year strategy that provides both short-term liquidity and long-term growth to handle job insecurity.

Key Results

Over five years, their combined retirement savings grew to approximately

$419,963*

Reducing taxable income resulted in annual savings of $15,240, totaling

$79,309 over five years.

With consistent monthly contributions to the joint savings account, down payment fund increased by

$99,448

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*Number used represents an estimated 6% return in the market