

Insurance Analysis

For

John and Mary Sample

July 1, 2018

Prepared by

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Assumptions

Client Information:	John	Mary	Asset Allocations:	Current	Suggested
Birth Date			Cash & Reserves	7.60%	5.00%
Age	48	46	Income	1.90%	0.00%
Retirement Age	65	63	Income &	5.70%	15.00%
Life Expectancy	85	90	Growth	60.46%	40.00%
Alternate Life Expectancy	90	95	Aggressive	24.33%	40.00%
Life Insurance			Other	0.00%	0.00%
Term Insurance	\$500,000	\$250,000	Risk Tolerance	Somewhat Aggressive	
Insurance Cash Values					

Income (Annual)	John	Mary
Earned Income	\$80,000	\$70,500
Social Security	\$33,503	\$32,668
Start Age	67	67
Increase Rate	2.00%	2.00%
Pension 1	\$7,200	
Start Age	65	
Increase Rate (Pre. Ret.)	0.00%	
Increase Rate (Ret.)	2.00%	
Pension Survivor %	0%	
Pension 2		
Start Age		
Increase Rate (Pre. Ret.)		
Increase Rate (Ret.)		
Pension Survivor %		

Other Expenses (After-Tax)

Item Description	Start Year	Inc. Rate	Number of Years	Amount per Year
World Travel - 2	2034	3.00	2	(\$20,000)
Replace Roof	2019	3.00	1	(\$12,000)
Kitchen and	2020	3.00	1	(\$32,000)

Rate Assumptions	Pre-Ret.	Ret.
Taxable Returns	7.00%	6.00%
Tax-Deferred & Roth Returns	7.00%	6.00%
Tax-Free Returns	5.00%	4.00%
Return on Annuities	6.00%	6.00%
Effective Tax Rates	25.00%	20.00%
Cost Basis for Taxable Assets		100.00%
Cost Basis for Annuity Assets		100.00%
Additions Increase Rate: Taxable		2.00%
Additions Incr Rate: Tax-Def	2.00%	2.00%

Expenses (After-Tax)	Pre-Ret.	Ret.
Expenses	\$90,000	\$85,000
Survivor Expenses	\$80,000	\$75,000
Inflation Rate	3.00%	3.00%
Survivor Inflation Rate	3.00%	3.00%

Estimated Education Costs

Total Costs at 6% Inflation	\$192,400
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Note: These assumptions are based upon information provided by you, combined with representative forward looking values intended to provide a reasonable financial illustration for education and discussion purposes. The investment returns, tax rates, benefit increase rates, inflation rates, and future expense values used in this report were selected based on your age, assets, income, goals and other information you provided. These assumptions do not presuppose or analyze any particular investments or investment strategy, or represent a guarantee of future results.

Net Worth Statement

John and Mary Sample

July 1, 2018

ASSETS

Savings And Investments

Money Market Accounts/Funds	\$40,000	
Annuities	30,000	
Municipal Bonds and Funds	10,000	
Stock Mutual Funds	85,000	
		\$165,000

Retirement Accounts

Qualified Plans-John	\$160,000	
Qualified Plans-Mary	128,000	
IRA Assets-Mary	34,000	
Roth Assets-John	12,000	
Roth Assets-Mary	27,000	
		\$361,000

Other Assets

Residence	\$400,000	
Personal Property	20,000	
Cars	36,000	
		\$456,000

TOTAL ASSETS \$982,000

LIABILITIES

Residence Mortgage	\$220,000	
Credit Card Debt	5,000	
Car Loans	15,000	
		\$240,000

Net Worth (Assets less Liabilities) \$742,000

Note: Potential taxes due on unrealized gains or assets in tax-deferred retirement plans are not accounted for in this Net Worth Statement. This asset information is based upon information you provided and sources believed to be reliable. The asset listing herein is not an account statement and does not necessarily include current or complete balances, holdings, and returns. Please review this information for accuracy.

Insurance Summary

Company Name		
Insured	John	Mary
Owner	John	Mary
Beneficiary	Mary	John
Type	Term	Term
Death Benefit	\$500,000	\$250,000
Annual Premium		
Total Premiums Paid		
Current Cash Values		

Insurance Included in Estate:

John predeceases Mary

	<u>John</u>	<u>Mary</u>
Policy 1 -	\$500,000	\$0
Policy 2 -	0	250,000
	\$500,000	\$250,000

Mary predeceases John

	<u>Mary</u>	<u>John</u>
Policy 1 -	\$0	\$500,000
Policy 2 -	250,000	0
	\$250,000	\$500,000

Survivor Needs Analysis

In the event of an untimely death, survivors may be left without the household income needed to sustain their existing lifestyle. Life insurance coverage is recommended in an amount that will ensure sufficient ongoing income, as well as cover immediate needs, such as final expenses.

Determining proper levels of life insurance involves a comparison of current and future household expense levels with expected surviving spouse's earnings plus survivor benefits. Other resources are also taken into account such as: liquid assets, investments, pension, and retirement accounts.

Insurance needs estimates are the calculated lump sum amounts which would provide a source of future cash flow to supplement the anticipated household income. The insurance levels suggested are just general guides and may not include all factors affecting your own situation.

Spending needs for this report are based upon \$80,000 per year, inflated at 3% each year until retirement and \$75,000 per year, inflated at 3% each year during retirement.

Life Insurance Basic Needs Estimate on John:

Present Value:	Anticipated Spending Needs	\$2,087,540	
	Education Expenses	88,447	
	Final Expenses	22,500	
	Other Expenses	66,785	\$2,265,272
	Mary's Employment	(\$721,502)	
	Social Security Benefits	(538,387)	
	Pension Benefits	(0)	
	Other Incomes	(0)	(\$1,259,888)
	Net Estimated Survivor Need Shortage		\$1,005,383
	Currently Existing Liabilities		240,000
	Assets Available to Offset Shortage		(526,000)
	Current Life Insurance Coverage		(500,000)
	Suggested Additional Life Insurance Coverage		\$219,383

Note: Estimated insurance requirements can vary over time due to changes in asset levels, special expenses, education expenses, estate planning, and spouse's 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 potential higher coverage needs. Consult with your financial advisor about factors that may suggest additional insurance coverage.

Survivor Needs Analysis

In the event of an untimely death, survivors may be left without the household income needed to sustain their existing lifestyle. Life insurance coverage is recommended in an amount that will ensure sufficient ongoing income, as well as cover immediate needs, such as final expenses.

Determining proper levels of life insurance involves a comparison of current and future household expense levels with expected surviving spouse's earnings plus survivor benefits. Other resources are also taken into account such as: liquid assets, investments, pension, and retirement accounts.

Insurance needs estimates are the calculated lump sum amounts which would provide a source of future cash flow to supplement the anticipated household income. The insurance levels suggested are just general guides and may not include all factors affecting your own situation.

Spending needs for this report are based upon \$80,000 per year, inflated at 3% each year until retirement and \$75,000 per year, inflated at 3% each year during retirement.

Life Insurance Basic Needs Estimate on Mary:

Present Value:	Anticipated Spending Needs	\$1,947,156	
	Education Expenses	88,447	
	Final Expenses	22,500	
	Other Expenses	66,785	\$2,124,888
	John's Employment	(\$818,725)	
	Social Security Benefits	(459,729)	
	Pension Benefits	(35,834)	
	Other Incomes	(0)	(\$1,314,289)
	Net Estimated Survivor Need Shortage		\$810,599
	Currently Existing Liabilities		240,000
	Assets Available to Offset Shortage		(526,000)
	Current Life Insurance Coverage		(250,000)
	Suggested Additional Life Insurance Coverage		\$274,599

Note: Estimated insurance requirements can vary over time due to changes in asset levels, special expenses, education expenses, estate planning, and spouse's 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 potential higher coverage needs. Consult with your financial advisor about factors that may suggest additional insurance coverage.

Survivor Needs Calculation for Mary, To Estimate Life Insurance Required on John

NPV ¹	(\$2,087,540)	(\$88,447)	(\$89,285)	\$721,502	\$538,387		(\$1,005,383)
Age	Spending Need	Education Costs	Other Inc. (Expense) ²	Income After Tax	Soc. Sec. After Tax	Pension After Tax	Surplus (Shortage)
46	(\$80,000)		(\$22,500)	\$52,875	\$46,008		(\$3,617)
47	(82,400)		(12,360)	54,461	46,928		6,630
48	(84,872)		(33,949)	56,095	47,867		(14,859)
49	(87,418)			57,778	48,824		19,184
50	(90,041)			59,511	49,801		19,271
51	(92,742)			61,297	42,808		11,362
52	(95,524)			63,136	43,664		11,275
53	(98,390)	(3,372)		65,030	44,537		7,805
54	(101,342)	(47,816)		66,980			(82,177)
55	(104,382)	(25,342)		68,990			(60,734)
56	(107,513)	(26,863)		71,060			(63,317)
57	(110,739)	(28,474)		73,191			(66,021)
58	(114,061)			75,387			(38,674)
59	(117,483)			77,649			(39,834)
60	(121,007)			79,978	4,226		(36,803)
61	(124,637)			82,378	3,837		(38,423)
62	(128,377)		(32,094)	84,849	3,430		(72,192)
63R	(123,964)		(33,057)		32,202		(124,818)
64	(127,682)				32,846		(94,836)
65	(131,513)				33,503		(98,010)
66	(135,458)				34,173		(101,285)
67	(139,522)				34,857		(104,665)
68	(143,708)				35,554		(108,154)
69	(148,019)				36,265		(111,754)
70	(152,460)				36,990		(115,469)
71	(157,033)				37,730		(119,303)
72	(161,744)				38,485		(123,260)
73	(166,597)				39,254		(127,342)
74	(171,595)				40,039		(131,555)
75	(176,742)				40,840		(135,902)
76	(182,045)				41,657		(140,388)
77	(187,506)				42,490		(145,016)
78	(193,131)				43,340		(149,791)
79	(198,925)				44,207		(154,718)
80	(204,893)				45,091		(159,802)
81	(211,040)				45,993		(165,047)
82	(217,371)				46,913		(170,458)
83	(223,892)				47,851		(176,041)
84	(230,609)				48,808		(181,801)
85	(237,527)				49,784		(187,743)
86	(244,653)				50,780		(193,873)
87	(251,992)				51,795		(200,197)
88	(259,552)				52,831		(206,721)
89	(267,339)				53,888		(213,451)
90	(275,359)				54,966		(220,393)
91	(283,620)				56,065		(227,555)
92	(292,128)				57,186		(234,942)
93	(300,892)				58,330		(242,562)
94	(309,919)				59,497		(250,422)
95L	(319,216)				60,686		(258,530)

1 - Net Present Values for this illustration are calculated using a 6% after-tax discount rate (education costs using 5%).

2 - Allowances for final expenses and emergency funds of \$22,500 are included in the first year.

Survivor Needs Calculation for John, To Estimate Life Insurance Required on Mary

NPV ¹	(\$1,947,156)	(\$88,447)	(\$89,285)	\$818,725	\$459,729	\$35,834	(\$810,599)
Age	Spending Need	Education Costs	Other Inc. (Expense) ²	Income After Tax	Soc. Sec. After Tax	Pension After Tax	Surplus (Shortage)
48	(\$80,000)		(\$22,500)	\$60,000	\$38,963		(\$3,538)
49	(82,400)		(12,360)	61,800	39,742		6,782
50	(84,872)		(33,949)	63,654	40,537		(14,630)
51	(87,418)			65,564	41,347		19,493
52	(90,041)			67,531	42,174		19,664
53	(92,742)			69,556	36,257		13,072
54	(95,524)			71,643	36,982		13,101
55	(98,390)	(3,372)		73,792	37,722		9,752
56	(101,342)	(47,816)		76,006			(73,151)
57	(104,382)	(25,342)		78,286			(51,437)
58	(107,513)	(26,863)		80,635			(53,741)
59	(110,739)	(28,474)		83,054			(56,159)
60	(114,061)			85,546	737		(27,778)
61	(117,483)			88,112	255		(29,116)
62	(121,007)			90,755			(30,252)
63	(124,637)			93,478			(31,159)
64	(128,377)		(32,094)	96,282			(64,188)
65R	(123,964)		(33,057)		32,202	5,760	(119,058)
66	(127,682)				32,846	5,875	(88,961)
67	(131,513)				33,503	5,993	(92,017)
68	(135,458)				34,173	6,113	(95,173)
69	(139,522)				34,857	6,235	(98,431)
70	(143,708)				35,554	6,360	(101,794)
71	(148,019)				36,265	6,487	(105,267)
72	(152,460)				36,990	6,616	(108,853)
73	(157,033)				37,730	6,749	(112,554)
74	(161,744)				38,485	6,884	(116,376)
75	(166,597)				39,254	7,021	(120,321)
76	(171,595)				40,039	7,162	(124,393)
77	(176,742)				40,840	7,305	(128,597)
78	(182,045)				41,657	7,451	(132,937)
79	(187,506)				42,490	7,600	(137,416)
80	(193,131)				43,340	7,752	(142,039)
81	(198,925)				44,207	7,907	(146,811)
82	(204,893)				45,091	8,065	(151,737)
83	(211,040)				45,993	8,227	(156,820)
84	(217,371)				46,913	8,391	(162,067)
85	(223,892)				47,851	8,559	(167,482)
86	(230,609)				48,808	8,730	(173,071)
87	(237,527)				49,784	8,905	(178,838)
88	(244,653)				50,780	9,083	(184,790)
89	(251,992)				51,795	9,265	(190,933)
90L	(259,552)				52,831	9,450	(197,271)

1 - Net Present Values for this illustration are calculated using a 6% after-tax discount rate (education costs using 5%).

2 - Allowances for final expenses and emergency funds of \$22,500 are included in the first year.

Disability Income Insurance

Disability due to illness or injury can devastate your financial plans. At a time when you are unable to work for a living, household expenses may actually increase while your income decreases. You could be forced to deplete funds that might have been saved for your retirement years.

Generally, the goal of disability insurance is to replace the after-tax earnings of the insured wage earner and to allow you and your family to maintain your current lifestyle. Based on your current situation, you would need to replace the following income if you were disabled.

<u>John</u>	<u>Mary</u>
Current Income: \$80,000/Yr.	Current Income: \$70,500/Yr.
Replacement Ratio*: 65%	Replacement Ratio*: 65%
Suggested Need: \$52,000/Yr.	Suggested Need: \$46,000/Yr.

* Current underwriting standards allow only a portion of Current Income to be replaced.

In addition, there are many factors which could affect the amount of the Suggested Need noted above. You should review these items before making your final decision. These factors include:

- Investment Income
- Investment Assets
- Retirement Assets
- Spouse's Salary
- Pension Income
- Other Income
- Changes in Living Expenses
- Inflation
- Funds required for retirement/education or other needs
- Length of Time Until Retirement
- Changes in Taxes
- Social Security Disability Benefits
- Employer Disability Benefits

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

Long-Term Care

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.

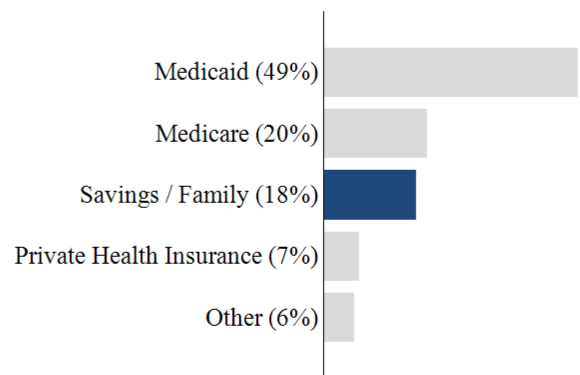
Generally the needs requirements to obtain insurance benefits fall into two categories:

An inability to perform two or more Activities of Daily Living (or ADLs).	Activities of Daily Living (ADLs) are basic functions of daily independent living and includes: <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">Dressing</div> <div style="text-align: center;">Toileting</div> </div> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">Bathing</div> <div style="text-align: center;">Transferring</div> </div> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">Eating</div> <div style="text-align: center;">Continence</div> </div>
Impaired Cognitive Ability	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.

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 long-term care in their lifetime.
- 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 and 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 exceed \$100,000.



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 that accept the very limited benefit payments Medicaid offers.

Medicaid and Medicare Facts

- **Medicaid is a welfare program designed as an emergency safety net to pay health care costs of the poor.**
- **Medicare is 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.**
- **Most people end up relying on their own or relatives resources to pay for long-term care expenses.**

Long-Term Care Need Analysis

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 becoming disabled increase with age, purchasing coverage before the age of 55 is good planning. Consider the premium cost of several coverage levels to determine which is right for your budget.

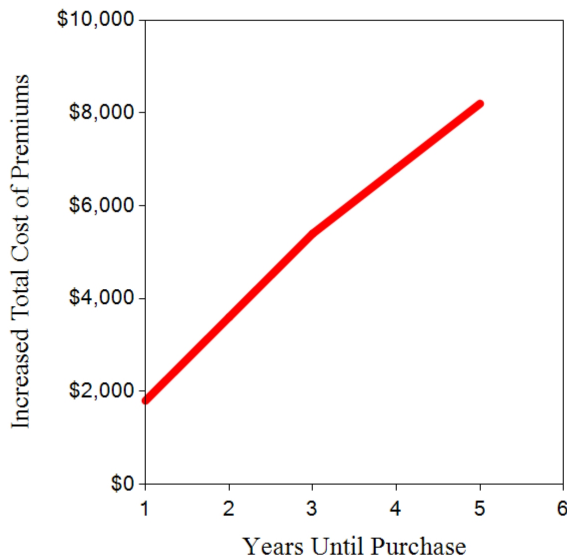
Needs Estimate

These estimated long-term care cost examples are based upon your financial information. Consider the numbers here to be a starting point for analysis and discussion of your long-term care insurance needs.

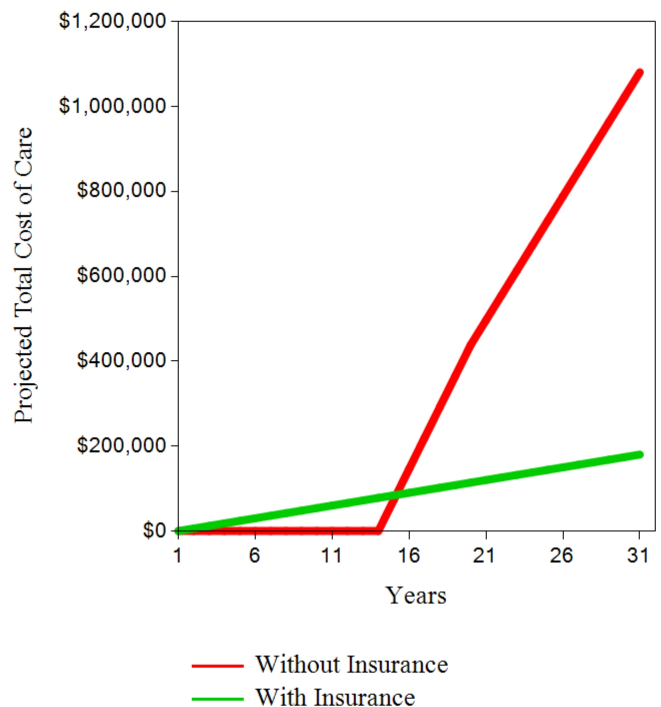
	<u>John</u>	<u>Mary</u>
Estimated daily care cost	\$200	\$200
Estimated annual care costs	\$73,000	\$73,000
Estimated years of care	5	5
Assumed inflation rate	5%	5%

Current financial assets exposed to potential long-term care expense risk : **\$526,000**

Cumulative Cost of Waiting to Purchase



Total Cost of Long-Term Care



Depending on your age, a delay in arranging a Long-term care policy can mean substantially higher premiums. This graph illustrates the cost of waiting to purchase a Long-term care policy.

A Long-term care policy can stabilize and moderate the potentially damaging costs of nursing home care. This graph displays potential cost differential and value of having a Long-term insurance plan in place.

Long-Term Care Unprotected Need

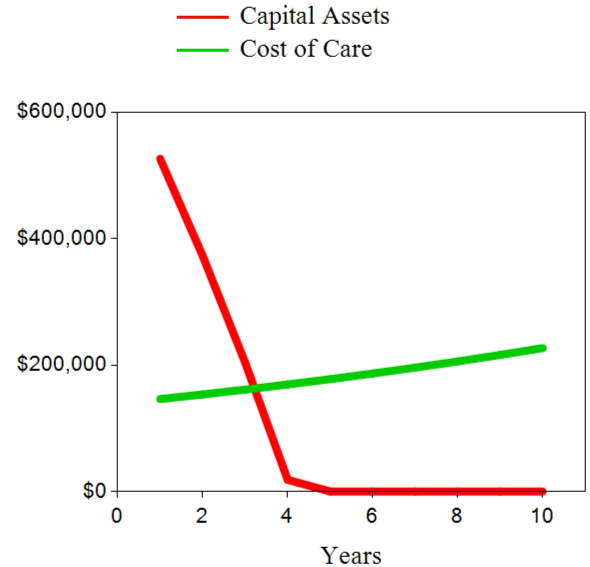
This future long-term care needs chart displays the annual future amount of long-term care needed vs. your assets available. Total Long-Term Care Need is based upon average care requirements. Assets to Liquidate are your non-qualified working assets. Your Unprotected Need is estimated to be \$681,738 based upon these estimates:

Long-Term Care Need Calculation

Total Long-Term Care Need:	\$806,738
Assets to Liquidate:	\$125,000
Unprotected Need:	\$681,738

Favorable income tax treatment is available for policies meeting certain requirements. In those cases, premiums, with certain limitations, may be deducted as medical expenses for those who itemize their deductions.

Potential Asset Value Erosion



Alternative Options to Long-Term Care Insurance

Self-Insurance

This alternative to purchasing LTC insurance is using your existing investments to pay for long-term care if needed. This would be appropriate if sufficient assets are available and the potential loss of those assets to heirs is acceptable. Of course this means that you are willing to liquidate your assets, and if you don't have sufficient funds, you transfer the financial burden to your loved ones. While this alternative may be more flexible, the LTC insurance would be more beneficial if the coverage is eventually needed.

Qualify for Medicaid

Medicaid was enacted to provide health care services for the impoverished. Recent legislation has made it extremely difficult for a person of modest means to qualify for Medicaid benefits by gifting or otherwise disposing of personal assets for less than fair market value.

Summary

Be aware that the potential loss of financial assets to pay for long-term care costs is due to increasing life expectancies and advances in medical treatment for the elderly. This presents a risk to your lifetime savings and financial future. LTC insurance is available at varying levels of coverage and corresponding premiums to meet these risks. LTC insurance can allow you to maintain your desired level of independence and preserve personal assets. However, premium costs will be a significant factor in your decision. Consider discussing your LTC insurance needs and options with an insurance specialist who can explain specific policy details. Fully understanding available options can help you find the best choice for you and your family's future.