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Personal Survivor Analysis

Allen & Betty Abbett

Sample Financial Plan - TOTAL Goal-Based Planning



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IMPORTANT: The illustrations or other information generated by this report regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

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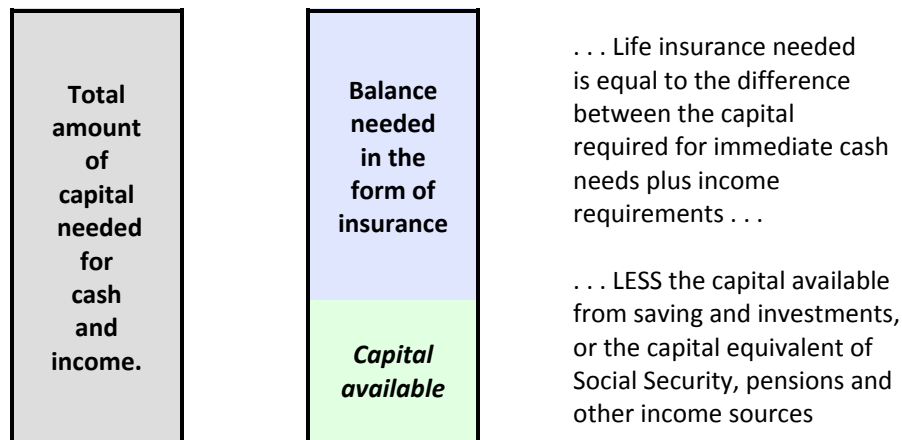
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Life Insurance

Sample Financial Plan - TOTAL Goal-Based Planning

In order to assure financial security in the event of the premature loss of a principal wage earner, any surviving heirs must have either an adequate source of wages or they must have sufficient accumulated capital to provide income in the form of interest, dividends, or the ability to consume such capital.

Unless you have already accumulated sufficient capital, the only course of action is to "option" for a sum of money for delivery at the time it is most needed - the passing of a principal wage earner. The concept of optioning capital is nothing more than the idea of life insurance.



CAPITAL NEEDED (for survivor income and expenses)

As time passes and the remaining heirs become less dependent on the wage earner, the total capital needed usually decreases.

CAPITAL AVAILABLE (savings and investments)

If a careful program of saving and investing is followed, then capital available grows. At the point where the CAPITAL AVAILABLE is equal to the CAPITAL NEEDED, then life insurance is no longer needed except in cases where assets are not liquid.

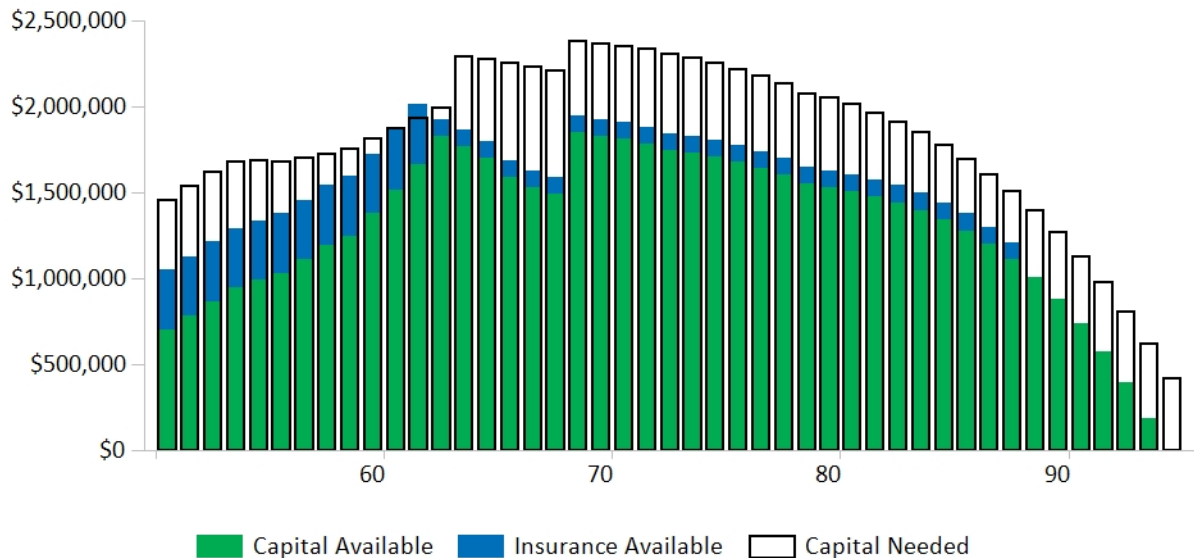
In preparing the following Survivor Capital reports, all income needed and available has been converted to an equivalent "Present Value Capital" amount. In other words, we show the amount of capital that would be needed today to provide the future stream of income assuming that the capital will earn interest at 4.50% and be fully consumed at the end of the period shown or life expectancy.

Note: Estimated insurance requirements can vary over time due to changes in asset levels, special expenses, education expenses, estate planning and spouse retirement needs. Additional insurance, held outside of an insurance trust, may have estate tax consequences. It may be prudent to purchase an amount of insurance appropriate to prepare for projected higher coverage needs. Consult with your financial and/or insurance advisor about factors that may suggest additional insurance coverage.

Life Insurance

Sample Financial Plan - TOTAL Goal-Based Planning

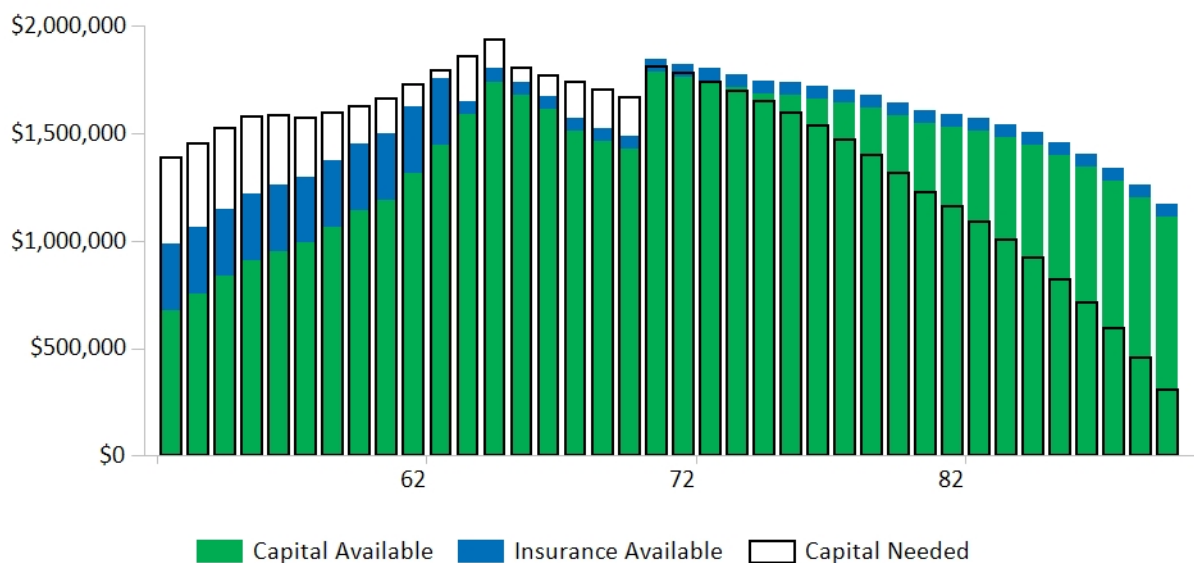
Insurance Need for Allen - Betty Survives



The shaded area of the graph shows the amount of capital available at a given age. The outlined area represents the amount of funds needed to provide capital for immediate cash needs and income for the survivor. If at any time the outline extends above the shaded area, the difference indicates and amount of additional capital needed in the form of insurance.

The graph is interpreted to show the amount of insurance needed if death occurs at a selected age. For example, if no shortage is shown now, then the amount of capital available now will be adequate through life expectancy. If a shortage is indicated 10 years from now, then additional insurance will be required only if death occurs at that age.

Insurance Need for Betty - Allen Survives



Survivor Needs for Betty

F3

Sample Financial Plan - TOTAL Goal-Based Planning

This analysis is used to show the amount of life insurance needed if Allen's death occurs at Betty's age shown and benefits are provided through Betty's life expectancy. The first age is current age, the last age is 10 years prior to life expectancy. Other ages are selected midpoint ages. Refer to "Survivor Capital Estimate" for additional details.

Betty's age when Allen dies	51	61	71	85	
Annual personal expense and item. deduction	(\$77,624)	(\$91,931)	(\$122,580)	(\$198,263)	
Debt payments	(1,200)	(556)			
Insurance premiums	(2,200)	(2,635)	(2,856)	(4,079)	
Total annual expenses at this age	(\$81,024)	(\$95,122)	(\$125,436)	(\$202,342)	J3
Income sources:					
Earned income *	\$68,000	\$82,892			
Pensions* & Social Security	39,564		35,678	47,076	
Other income or (expense)	5,611	11,369			
Total sources	\$113,175	\$94,260	\$35,678	\$47,076	F4
Annual surplus or (shortage) this year	\$32,151	(\$862)	(\$89,759)	(\$155,266)	
Capital required to fund income needed	(\$1,172,520)	(\$1,659,506)	(\$2,021,565)	(\$1,631,359)	F4
Plus immediate cash needs:					
Final expenses and other cash needs	(\$35,000)	(\$47,958)	(\$65,715)	(\$102,136)	
Estate administration and legal costs	(25,937)	(53,991)	(54,506)	(54,740)	
Mortgage and debt balance payoff	(232,000)	(118,610)	(221,816)		
Total immediate cash requirements	(\$292,937)	(\$220,559)	(\$342,036)	(\$156,875)	J2
Total capital needed at Allen's death (a)	(\$1,465,457)	(\$1,880,066)	(\$2,363,601)	(\$1,788,235)	
Less assets available:					
Savings and investments plus Roth IRA	\$384,100	\$645,326	\$939,935	\$1,346,938	C8
Allen's retirement accounts (after tax*)	227,375	574,215	284,139		H5...H6d
Betty's retirement accounts (after tax*)	93,713	298,483	590,227		H6...H6d
Total assets available at this age:	\$705,188	\$1,518,024	\$1,814,301	\$1,346,938	
Insurance needed for remaining years	\$760,270	\$362,042	\$549,300	\$441,297	
Life insurance on Allen at the age shown	347,500	347,500	97,500	97,500	J1
Additional insurance needed on Allen (b)	\$412,770	\$14,542	\$451,800	\$343,797	

Notes to above data:

a - This represents the amount of capital needed, sometimes referred to as the Net Present Value, at the age shown to fund all future income shortages, assuming the capital could earn 4.50% after tax each year.

b - The additional insurance needed will vary depending on when death occurs, the amount of capital available at the time of death and the number of years remaining to provide income.

*Earned income, pensions and retirement accounts reduced by 15.00% for income taxes.

Survivor Cash Flow - Betty

F3a

Sample Financial Plan - TOTAL Goal-Based Planning

INCOME:	Amount	Percent of Income	
Salaries & Wages	\$6,000	56.43%	D3
Self employment income (Sch C)	667	6.27%	H8
Interest	117	1.10%	H1...H4
Rent, Royalty & Partnerships (Sch E)	552	5.19%	B14
Social Security income	3,297	31.01%	
Total income available	\$10,633	100.00%	
EXPENDITURES:	Amount	Percent of Income	
Federal and State tax (est.)	\$1,100	10.35%	D3
Credit Cards	100	0.94%	K7a
Life insurance	85	0.80%	J1
Homeowners & other insurance	75	0.71%	G21
Auto insurance	23	0.22%	G21
Saving and Investment additions	750	7.05%	G18
Retirement account additions (IRA, 401(k), TSA, etc.)	810	7.62%	G18
Education fund deposits	200	1.88%	
Charitable contributions	333	3.13%	D3
Property & other taxes	617	5.80%	D3
Medical expenses	333	3.13%	D3
Discretionary Spending	800	7.52%	
Food and Household Expenses	400	3.76%	
Utilities and Bills	356	3.35%	
Auto Operating and Maintenance	293	2.76%	
Child Related Expenses	400	3.76%	
Holidays	133	1.25%	
Household Help	176	1.66%	
Clothing	200	1.88%	
Property Improvements/Upkeep	400	3.76%	
Vacations	267	2.51%	
Total spending and savings	\$7,852	73.85%	
Cash flow surplus (Income less Spending)	\$2,781		

Note: Items on this report represent only current year income and expenses. Amounts will vary in future years.

Note: Upon death some liabilities may be paid off in full

Survivor Capital Estimate - Betty Survives

Sample Financial Plan - TOTAL Goal-Based Planning

Age	Income Needed and Sources					Capital Needed for Income (npw @ 4.50%)	Immediate Cash Needs	Net Assets Plus Additions**	Total Life Insurance Needed
	Personal Expenses*	Earned Income**	Soc Sec & Pensions**	Other Inc/Exp	Income Surplus/Short				
	(\$6,827,525)	\$998,263	\$1,478,894	(\$5,428)	(\$4,355,797)				
51	(\$81,024)	\$68,000	\$39,564	\$5,611	\$32,151	(\$1,172,520)	(\$292,937)	\$705,188	\$760,270
52	(83,073)	69,360	40,355	5,855	32,497	(1,257,435)	(291,567)	784,272	764,730
53	(85,188)	70,747	20,581	(5,976)	164	(1,346,517)	(285,231)	869,120	762,627
54	(87,371)	72,162	20,993	(49,126)	(43,342)	(1,407,274)	(278,491)	948,821	736,944
55	(88,423)	73,605		(53,472)	(68,289)	(1,427,260)	(270,836)	991,400	706,696
56	(85,129)	75,077		(23,841)	(33,893)	(1,423,197)	(262,824)	1,034,982	651,039
57	(86,148)	76,579		(24,021)	(33,590)	(1,453,348)	(254,949)	1,113,800	594,497
58	(88,439)	78,111		(15,453)	(25,781)	(1,485,159)	(246,753)	1,198,380	533,532
59	(90,804)	79,673		7,917	(3,215)	(1,526,210)	(237,669)	1,251,397	512,482
60	(93,245)	81,266		8,185	(3,794)	(1,591,675)	(229,275)	1,379,996	440,953
61	(95,122)	82,892		11,369	(862)	(1,659,506)	(220,559)	1,518,024	362,042
62	(96,793)	84,549		8,726	(3,517)	(1,733,323)	(211,537)	1,669,148	275,712
63	(107,081)	86,240		(107,790)	(128,631)	(1,807,805)	(194,609)	1,828,243	174,171
64	(98,093)		24,396	10,543	(63,154)	(1,760,525)	(539,074)	1,772,269	527,329
65	(101,561)		26,924	10,916	(63,721)	(1,776,595)	(507,487)	1,701,883	582,199
66	(105,165)		27,462	10,121	(67,581)	(1,792,821)	(471,269)	1,593,463	670,627
67	(108,910)		32,961	10,505	(65,444)	(1,805,917)	(435,108)	1,532,649	708,376
68	(112,802)		33,620	184,504	105,322	(1,821,739)	(397,952)	1,491,957	727,734
69	(116,851)		34,292		(82,559)	(2,009,039)	(379,553)	1,851,298	537,293
70	(121,059)		34,978		(86,081)	(2,016,887)	(361,147)	1,834,128	543,906
71	(125,436)		35,678		(89,759)	(2,021,565)	(342,036)	1,814,301	549,300
72	(129,989)		36,391		(93,598)	(2,022,777)	(320,819)	1,785,923	557,674
73	(129,926)		37,119		(92,807)	(2,020,204)	(296,960)	1,748,674	568,490
74	(134,701)		37,861		(96,839)	(2,018,306)	(272,660)	1,732,488	558,479
75	(139,671)		38,619		(101,052)	(2,012,291)	(249,271)	1,709,742	551,820
76	(144,846)		39,391		(105,455)	(2,001,791)	(225,998)	1,681,941	545,849
77	(150,235)		40,179		(110,056)	(1,986,417)	(201,482)	1,647,474	540,426
78	(155,847)		40,982		(114,865)	(1,965,750)	(175,658)	1,605,679	535,729
79	(161,694)		41,802		(119,892)	(1,939,344)	(148,458)	1,555,843	531,959
80	(167,786)		42,638		(125,148)	(1,906,723)	(152,671)	1,532,648	526,746
81	(174,134)		43,491		(130,643)	(1,867,378)	(153,992)	1,511,309	510,061
82	(180,751)		44,361		(136,390)	(1,820,767)	(155,100)	1,482,833	493,034
83	(187,649)		45,248		(142,401)	(1,766,311)	(155,969)	1,446,487	475,793
84	(194,841)		46,153		(148,688)	(1,703,395)	(156,570)	1,401,475	458,490
85	(202,342)		47,076		(155,266)	(1,631,359)	(156,875)	1,346,938	441,297
86	(210,166)		48,017		(162,149)	(1,549,504)	(156,851)	1,281,944	424,411
87	(218,329)		48,978		(169,351)	(1,457,083)	(158,508)	1,202,986	412,606
88	(226,846)		49,957		(176,889)	(1,353,301)	(162,869)	1,113,813	402,357
89	(235,736)		50,957		(184,779)	(1,237,311)	(164,433)	1,010,900	390,844
90	(245,015)		51,976		(193,040)	(1,108,211)	(169,054)	883,736	393,529
91	(254,704)		53,015		(201,689)	(965,041)	(173,812)	739,719	399,134
92	(264,821)		54,075		(210,746)	(806,779)	(178,709)	577,352	408,136
93	(275,389)		55,157		(220,232)	(632,338)	(183,752)	395,018	421,072
94	(286,429)		56,260		(230,168)	(440,562)	(188,943)	190,975	438,529
95	(297,964)		57,385		(240,578)	(230,218)	(194,287)		424,506
96									
	J3	J3	J3	J3			J2	C6	

* Includes basic personal expenses plus insurance premiums, debt payments and itemized deductions.

**Earned income, pensions and retirement accounts reduced by 15.00% for income taxes.

Survivor Needs for Allen

Sample Financial Plan - TOTAL Goal-Based Planning

This analysis is used to show the amount of life insurance needed if Betty's death occurs at Allen's age shown and benefits are provided through Allen's life expectancy. The first age is current age, the last age is 10 years prior to life expectancy. The other ages are selected midpoint ages. Refer to "Survivor Capital Estimate" for additional details.

	53	63	73	80	
Allen's age when Betty dies					
Annual personal expense and item. deduction	(\$78,464)	(\$94,345)	(\$122,580)	(\$152,447)	
Debt payments	(1,200)	(556)	(33,698)	(33,698)	
Insurance premiums	(3,750)	(4,213)	(4,247)	(4,826)	
Total annual expenses at this age	(\$83,414)	(\$99,114)	(\$160,525)	(\$190,970)	J6
Income sources:					
Earned income *	\$67,080	\$99,847			
Pensions* & Social Security	33,696		39,193	45,021	
Other income or (expense)	5,611	11,369			
Total sources	\$106,387	\$111,215	\$39,193	\$45,021	F6
Annual surplus or (shortage) this year	\$22,973	\$12,102	(\$121,332)	(\$145,950)	
Capital required to fund income needed	(\$1,117,703)	(\$1,606,998)	(\$1,651,282)	(\$1,210,193)	F4
Plus immediate cash needs:					
Final expenses and other cash needs	(\$35,000)	(\$47,958)	(\$65,715)	(\$81,926)	
Estate administration and legal costs	(6,817)	(26,333)	(29,293)	(28,908)	
Mortgage and debt balance payoff	(232,000)	(118,610)			
Total immediate cash requirements	(\$273,817)	(\$192,901)	(\$95,008)	(\$110,834)	J5
Total capital needed at Betty's death (a)	(\$1,391,520)	(\$1,799,900)	(\$1,746,290)	(\$1,321,027)	
Less assets available:					
Savings and investments plus Roth IRA	\$384,100	\$645,326	\$939,935	\$1,368,523	C8
Allen's retirement accounts (after tax*)	208,650	526,927	260,740		H5...H6d
Betty's retirement accounts (after tax*)	85,995	273,902	541,620	217,625	H6...H6d
Total assets available at this age	\$678,745	\$1,446,155	\$1,742,295	\$1,586,148	
Insurance needed for remaining years	\$712,775	\$353,745	\$3,995	(\$265,121)	
<i>An amount in parenthesis indicates a surplus amount of capital is available if death occurs at that age.</i>					
Life insurance on Betty at the age shown	310,000	310,000	60,000	60,000	J1
Additional insurance needed on Betty (b)	\$402,775	\$43,745			

Notes to above data:

a - This represents the amount of capital needed, sometimes referred to as the Net Present Value, at the age shown to fund all future shortages, assuming that the capital could earn 4.50% after tax each year.

b - The additional insurance needed will vary depending on when death occurs, the amount of capital available at the time of death and the number of years remaining to provide income.

*Earned income, pensions and retirement accounts reduced by 22.00% for income taxes.

Survivor Capital Estimate - Allen Survives

Sample Financial Plan - TOTAL Goal-Based Planning

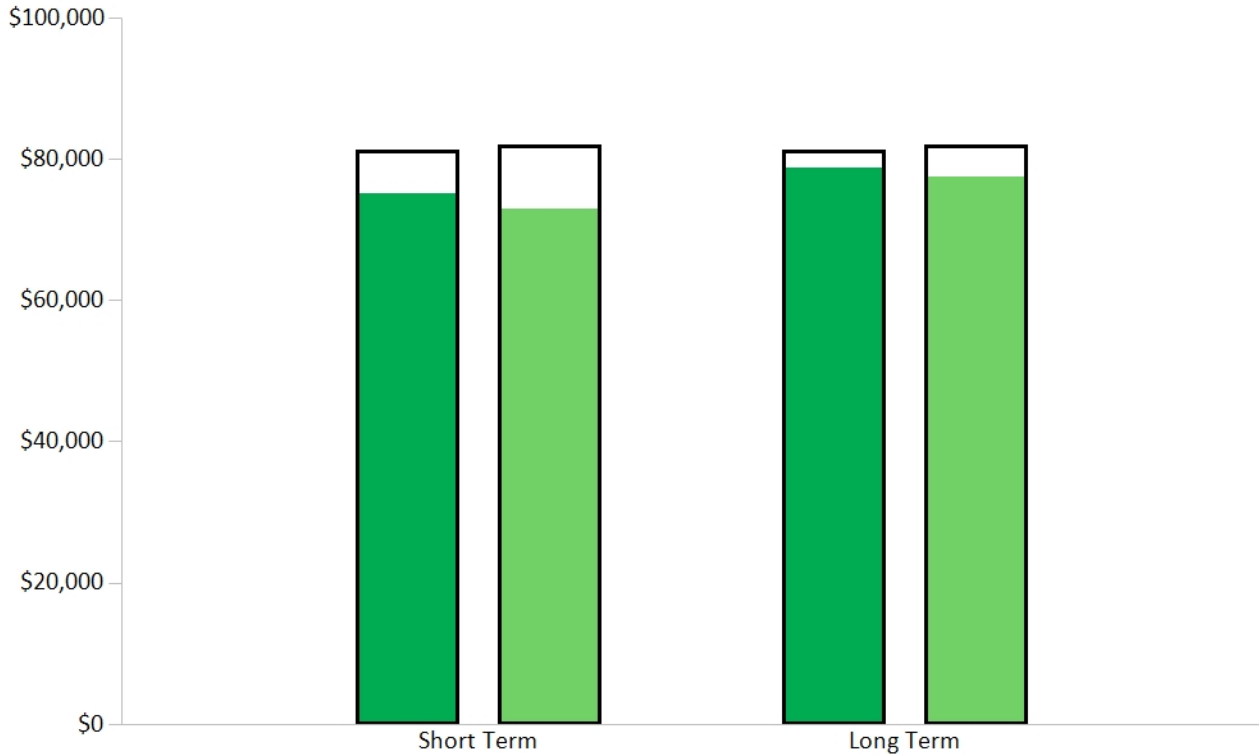
Age	Income Needed and Sources				Income Surplus/Short (\$3,307,720)	Capital Needed for Income (npv @ 4.50%)	Immediate Cash Needs	Net Assets Plus Additions**	Total Life Insurance Needed
	Personal Expenses*	Earned Income**	Soc Sec & Pensions**	Other Inc/Exp					
53	(\$83,414)	\$67,080	\$33,696	\$5,611	\$22,973	(\$1,117,703)	(\$273,817)	\$678,745	\$712,775
54	(85,508)	68,757	34,370	5,855	23,474	(1,190,972)	(270,607)	754,725	706,854
55	(88,237)	77,851	17,529	(5,976)	1,167	(1,268,040)	(263,722)	836,223	695,539
56	(90,482)	79,798	17,879	(49,126)	(41,931)	(1,326,269)	(256,370)	912,242	670,397
57	(91,599)	81,793		(53,472)	(63,279)	(1,344,020)	(248,065)	950,850	641,235
58	(88,371)	83,837		(23,841)	(28,375)	(1,341,222)	(239,362)	990,151	590,433
59	(89,459)	85,933		(24,021)	(27,547)	(1,373,202)	(230,755)	1,064,356	539,601
60	(92,177)	92,717		(15,453)	(14,913)	(1,407,449)	(221,782)	1,143,967	485,265
61	(94,624)	95,035		7,917	8,328	(1,455,872)	(211,855)	1,191,588	476,139
62	(97,150)	97,411		8,185	8,446	(1,529,715)	(202,566)	1,314,379	417,902
63	(99,114)	99,847		11,369	12,101	(1,606,998)	(192,901)	1,446,155	353,745
64	(101,250)	102,343		8,726	9,819	(1,691,414)	(175,372)	1,590,551	276,235
65	(96,114)		20,370	(107,790)	(183,534)	(1,777,347)	(164,875)	1,742,410	199,812
66	(133,154)		20,778	10,543	(101,833)	(1,673,794)	(140,199)	1,680,062	133,930
67	(136,625)		34,803	10,916	(90,906)	(1,647,281)	(126,954)	1,611,433	162,803
68	(140,233)		35,499	10,121	(94,613)	(1,630,502)	(114,479)	1,515,172	229,810
69	(143,982)		36,209	10,505	(97,268)	(1,609,261)	(101,463)	1,462,806	247,918
70	(147,878)		36,933	184,504	73,559	(1,584,410)	(87,884)	1,429,130	243,164
71	(151,931)		37,671		(114,260)	(1,729,267)	(89,476)	1,784,548	34,195
72	(156,144)		38,425		(117,719)	(1,692,824)	(92,417)	1,763,909	21,332
73	(160,525)		39,193		(121,332)	(1,651,282)	(95,008)	1,742,295	3,995
74	(165,082)		39,977		(125,105)	(1,604,258)	(98,276)	1,716,086	
75	(165,024)		40,777		(124,247)	(1,551,345)	(102,575)	1,686,925	
76	(169,804)		41,592		(128,212)	(1,496,908)	(107,019)	1,677,419	
77	(174,779)		42,424		(132,355)	(1,436,058)	(109,224)	1,662,240	
78	(179,959)		43,273		(136,686)	(1,368,325)	(109,980)	1,642,793	
79	(185,353)		44,138		(141,215)	(1,293,214)	(110,524)	1,617,623	
80	(190,970)		45,021		(145,949)	(1,210,193)	(110,834)	1,586,148	
81	(163,125)		45,921		(117,204)	(1,118,703)	(110,881)	1,547,742	
82	(169,223)		46,840		(122,383)	(1,051,841)	(111,544)	1,532,648	
83	(175,577)		47,776		(127,801)	(976,790)	(115,861)	1,511,309	
84	(182,200)		48,732		(133,468)	(892,945)	(120,369)	1,482,833	
85	(189,104)		49,707		(139,397)	(799,660)	(125,078)	1,446,487	
86	(196,303)		50,701		(145,602)	(696,247)	(129,997)	1,401,475	
87	(203,811)		51,715		(152,096)	(581,976)	(135,138)	1,346,938	
88	(211,642)		52,749		(158,893)	(456,069)	(140,511)	1,281,944	
89	(219,812)		53,804		(166,008)	(317,699)	(144,005)	1,202,986	
90	(228,337)		54,880		(173,457)	(165,987)	(144,721)	1,113,813	
91									
92									
93									
94									
95									
96									
97									
98									

* Includes basic personal expenses plus insurance premiums, debt payments and itemized deductions.

**Earned income, pensions and retirement accounts reduced by 22.00% for income taxes.

Disability Income Insurance

Sample Financial Plan - TOTAL Goal-Based Planning



A short term or long term disability due to illness or injury can devastate your financial plans. At a time when you can no longer work for a living, your expenses may actually increase while your income decreases, forcing you to deplete funds that were accumulating for your financial independence in your retirement years.

Careful planning should be made to assure that you will have adequate income in the event of disability due to serious illness or accident.

	Allen disabled		Betty disabled	
	Short term	Long term	Short term	Long term
Income Needed	\$81,354	\$81,354	\$81,954	\$81,954
Amount Available	75,196	78,796	72,857	77,537
Additional Needed	\$6,158	\$2,558	\$9,097	\$4,417

Disability Income Insurance

Sample Financial Plan - TOTAL Goal-Based Planning

In the event of total or partial disability you may face serious financial challenges. If income from wages is reduced substantially, you and those dependent on you could be required to make radical changes in your style of living, or consume assets that will be needed for security during the retirement years.

Annual income needed:*

	<u>Allen</u>	<u>Betty</u>	
Personal living expenses	\$41,104	\$41,104	
Itemized deductions (property tax, contrib, etc.)	15,400	15,400	G18
Home mortgage	19,200	19,200	G18
Loan payments (auto, credit card, etc)	1,200	1,200	K3
Insurance premium payments (less disability premium)	4,450	5,050	G21
Total income required	\$81,354	\$81,954	

Income sources while disabled:	<u>Allen disabled</u>		<u>Betty disabled</u>		
	<u>Short term</u>	<u>Long term</u>	<u>Short term</u>	<u>Long term</u>	
Wages and self employment from Allen			\$86,000	\$86,000	G22
Wages and self employment from Betty	80,000	80,000			G23
Less taxes estimated at 15.00% / 22.00%	(12,211)	(12,211)	(20,549)	(21,869)	
Interest income	1,406	1,406	1,406	1,406	D3
Personal disability income policies	6,000	9,600			
Company disability income benefits			6,000	12,000	
Total income available	\$75,196	\$78,796	\$72,857	\$77,537	

Income shortage per year when disabled	\$6,158	\$2,558	\$9,097	\$4,417
Income shortage per month	\$513	\$213	\$758	\$368

If a shortage is indicated you should consider acquiring disability insurance coverage (or increasing existing policies) to provide the necessary income. Insurance company requirements may limit the amount of coverage available.

* The amounts needed above do not include deposits to savings and investments to build assets for your retirement years. Present annual additions equal \$31,680. The Retirement Capital report indicates additional deposits may be needed between \$0 and \$0 per year depending on the rate of return earned.

Note: Consult with your financial advisor and/or insurance agent about factors that may suggest additional insurance coverage.

Property and Casualty Insurance

Sample Financial Plan - TOTAL Goal-Based Planning

A substantial portion of your assets is represented by your residence and other personal property such as autos, recreational vehicles, jewelry, etc.

Loss of these assets can occur through fire, theft, accidents or other means. Just as you insure your life with life insurance, or your health with medical insurance, you should carefully evaluate the benefits of insuring your property against loss in the form of property and casualty insurance.

Homeowner Insurance

Most mortgage lenders require that you carry insurance on your residence for at least 80% of the current replacement value. Most homeowners policies will include coverage on the contents of the home, and may even provide extended benefits on property taken out of the home temporarily.

Homeowners policies usually will include some amount of liability protection, providing protection in case someone is injured on your property. This coverage generally includes both medical cost reimbursement and liability protection in the event the homeowner is found negligent.

Automobile and Recreational Vehicle Coverage

Auto policies generally include several types of coverage:

- Collision pays for damage to your car when an accident occurs.

- Comprehensive coverage pays for losses not caused by an accident.

- Liability provides payment for damage to people and property in an accident where you are found to be at fault.

- No fault coverage, mandatory in many states, pays medical expenses and a portion of lost wages

Personal Excess Liability Coverage

Sometimes referred to as "umbrella coverage", this type of policy provides protection in excess of normal policy limits found in homeowners or automobile policies.

If you are found negligent in an automobile accident or in an injury to a visitor at your home, this policy can protect you from losses that might substantially exceed the limits of your other policies and could save you from losing all that you own.

Long Term Care

Sample Financial Plan - TOTAL Goal-Based Planning

Long Term Care Defined

Long term care is sustained medical or custodial care in a hospital, nursing facility, or equivalent care at home. This care meets the needs of people when, for some reason, they cannot care for themselves. Long term care insurance provides coverage for costs when the need for care extends beyond a pre-determined period. Benefits start when certain conditions and time frames specified by a long term care insurance policy are met.

Generally the needs requirements to obtain insurance benefits fall into two categories:

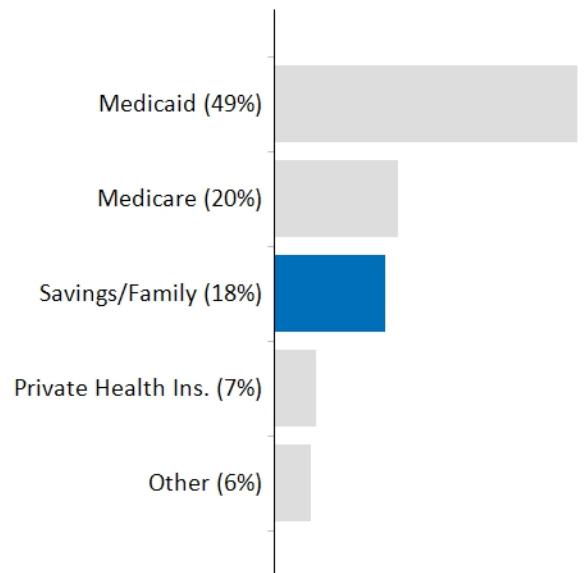
<p>An inability to perform two or more Activities of Daily Living (ADLs)</p>	<p>Activities of Daily Living (ADLs) are basic functions of daily independent living and include:</p> <ul style="list-style-type: none"> Dressing Toileting Bathing Transferring Eating Contenance
<p>Impaired Cognitive Ability</p>	<p>Loss of mental function can result from stroke, dementia or Alzheimer's Disease. Alzheimer's Disease is a disorder that progressively affects one's ability to carry out daily activities.</p>

The Cost of Waiting to Plan

- 40% of all long term care recipients are under the age of 65.
- Over 40% of seniors who reach age 65 will spend some time in a nursing home.
- Over 70% of seniors who reach age 65 will need some form of home health care in their future.
- One out of every four families provides care to an elderly relative or loved one.
- 35% will stay in a Nursing Facility for more than one full year.
- The average nursing home stay is 2.5 years.
- The average Alzheimer's stay is 7 years.

Without benefits from long term care insurance or a comparable plan, the cost of providing these services could devastate your lifetime savings, or a relative's life savings. On average, one year in a nursing home costs in the area of \$57,000 and can easily exc

Depending on the care required, most of these expenses are paid for by the patient or their family. Medicare may contribute toward the first 100 days expenses in a skilled care facility. There are no Medicaid benefits available for intermediate term or custodial care, unless the state finds the patient to be impoverished under local guidelines. Even then, care options would be restricted to care facilities offered by the very limited benefit payments available from Medicaid.



Medicaid and Medicare Facts

- Medicaid is a welfare program designed as an emergency safety net to pay health care costs for the poor.
- Medicare is a part of Social Security, and helps pay for the general health care needs of retired persons.
- Medicare typically only pays for doctors, hospitals, and short recuperative stays in nursing facilities.
- Private health insurance is designed for medical (doctors, hospitals, etc.) not long term care expenses.
- Many people end up relying on their own or relative's resources to pay for long-term care expenses.

Long Term Care Need Analysis

Sample Financial Plan - TOTAL Goal-Based Planning

Long-term care (LTC) requires long term planning. LTC insurance is available to cover these expenses, protect your assets, your independence and control the quality of the care you receive. You are able to choose the specified daily benefit level, as well as the types of medical and care services covered.

When is the best time to purchase LTC insurance? Generally, the premiums stay level once the policy is purchased, much like level term insurance. In practice, the earlier you buy a policy, the lower the premium. Since the odds of needing long term care increase with age, purchasing coverage at a reasonably early age is good planning.

Needs Estimate

The estimated long term care cost examples are based on your financial information. Consider the concepts illustrated here to be simply a starting point for analysis and a future in-depth discussion of your long-term care insurance needs.

	<u>Allen</u>	<u>Betty</u>
Estimated monthly care costs (today's \$)	\$6,000	\$6,000
Estimated daily care cost	\$197	\$197
Age when long term care starts	86	91
Years until long term care starts*	33	40
Assumed inflation rate	6.00%	6.00%
Inflated monthly cost*	\$41,044	\$61,714
Estimated number months of care	40	40
Total inflated cost	\$1,641,742	\$2,468,572
Total potential long-term care costs	\$4,110,314	
<i>*Beginning 40 months prior to life expectancy</i>		
In today's dollars, these future costs would equate to	\$961,695	
<i>**Using a 4.50% discount rate</i>		

There is a significant potential for the cost of long term care to seriously deplete your financial assets in the long term. A prudent approach is to explore the various options available to you now to purchase protection for your future needs.

Points to consider when evaluating a LTC policy might include:

- Amount of daily benefit desired.
- Benefit and cost of an inflation adjustment rider.
- Financial strength and experience of the insurance company.
- What is or is not covered by the policy.
- Elimination and benefit periods.
- How pre-existing conditions will be handled.
- Tax effect on premiums and benefits.
- The policy renewability guarantee.

Affordable Care Act

Sample Financial Plan - TOTAL Goal-Based Planning

The Affordable Care Act (ACA) was signed into law in 2010 and significantly changes the health insurance industry that Americans have known for the past several years. Health insurance is now available at state exchanges which also help determine eligibility for the Advanced Premium Tax Credit. The ACA introduces two new taxes and two new credits. The ones that impact individuals are discussed in detail below. Not discussed below are the new Employer Shared Responsibility Tax and the Small Business Health Insurance Tax Credit.

Advanced Premium Tax Credit (APTC)

The ACA includes a new advance credit for families that meet certain requirements including buying their health insurance through the official health exchange. The amount of credit depends on the Modified Adjusted Gross Income. For this purpose MAGI includes non-taxable municipal bond income, non-taxable foreign earned income, and non-taxable Social Security Income. The credit sets a maximum for the cost of the benchmark silver plan as a percent of MAGI, it is then compared to the actual cost of the benchmark silver plan and the difference is the credit. This credit is paid directly to the health insurance exchanges to lower the monthly premium costs. If the credit is over/under paid, annual taxes are adjusted accordingly.

Family Size	Percent of Federal Poverty Level and related APTC benchmark						
	100%	133%	150%	200%	250%	300%	400%
1	11,880	15,800	17,820	23,760	29,700	35,640	47,520
2	16,020	21,307	24,030	32,040	40,050	48,060	64,080
3	20,160	26,813	30,240	40,320	50,400	60,480	80,640
4	24,300	32,319	36,450	48,600	60,750	72,900	97,200
5	28,440	37,825	42,660	56,880	71,100	85,320	113,760
6	32,580	43,331	48,870	65,160	81,450	97,740	130,320
7	36,730	48,851	55,095	73,460	91,825	110,190	146,920
8	40,890	54,384	61,335	81,780	102,225	122,670	163,560
Each add'l	4,160	5,533	6,240	8,320	10,400	12,480	16,640
Benchmark Premium Limit	2%	3%	4%	6.30%	8.05%	9.50%	9.50%

Your Modified Adjusted Gross Income is too high to qualify for the Advanced Premium Tax Credit

Individual Shared Responsibility Tax (ISRT)

In order to make sure that not only the sick who sign up for health insurance under ACA the law includes a new tax applicable to those who do not own health insurance. This is commonly called the Individual Mandate as the attempt is to mandate or command that all Americans buy health insurance. There are some exemptions from ISRT including an earnings threshold.

Filing Status	Under 65		65 and Over		Phase-In of Penalty Tax		
	Year	Per Person	% of Income	Year	Per Person	% of Income	
Single	10,400	11,950	2015	\$325	2%		
Head of Household	13,400	14,950	2016	\$695	2.5%		
Married Filing Jointly	20,800	22,050	2017	\$695	2.5%		
Qualifying widow(er)	16,750	18,000	2018	*	2.5%		
Married Filing Separate	4,050	4,050					

To calculate ISRT add any tax-exempt municipal bond income as well as any amount excluded from income for foreign earned income or housing assistance to Adjusted Gross Income then subtract the applicable filing threshold amount. This amount is then multiplied by the penalty percent. The tax due is the higher of this number or the per person penalty amount (\$695 for 2018). As a provision of the Tax Cuts and Jobs Act of 2017, the ISRT is scheduled to end in 2018.

Your potential Individual Shared Responsibility Tax is: \$1,665

Retirement Health Savings

Sample Financial Plan - TOTAL Goal-Based Planning

A Retirement Health Savings account is an employer sponsored health savings benefit that allows you to accumulate assets to pay for medical expenses, health insurance and prescription expenses on a tax free basis. This includes expenses for you, your spouse and/or your dependents in retirement.

Some of the benefits of a Retirement Health Savings Account:

Accumulation of assets to pay for one of retirement's greatest financial needs.

Funds may be used for insurance premiums, out-of-pocket expenses, co-pays, or prescription drugs (as specified by your employer's plan.)

Convenience

Once enrolled, you make decisions regarding investment of your RHS funds. Contributions are made by your employer and/or from your compensation or unused leave.

Tax benefits

Medical expense reimbursements are tax-free when used for you, your spouse and/or dependents. Assets grow in a tax-deferred account.

Flexibility

The retiree chooses the expenses to be reimbursed and the frequency.

Appropriate investment options

The plan may allow various investment options, including mutual funds, money market, equity funds, model portfolios, low cost index or age-related milestone funds.

Continuing use by your survivors

Upon your death, your account balance is either transferred to an account to pay medical expenses for your surviving spouse and/or dependents, or available to a beneficiary for their medical expenses.

Contributions

Depending on your employer's RHS plan features, some of the following contributions may be available in your plan.

- Employer contributions - fixed percentage of salary or dollar amount which may vary each year.
- Mandatory or elective contributions of annual leave.
- Mandatory employer contributions.
- Elective pre-tax contributions of salary or accrued leave.

Contributions to your plan are not subject to income or FICA tax.

For additional information please request a copy of your employer's plan document or Q&A brochure.