

memo assignment essay sample

[Finance](#), [Investment](#)



You are an investment advisor and your clients, Marilyn and David, require your services. Marilyn and David are both 65 and are about to retire. They have no assets other than \$1, 600, 000 in cash savings, and they have no debts. They wish to maintain their current lifestyle during their retirement years. Their current annual living expenses are \$120, 000. They have no children and they do not wish to bequeath any assets to charity (after their death). Marilyn and David are in excellent health and have a normal life expectancy. They are, however, concerned about the possibility of outliving their retirement income (i. e., longevity risk). They will rely entirely on their cash savings to support themselves financially during their retirement years. Furthermore, they have a strong aversion to risk.

Marilyn and David have decided to use their cash savings to purchase an annuity that will provide them with the necessary income to cover their living expenses over their retirement years. They initially consult with Ms. Sheila Young who is an investment advisor at Merrill Lynch about purchasing their desired annuity. Ms. Young is a very experienced advisor and she claims that she could get Marilyn and David a much higher annual income than they require because she “ knows” how to invest their savings in financial instruments that can yield at least 15% per year. This rate of return is well above the current and historical average return for U. S. stocks as measured by the S&P 500 index.

Marilyn and David want you to provide a “ second opinion” of the analysis done by the Merrill Lynch advisor. Specifically, they want you to write a memo to Ms. Young that compares the two alternatives and highlights the risks and benefits of each alternative. They feel certain that Ms. Young is not

giving due consideration to assumptions and variables that will impact their decision (e. g., market risk, the clients' risk tolerance, life expectancy, among others), but they don't know how to articulate their concerns to her. Therefore, since you speak "finance" they would like you to prepare this memo on their behalf.

Assignment

Write a memo to Ms. Sheila Young containing the following information:

Provide a professional and financially sound critique where you identify the problem(s), if any, with her investment analysis. Conduct your own comprehensive investment analysis where you address any problem(s) identified using the appropriate methods (e. g., formulas, models, etc.) and assumptions; and provide the appropriate insight from your analysis.

Recommend one or more specific, clearly explained actions that address the problem(s) identified based on your investment analysis; and support your recommendations using your analytical results.

Grading and Instructions

The grade on this assignment will be equally divided (50/50) between the analytical quality of your argument (reasoning ability) and clarity of thought, correct use of grammar, punctuation, etc. (writing skills). Please note, simply providing "numbers" is insufficient to obtain a passing grade. Please provide your analysis in a clear and analytically sound memo that supports your final recommendations/conclusions. All supporting tables and graphs must be clearly presented and labeled.

Resources

I have made available the following supporting documents/files on the course website (i. e. Luminis): Reasoning rubric

Writing rubric You are encouraged to read all available documents before completing your work. Also, the following website may be a useful source of information. Here you can find detailed instructions on how to write a memo, sample memos and memo templates: [http://owl.english.purdue.](http://owl.english.purdue.edu/owl/resource/590/01/)

[edu/owl/resource/590/01/](http://owl.english.purdue.edu/owl/resource/590/01/)