

## **2023 Case – The Big Bang Theory – Start of the Planning Universe**

Sheldon Recouper was born in Alberta and moved to Texas as a young child. The similarities of oil and cows were a comfort to him during the transition. There, he met Amy Faro Growler, who also happened to be a Canadian citizen. They met while both were working at Caltech University, (where Sheldon also received his Ph.D.) drawn to each other by their mutual intelligence as well as pressure from their friends and family. Eventually they fell in love and got married. Their largest accomplishment was jointly winning a Nobel prize for their work in super asymmetry. Neither Amy or Sheldon appreciated their celebrity status that came with the Nobel, and ultimately it became too uncomfortable for them (especially Sheldon) and so they moved back to Canada. Sheldon obtained a job as a professor in The Department of Physics at the University of Alberta, in Edmonton, AB, while Amy started a consulting company where she offers her expertise and guidance in Neurobiology to a wide variety of academic initiatives in both Canada and the United States.

It has now been three years since their move. Sheldon is 42 years old, while Amy is 43. They have a son named Leonard Recouper (named after Sheldon's best friend) who is two years old. They recently made the decision that they would like to adopt a second child, and they are currently pursuing that process. Recently they were introduced to an available indigenous child that Amy has become enthralled with. Having a child and planning for an expanding family has brought a new element to their life, which had previously been focussed primarily on their work and research. Their portfolio is invested with growth as the focus; however, they have not had a review in over a year. Their long-term financial planner left for another firm, and they were reached out to via email by his former employer but have not yet had an introductory meeting to get to know his replacement. They are unsure if they should follow their advisor to the new company or stay or look elsewhere.

As renters, they are now looking to move into a home that will be more comfortable for their family. Their analytical nature has them wondering how much house they can afford, and whether they should make a larger or smaller down payment, given where interest rates currently are. They have Wills but they have not been updated since they moved to Alberta from California. At the time, they had named their friends Howard and Bernadette (married) to be the joint executors. Howard and Bernadette still live in California. When they prepared their Will, Amy was pregnant, and they named their best friends, Leonard, and Sixpence as their Guardians in contemplation of the child.

Given that they have been hyper-focussed on their work, they wonder what other financial efficiencies and improvements they should be considering.

Sheldon participates in the Universities Academic Pension Plan (UAPP), a DB pension plan. Sheldon's current salary is \$185,000/yr. Amy's consulting revenues vary year by year by as much as 30%, but she hopes to average \$300,000 per year after expenses. She has received mixed advice on whether she should be paying herself a salary or a dividend, and what the optimal draw would be. Amy's company has issued shares to Sheldon under a different class, but she holds all of the voting shares.

Sheldon is best friends with Leonard Hofstater, Howard Wolowitz, and Raj Koothrappali, all of whom he met while studying for his Ph.D. and all of whom still live in California. They are all highly educated and intelligent individuals as well. Together they have a partnership where they pursue their creative and entrepreneurial side, this partnership currently holds \$400,000 (\$200,000 cash, \$100,000 in gold, and \$100,000 in crypto currencies) and patents worth \$3,000,000. Sheldon's share is 25% of those totals. The friends have had some heated debates over their gold and crypto holdings. Sheldon needs to research what his tax and estate implications will be if they decide to sell any of their patents. When they first started their partnership, they had agreed that if any of them were to die, the surviving partners would inherit the deceased partner's interest in the partnership. In addition to Sheldon, Leonard and Howard now are married with children. (Raj lives in a large apartment with his Yorkshire Terrier but has no other relationship prospects). Now that many of them have children, the original partnership structure doesn't feel right. If Sheldon wants to change their partnership agreement or propose a different outcome on death now, how best could he pursue this?

|                            | <u>Sheldon</u>            | <u>Amy</u>              | <u>Joint</u>              | <u>Book Value</u>                  |
|----------------------------|---------------------------|-------------------------|---------------------------|------------------------------------|
| <b><u>Assets</u></b>       |                           |                         |                           |                                    |
| Bank accounts              | \$10,000                  | \$5,000                 | n/a                       |                                    |
| Non-Reg                    |                           |                         | \$1,200,000               | \$1,000,000 (Nobel prize winnings) |
| Non-Reg                    | \$250,000                 |                         |                           | \$175,000                          |
| RRSP                       | \$50,000                  |                         |                           |                                    |
| RRSP                       |                           | \$150,000               |                           |                                    |
| US 403(b) plans            | \$125,000                 | \$95,000                |                           |                                    |
| 25% of Partnership         | \$850,000                 |                         |                           | \$150,000                          |
| UAPP contributions*        | \$80,000                  |                         |                           |                                    |
| Corp Savings               |                           | \$475,000               |                           | \$400,000                          |
| <b><u>Total Assets</u></b> | <b><u>\$1,365,000</u></b> | <b><u>\$725,000</u></b> | <b><u>\$1,200,000</u></b> |                                    |

### **Liabilities**

nil

### **Insurance**

Group Life - Sheldon - 2x Salary = \$370,000

Group Disability - Sheldon = 60% of salary

Group Critical Illness - Sheldon = \$50,000

Amy = nil

### **Monthly Personal Expenses, ex. Savings**

|               |                       |
|---------------|-----------------------|
| Rent          | \$2,500               |
| Utilities     | \$500                 |
| Food          | \$950                 |
| Entertainment | \$500                 |
| Travel        | \$600                 |
| Other         | \$1,500               |
| <b>Total</b>  | <b><u>\$6,550</u></b> |

\*For more information on the UAPP pension: <http://www.uapp.ca/media/1330/member-handbook-2023-final.pdf>

What advice would you have for Sheldon and Amy?