



THE INSTITUTE OF
ADVANCED FINANCIAL
PLANNERS



2025 IAFP[®] SYMPOSIUM
CASE STUDY



After the fall of Sauron, peace has returned to Middle Earth. Rather than see their fellowship dissolved, **Aragon (age 60)** and **Arwen (age 65)** decided to legally adopt the four hobbits and settle into family life in Canada. Now retired from their adventuring ways, their focus is on enjoying life and ensuring their family prospers.

Though with peace upon them they realized that each hobbit came with his own set of personal characteristics and challenges.



Frodo was not well after carrying the ring all that time. He suffered from PTSD, which makes it difficult for him to hold down a job.



Sam was happily married to **Rosie** with twin hobbits on the way. Sam runs a successful gardening business for which he is a sole proprietor.



Merry swore an oath to Theoden, a respected politician, and thought it was only proper that he move down to the United States to fulfill that oath. He was granted a green card for his prior service and is working there full-time.



Pippen refuses to grow up. He continues to be irresponsible and spend his time in the taverns drinking mead and smoking pipe weed, as both are legal in Canada. Occasionally he features as a headliner at these same taverns, which effectively works as a barter-system payment of the mead and pipe weed, but has no other source of income.

Aragon and Arwen think they have enough to make their retirement last but are certainly concerned about the rising costs of everything and how the world seems to be changing so fast. They also realize that with four very different children, developing an equitable estate plan is a troublesome thought. How would you advise them to plan for their futures?

Frodo (age 45) has inherited the entire estate of his late uncle Bilbo. He sold the hobbit hole for a tidy profit and along with the other assets is sitting on \$500,000. This is all invested in GICs. Frodo is too fearful to take any risk. He only wants safe investments. As rates fall, Aragon and Arwen fear that this will not be enough to sustain his ongoing medical bills.

Much to their surprise, Sam's success has come at the price of debt. He just recently revealed to them that he has an outstanding line of credit at the Bank of the Shire for \$350,000. As it is unsecured line of credit, the rate is prime + 4%. They are wondering if they should help him out with his mounting debt problems, especially with twins on the way.

Being out of the country, Aragon and Arwen are unsure of any of the tax rules around inheritance for Merry. They have heard of an estate tax in the US, so think that they could give Merry some money instead before they pass to avoid this.

Though not in debt, Pippin parties his life away. He lives in the castle basement and Aragon and Arwen are unsure if he will ever leave. He keeps on about maintaining the "mindset of an artist" and cannot seem to give the future a second thought and is always living in the moment.

Beyond the challenges of the hobbits, Arwen's father Elrond just passed leaving her a sizable inheritance. All of Elrond's remaining assets are in the Rivendell Family Trust. The assets of the trust are valued at \$2 million. Arwen is the sole trustee of the trust but is one of three beneficiaries. Her brothers, Elrohir and Elladon, are also named beneficiaries.





NET WORTH & FINANCIAL DETAILS

Bank Accounts

\$15,000 – Aragon's Personal Savings
\$23,000 – Arwen's Personal Savings
\$115,000 – Joint Chequing Account

Investment Accounts

\$2,000,000 – Rivendell Family Trust. This highly concentrated portfolio is invested in Canadian bank stocks. Arwen is torn between what her father has done to accumulate this wealth and the advice reads on her social media account. Her good friend Gimli keeps trying to convince her to put it all in gold.

The following accounts are invested in a mixture of ETFs, F class mutual funds and cash

\$150,000 – TFSA Arwen
\$325,000 – RRSP Arwen
\$1,215,000 – non-registered account Arwen ACB \$3,000,000
\$850,000 – BC LIRA Aragon
\$975,000 – RRSP Aragon
\$140,000 – TFSA Aragon

Income Streams

\$27,000 – CPP & OAS Arwen
\$84,000 – Elvin pension plan Arwen (indexed to inflation)

Aragon is trying to decide when to take his CPP now that he is retiring. His friends are telling him that the best option is to take the money now, because who knows when the government will stop paying you.

Insurance

Aragon has a whole life policy with a total death benefit of \$1,000,000. He has been paying into it since he was 30. He wonders now that he has stopped working if he should keep it in force. He hasn't looked at it in years and is even unsure who the beneficiary may be at this point.

House

They own a small castle nestled in a wooded lot worth \$3,000,000. The cost and upkeep of the property is starting to become a concern for them. Arwen is thinking they should move to a more appropriate retirement property. Aragon is steadfast in his belief that he will die in this castle, just like his father did before him.

Personal Assets

\$100,000 – new truck with a fifth wheel hookup (Arwen). It was her retirement present to herself – necessary to pull her horse Asfaloth's trailer.
\$25,000 – SUV
\$10,000 – ATVs
\$117,000 – boat and trailer
\$50,000 – various furnishings and other personal effects
???? – Evenstar pendant. This heirloom jewellery has been in Arwen's family for generations and she is not sure what it is worth.

Liabilities

\$0 – credit card debt
\$0 – mortgage
\$0 – secured line of credit with a \$1,300,000 limit