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Personal Retirement Analysis

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Introduction

A summary of the assumptions used in this analysis, a description of the purpose of the reports and a listing of assets, insurance and other details.

Net Worth

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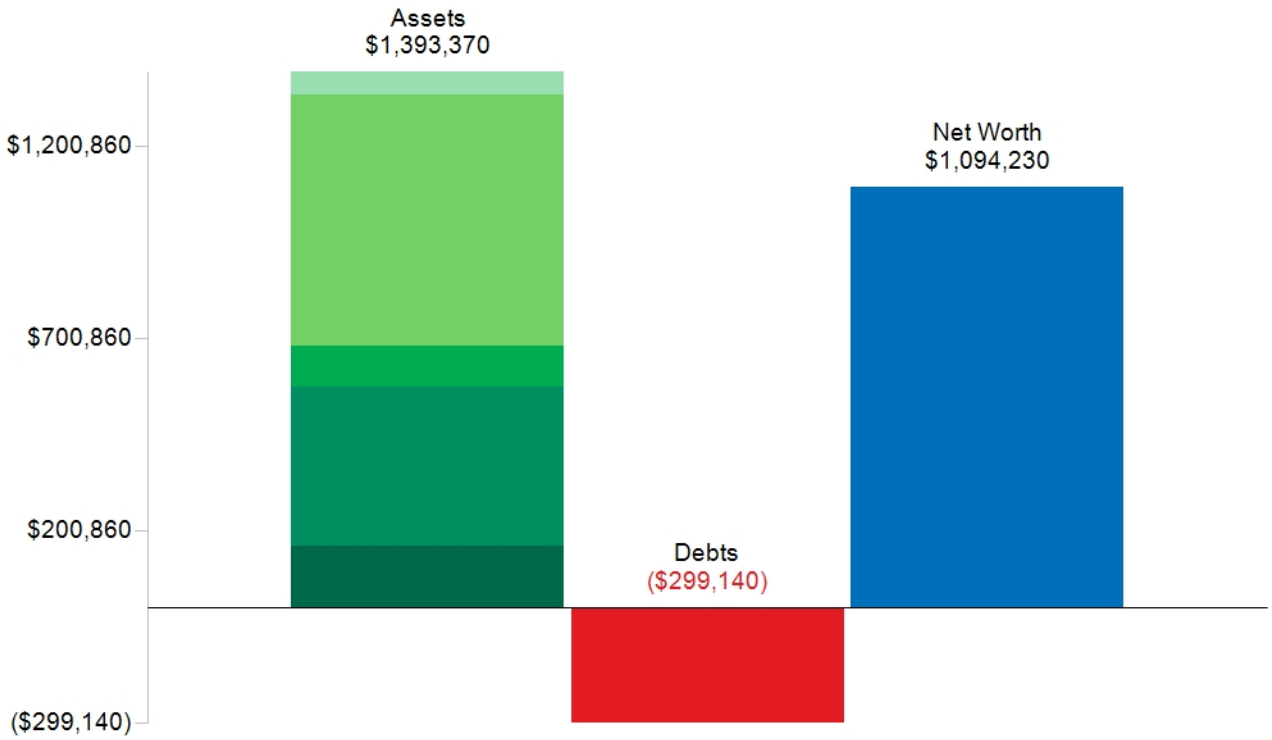


Net Worth is the amount of assets remaining if all debts were paid off immediately. Typically over time an individual's net worth starts negative and grows until retirement or a little after then starts to decline as assets are spent.

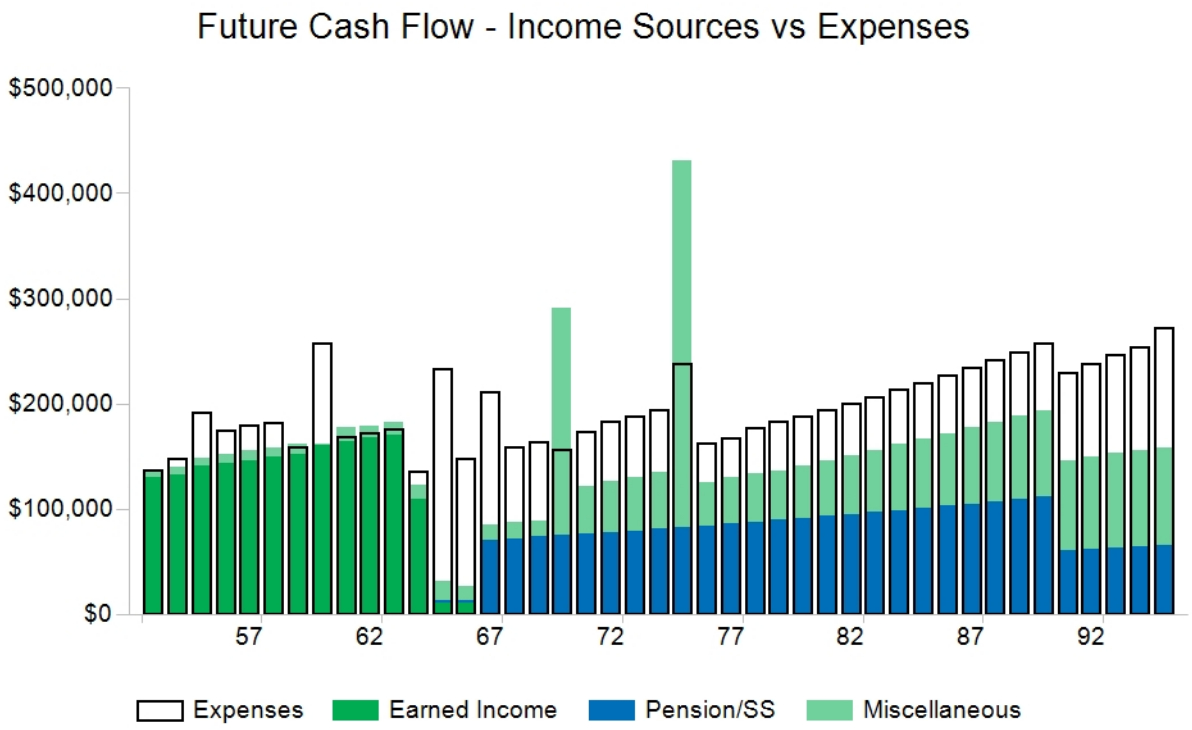
A3

Assets	**$1,393,370**
Personal Assets	61,080
Real Estate	652,750
Retirement Accounts	105,500
Investment Accounts	414,437
Savings Accounts	159,603
Debts	**($299,140)**
Real Estate	(290,000)
Other Liabilities	(9,140)
Net Worth	**$1,094,230**

Cash Flow

An analysis of all cash income sources, expenses, and liabilities. Includes an estimate of social security, pensions, miscellaneous income or expense items, special financial goals or education funding requirements.

Cash Flow



The bars in the above graph represent the amounts available from...

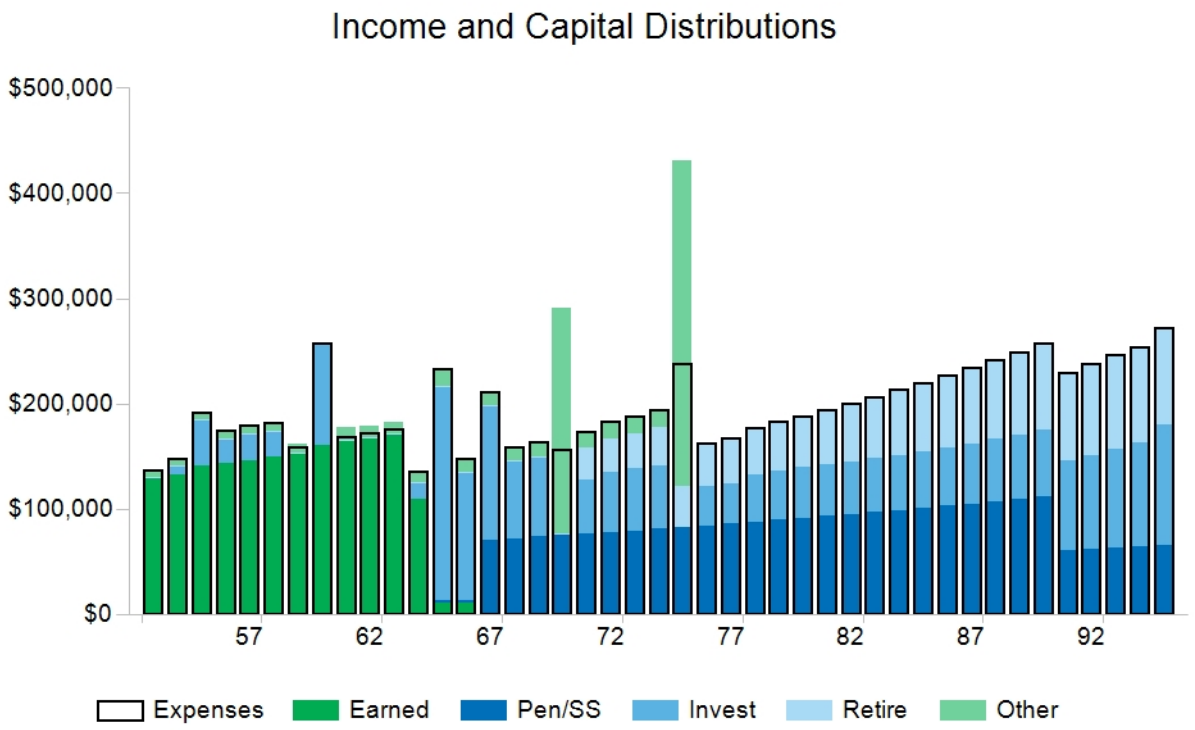
- Earned income (wages & self employment)
- Pension plans and Social Security
- Misc (inheritances, sale of residence, investment account systematic withdrawal plans or interest/dividends taken in cash, scheduled retirement account distributions or required minimum distribution amounts.)

The line illustrates the annual expenses including ...

– Personal living expenses
– Life insurance and other premiums
– Mortgage and debt repayment
– Planned deposits to investments and retirement accounts
– Miscellaneous expense items
– Taxes

If income from various sources exceeds expenses, the excess is reinvested in savings and investment accounts. If expenses are greater than income, it is assumed that funds required to meet such excess expenses will be drawn from savings and investment accounts to make up the shortage.

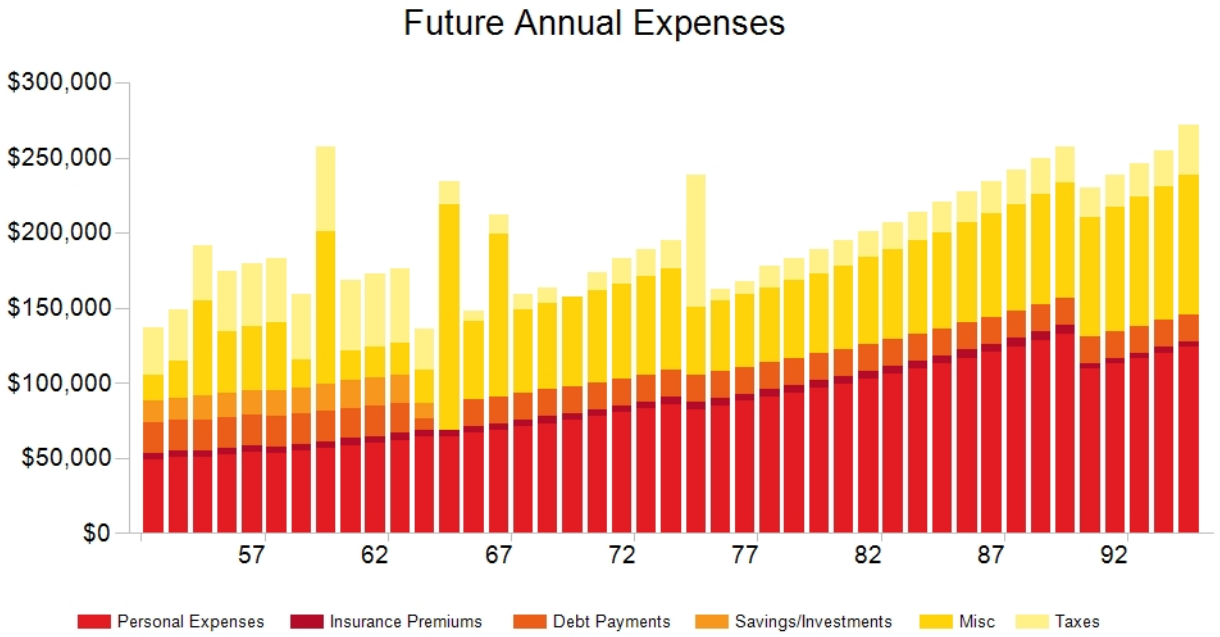
Sources of Funds



Each year your spendable money will come from several different sources, as shown above. When your expenses exceed the income available from earnings, pensions and Social Security, then withdrawals are made from your investment accounts or retirement plans.

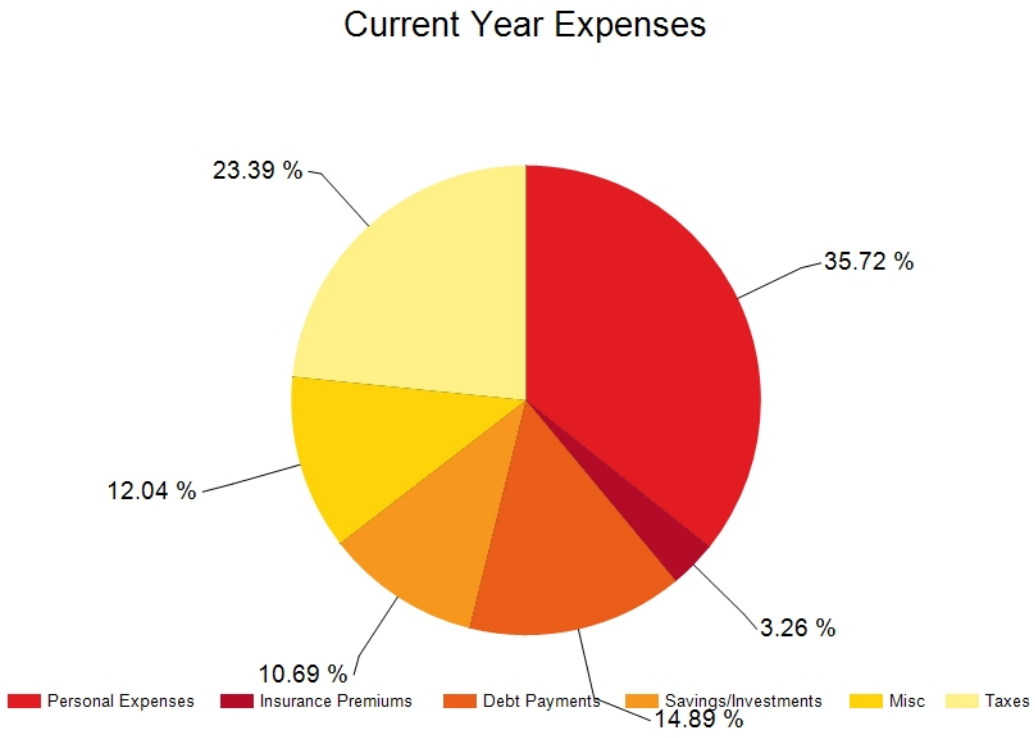
Earned	Salaries and self employment income.
Pen/SS	Defined benefit pension plans and the total income from Social Security benefits.
Invest	Interest or dividends paid in cash or withdrawals from your investment accounts to meet spending requirements.
Retire	Distributions from your retirement accounts either to meet your spending needs, scheduled distributions, or distributions made to meet the IRS minimum distribution requirements.
Other	Other single year or multiple year sources of funds, excess proceeds from sale of your residence, or life insurance death benefits.

Annual Expenses

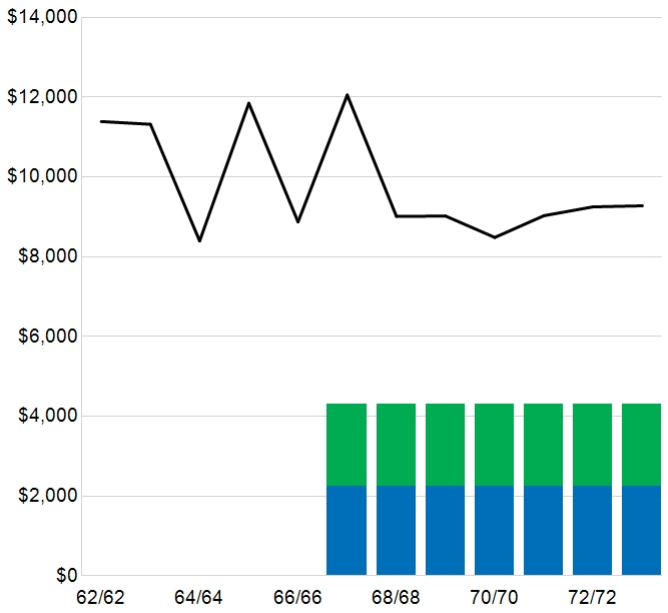


Your annual expenses represent a number of different items, including personal needs, life insurance premiums, debt repayment, additions to savings and investments, other miscellaneous expenditures and taxes of various types.

The graph should help you visualize the proportionate amount of your total outlay for each of these types of expenditures, and the changing mix over the future years.



Social Security Comparison



Current Claiming Strategy

Betty's benefit at age 64
- $0 per month

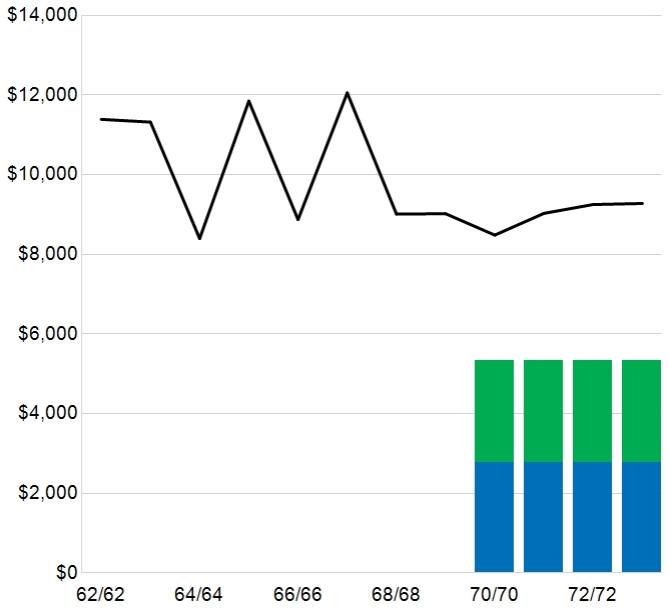
Allen's benefit at age 65
- $0 per month

Allen's benefit at age 67
- $2,232 per month

Betty's benefit at age 67
- $2,066 per month

Betty claims survivor benefits at 91
- $2,232 per month

— Monthly Expenses



Optimal Claiming Strategy

Allen files for delayed retirement benefits at 70
- $2,767 per month

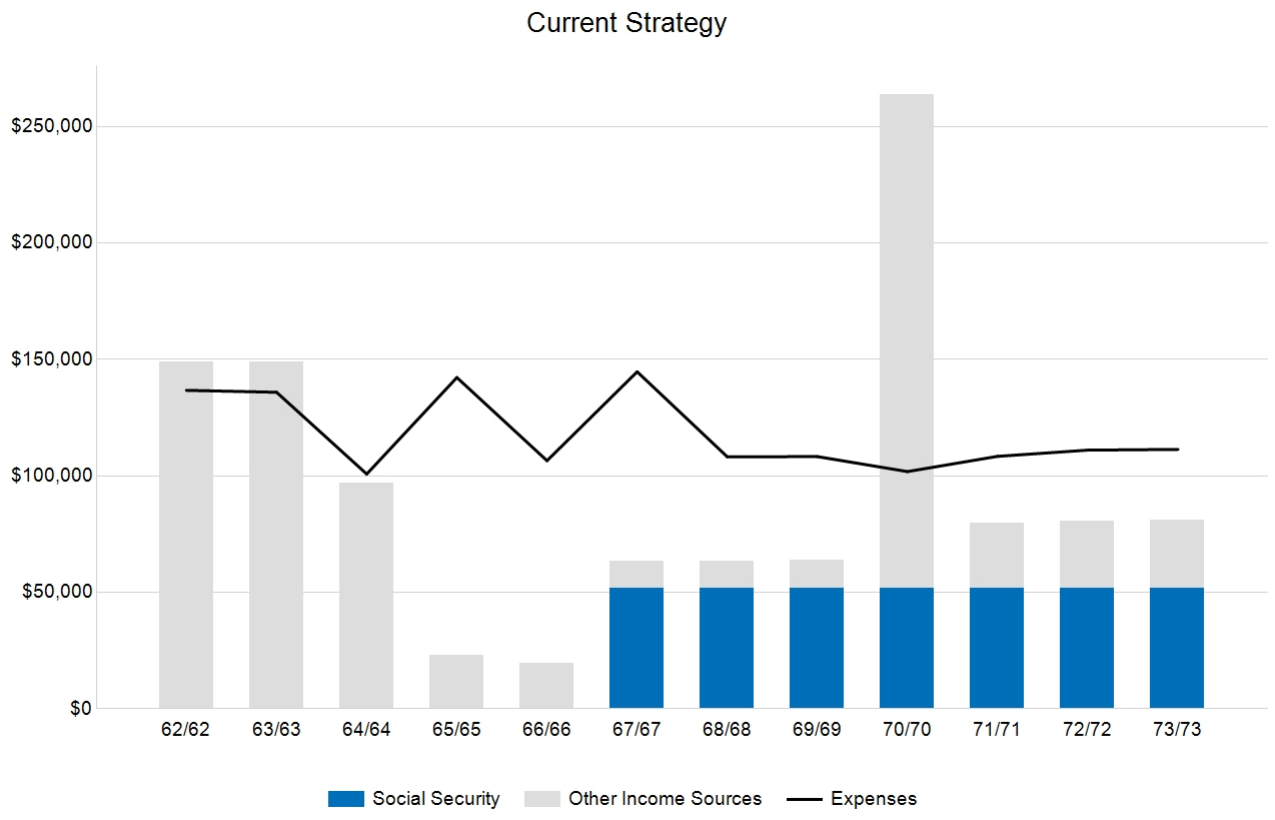
Betty files for delayed retirement benefits at 70
- $2,562 per month

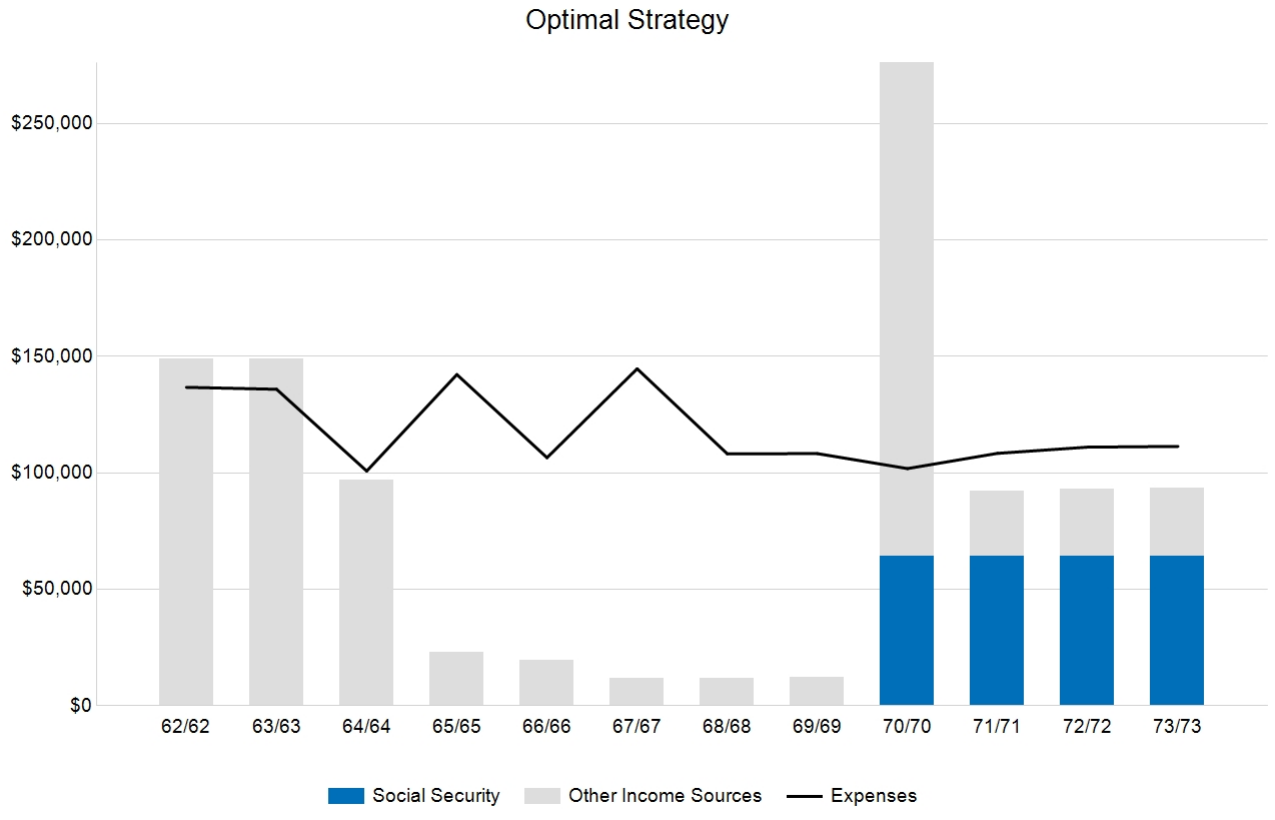
Betty claims survivor benefits at 91
- $2,767 per month

— Monthly Expenses

*All amounts on this page are in today's dollars and show gross monthly benefits.

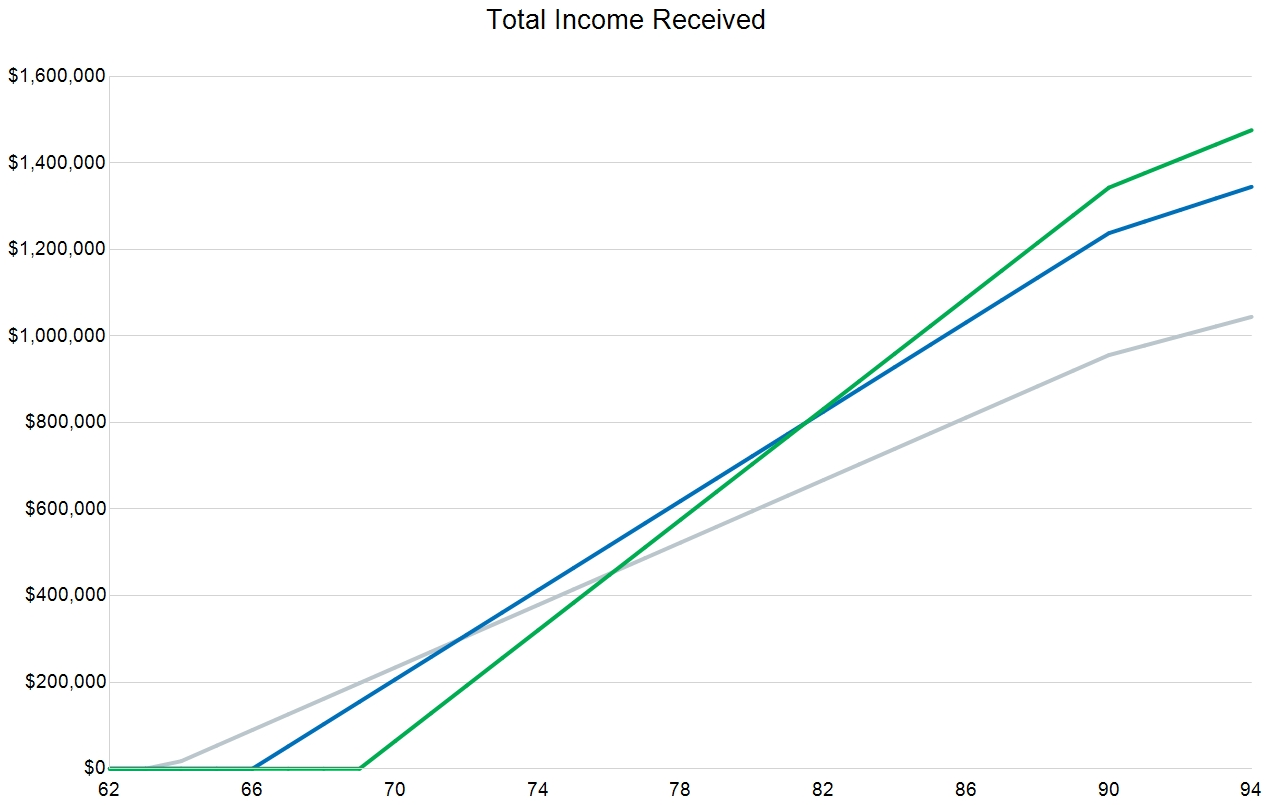
Social Security Income Comparison





*All amounts on this page are in today's dollars and show gross monthly benefits.

Social Security Breakeven Point



Age		Year	File at 62/62	Current Strategy	Optimal Strategy
62	62	2025			
63	63	2026			
64	64	2027	17,355		
65	65	2028	53,456		
66	66	2029	89,557		
67	67	2030	125,657	51,572	
68	68	2031	161,758	103,145	
69	69	2032	197,859	154,717	
70	70	2033	233,959	206,290	63,950
71	71	2034	270,060	257,862	127,900
72	72	2035	306,161	309,434	191,849
73	73	2036	342,261	361,007	255,799
74	74	2037	378,362	412,579	319,749
75	75	2038	414,463	464,152	383,699
76	76	2039	450,563	515,724	447,648
77	77	2040	486,664	567,296	511,598
78	78	2041	522,765	618,869	575,548
79	79	2042	558,865	670,441	639,498
80	80	2043	594,966	722,014	703,448
81	81	2044	631,067	773,586	767,397
82	82	2045	667,167	825,158	831,347
83	83	2046	703,268	876,731	895,297
84	84	2047	739,369	928,303	959,247
85	85	2048	775,470	979,876	1,023,196
86	86	2049	811,570	1,031,448	1,087,146
87	87	2050	847,671	1,083,020	1,151,096
88	88	2051	883,772	1,134,593	1,215,046
89	89	2052	919,872	1,186,165	1,278,996
90	90	2053	955,973	1,237,738	1,342,945

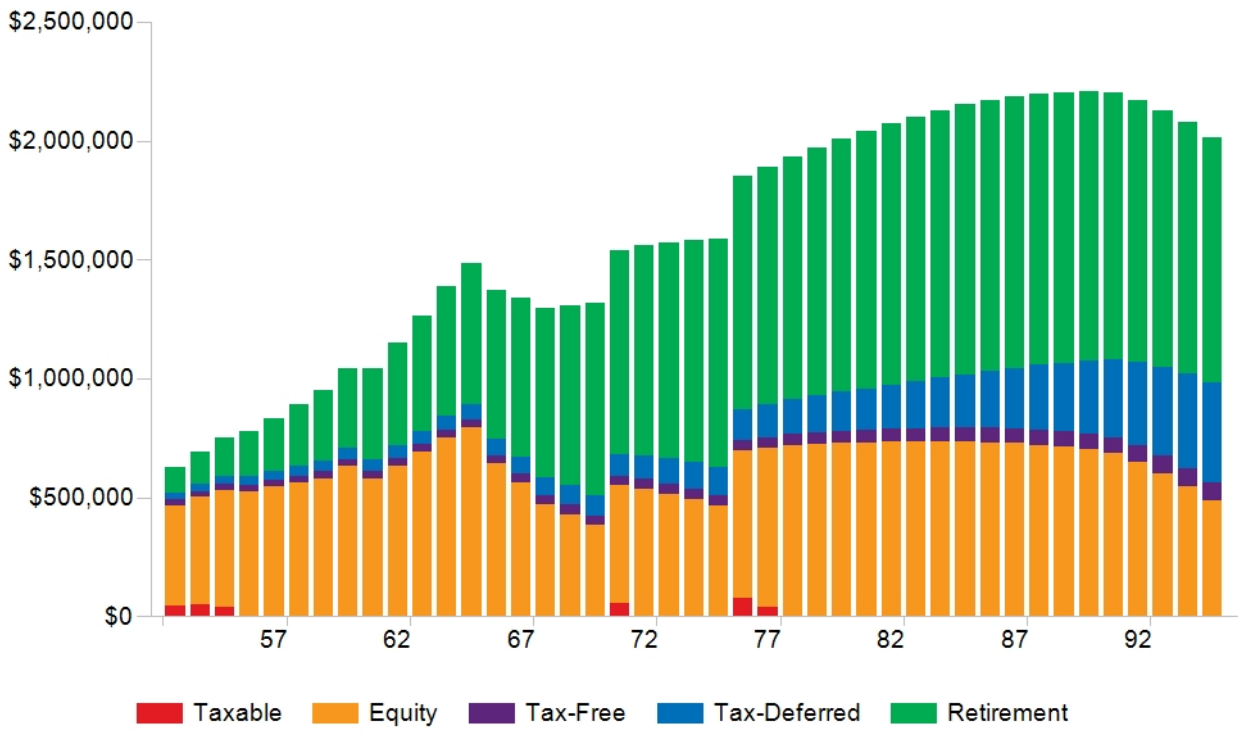
*All amounts on this page are in today's dollars and show gross monthly benefits.

Assets

Details of your existing assets, changes due to additions or withdrawals, rate of return and, where appropriate, stock options.

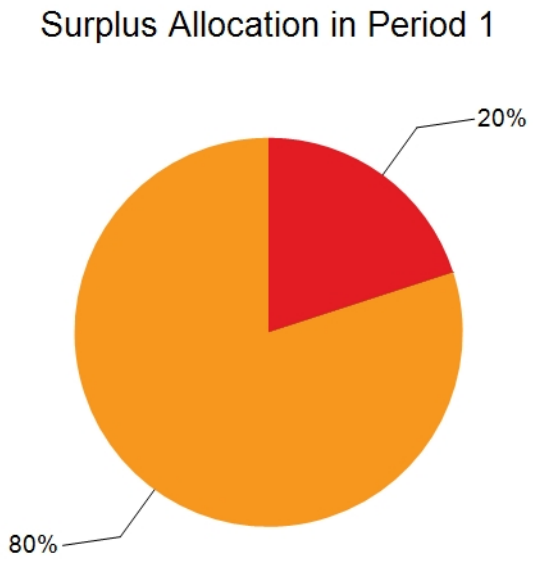
Assets are divided into taxable, tax free, tax deferred, equity, retirement accounts, IRA and Roth IRA accounts.

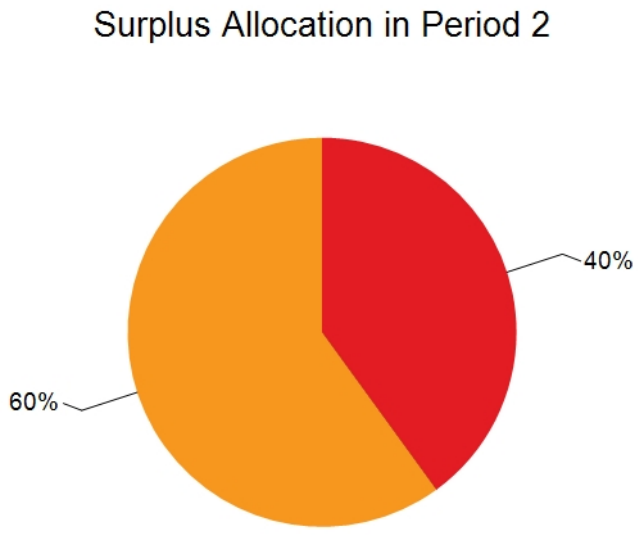
Account Summary



Allocation of Surplus Cash Flow

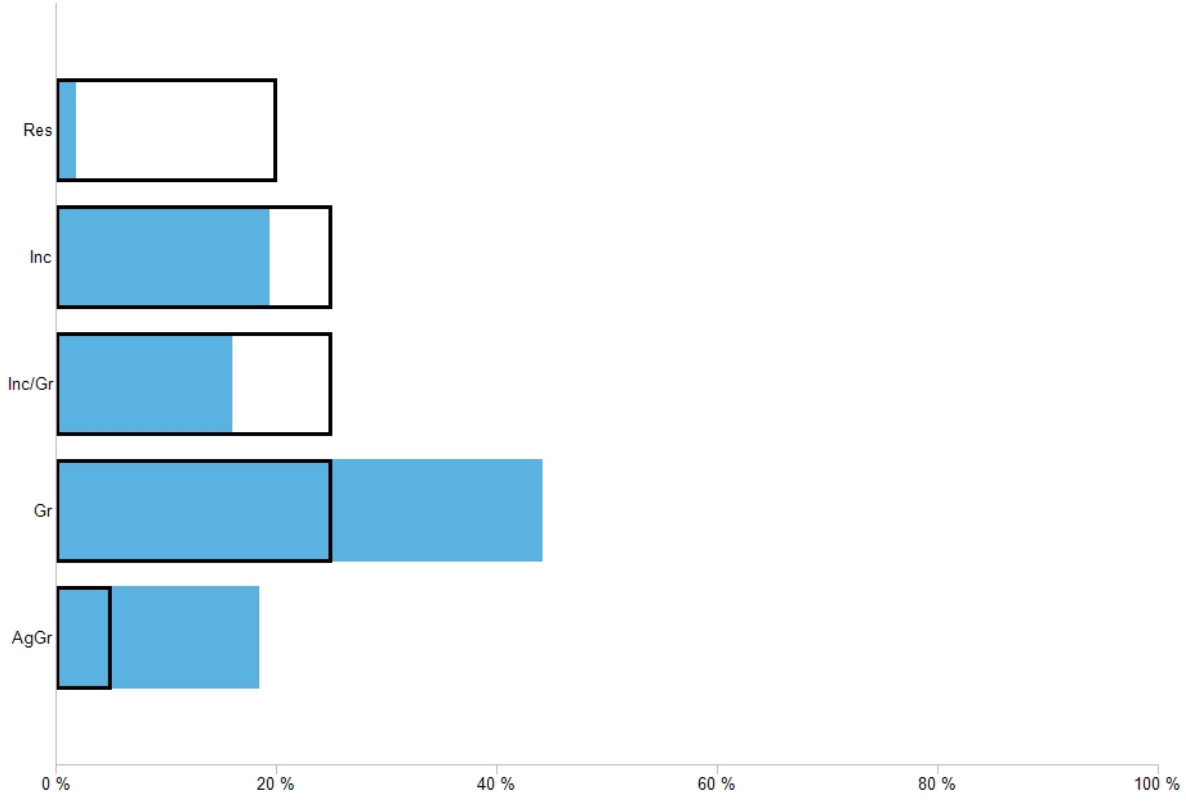
In years when there is a surplus of spendable income, the surplus is reinvested into the asset accounts in the proportions shown below. Period 1 covers the years up to age 65.





In years when there is a shortage of spendable income from earnings, pensions, social security, interest and dividends taken in cash, and miscellaneous income sources, the shortage is made up by withdrawals from asset and retirement accounts. It is assumed that funds are taken in the following order - from taxable, equity and other non-qualified, tax-free, tax-deferred and then qualified retirement accounts.

Asset Allocation



Asset Class	Current	Recommended	Difference
Reserves	1.82%	20.00%	18.18%
Income	19.45%	25.00%	5.55%
Growth and income	16.09%	25.00%	8.91%
Growth	44.18%	25.00%	(19.18 %)
Aggressive Growth	18.46%	5.00%	(13.46 %)

Asset Allocation does not guarantee a profit or protect against loss in declining markets.

Liquidity

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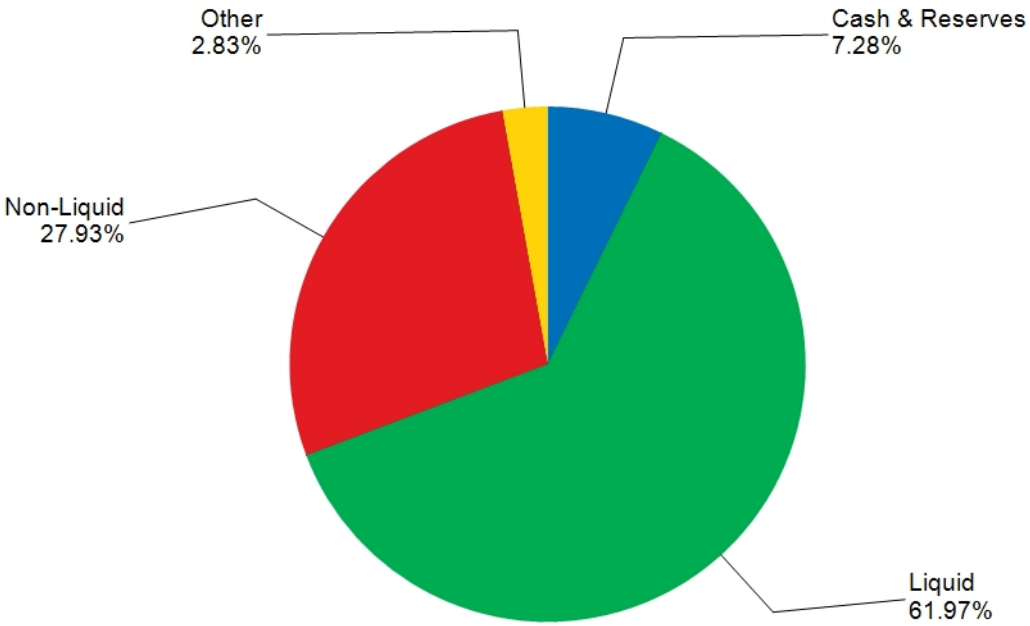


The above graph illustrates the liquidity level of your working assets, measuring the ability to convert working assets to cash if needed.

If you have too much of your money in "non-liquid" investments you may someday find yourself in a position where you need to have quick cash, but are unable to convert enough of your assets quickly.

C23

	Total Assets**	Working assets*
Cash & Reserves	$63,303	$63,303
Liquid	539,137	539,137
Non-Liquid	763,830	242,950
Other	24,600	24,600

Your total liquidity level including your residence and personal property is 43%.

Your working asset liquidity ratio (cash and liquid assets divided by all working* assets) is 69%

This level of working asset liquidity should be adequate except in severe cases.

** Excluding residence and personal assets. Includes retirement accounts.*

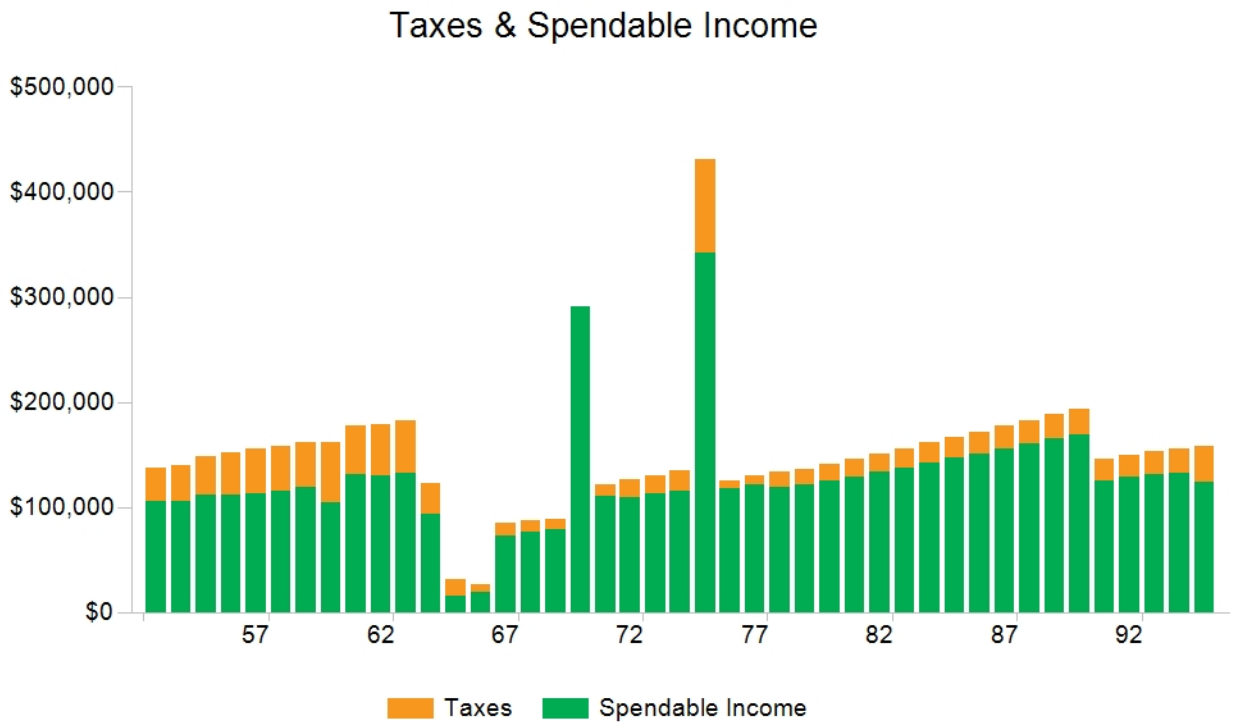
*** Includes residence and personal assets in non-liquid category.*

Income Tax

Analysis of your taxable income sources, exemptions, deductions and Federal and State taxes due.

The analysis includes phaseouts of itemized deductions and exemptions, where required, special dividend and capital gain rates, AMT and other items affecting your income tax and financial results.

Tax -vs- Income

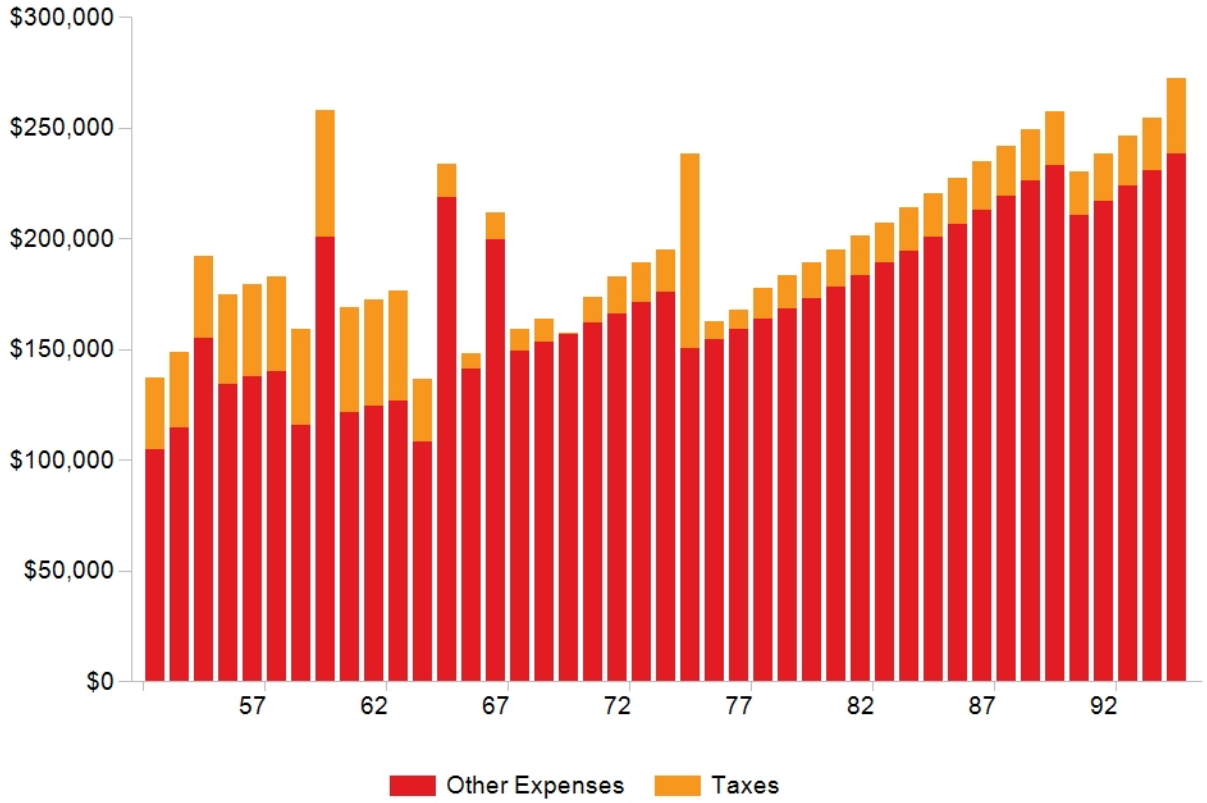


Spendable income is defined here as your total sources of funds less the amount owed for taxes each year. Included in income sources are . . .

Earned income (salaries & wages)
Pension and Social Security income
Interest and dividends taken in cash
Other (misc. income, net proceeds from sale of residence, life insurance proceeds, etc.)

Generally, income taxes will be highest during your earning years. In your later years as you start consuming your savings and investment accounts, the amount of income tax will gradually decrease as a percent of total income. There may be periods when the income tax is greater than the income sources. This usually occurs when you are drawing from capital accounts to meet your need for income.

Tax -vs- Expense Graph



In a given year there are many factors that affect the amount of income and other taxes payable. This graph attempts to show the amount of taxes paid each year compared to other expenses. The expenses covered include. . .

Personal living expenses
Life insurance premiums
Debt payments
Asset and retirement account deposits
Other misc. expenses

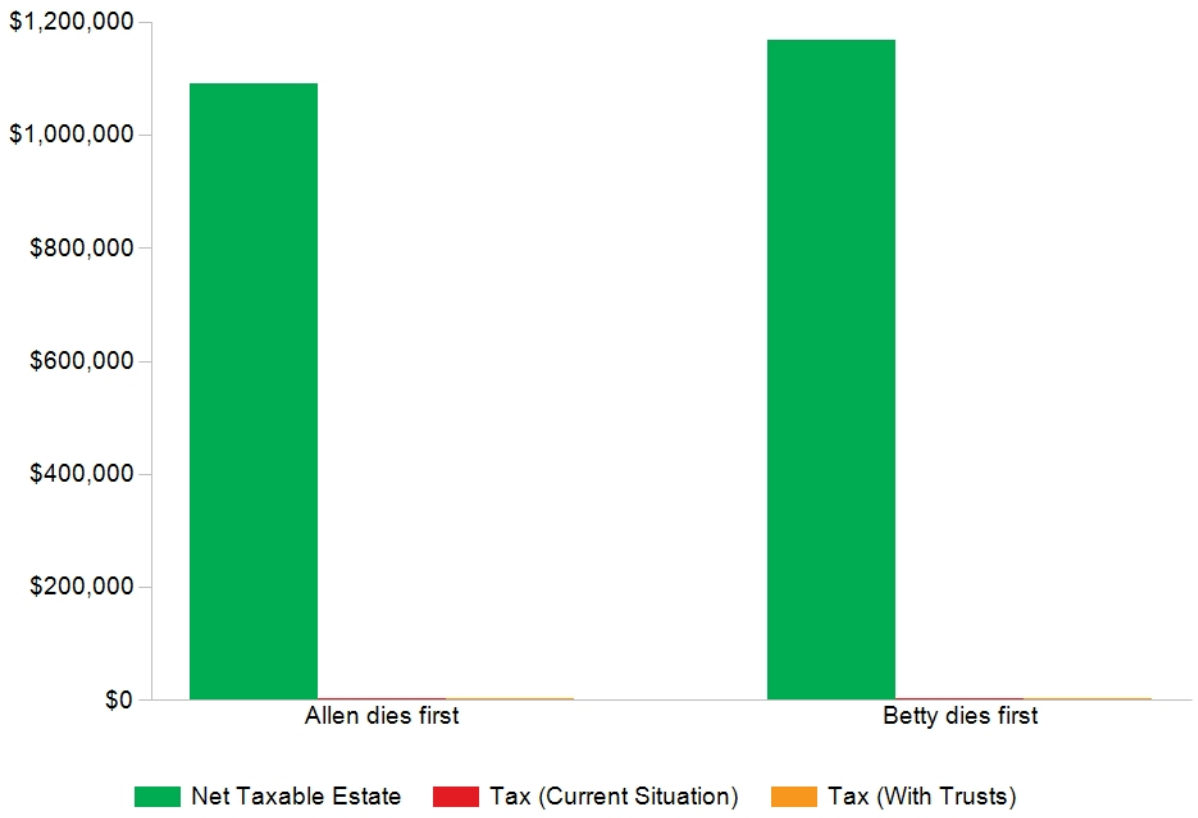
Causes for high taxes relative to other expenses could include increased distribution from pension plans or other qualified plans, liquidation of assets generating a capital gain, liquidation of tax-deferred investment or higher amounts of earned income compared to the scheduled expenses.

Estate

This section evaluates your financial estate with an illustration of potential estate taxes and settlement costs. It highlights the potential savings that might be realized through use of certain trust and estate planning tools.

You may want to consult with an estate planning attorney for a more detailed analysis of the options available and for additional evaluation of other techniques that might be of benefit.

Estate Taxes



	Allen dies first		Betty dies first	
All assets including life insurance		$1,992,090		$1,992,090
Debts and expenses		(895,970)		(823,955)
Less bequests to other than spouse		(5,750)		
Net estate		$1,090,370		$1,168,135
	Current Situation	With Trusts	Current Situation	With Trusts
Estate tax	$0	$0	$0	$0
To heirs	1,072,470	1,333,135	1,150,235	1,294,135
Gain using trust		$260,664		$143,900

Future Estate Costs Graph

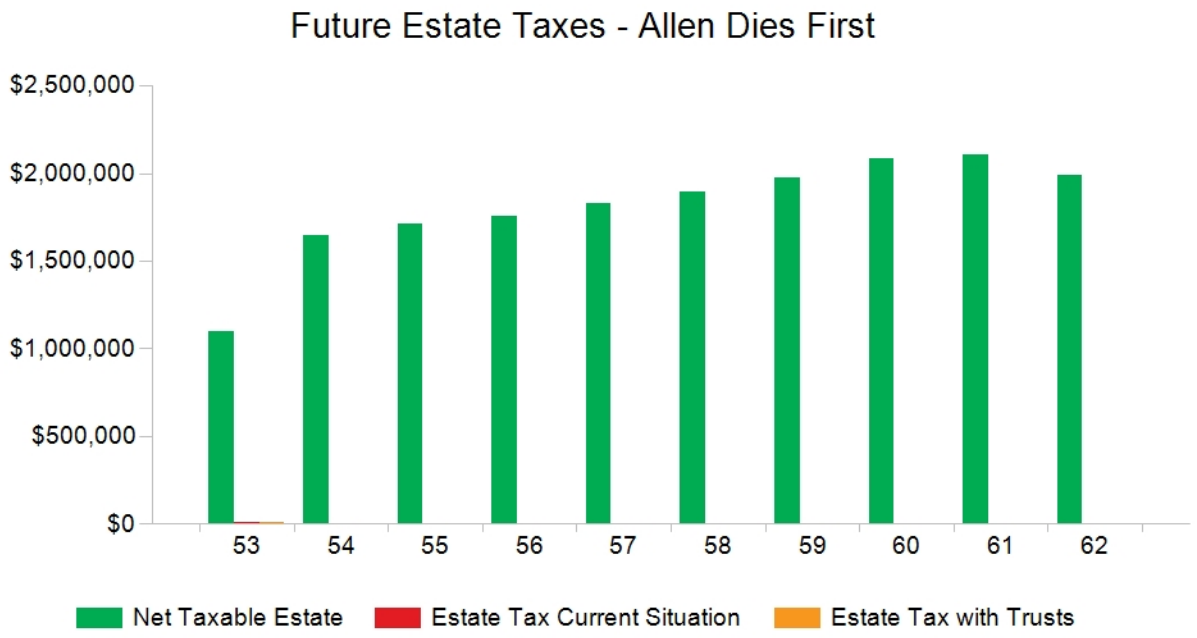
Deaths in same year - Allen dies first.

ATRA 2012

In January 2013, The American Taxpayer Relief Act of 2012 was signed into law. On the eve of the EGTRRA sunsetting Congress passed ATRA to extend income tax cuts for certain taxpayers and permanently establish estate tax law. This law continues the Unified Credit, and ties the credit for Gift, Estate, and Generation Skipping Transfers to an annual index which allows a total of $5,450,000 to be transferred before being taxed at 40%. While this law does not have a sunset provision, it is important to remember that it can be changed by an act of Congress in the future.

An Estimate of Your Estate Tax Exposure Using Suggested Planning

We have taken information provided about your current estate net worth to estimate your estate tax exposure under the new law over the next several years. We make some general assumptions regarding the growth of assets. Also, as previously suggested in this analysis, we assume that each individual has funded a credit shelter trust utilizing the applicable exclusion amounts available to them (currently $5,450,000 per person in 2016). We also assume that any life insurance benefits are kept out of the taxable estate. The graph below shows your estimated estate tax exposure (red) and your estate remainder after taxes (green) at each year end.



Age	Retirement Capital*	Debts & Expenses	Net Taxable Estate	Exclusion Amount	Estimated Estate Tax
53	$1,992,090	($895,970)	$1,096,120	$10,900,000	
54	2,057,340	(414,369)	1,642,971	11,227,000	
55	2,118,906	(404,567)	1,714,339	11,563,810	
56	2,150,457	(392,498)	1,757,960	11,910,724	
57	2,206,896	(380,820)	1,826,076	12,268,046	
58	2,266,187	(368,535)	1,897,652	12,636,087	
59	2,330,128	(355,715)	1,974,413	13,015,170	
60	2,427,267	(344,157)	2,083,110	13,405,625	
61	2,429,317	(325,508)	2,103,808	13,807,794	
62	2,291,161	(302,964)	1,988,197	14,222,028	

**Assets & Insurance = residence, personal prop., savings, investments, retirement accounts and life insurance. Net of bequests.*

Future Estate Costs Graph

Deaths in same year - Betty dies first.

ATRA 2012

In January 2013, The American Taxpayer Relief Act of 2012 was signed into law. On the eve of the EGTRRA sunsetting Congress passed ATRA to extend income tax cuts for certain taxpayers and permanently establish estate tax law. This law continues the Unified Credit, and ties the credit for Gift, Estate, and Generation Skipping Transfers to an annual index which allows a total of $5,450,000 to be transferred before being taxed at 40%. While this law does not have a sunset provision, it is important to remember that it can be changed by an act of Congress in the future.

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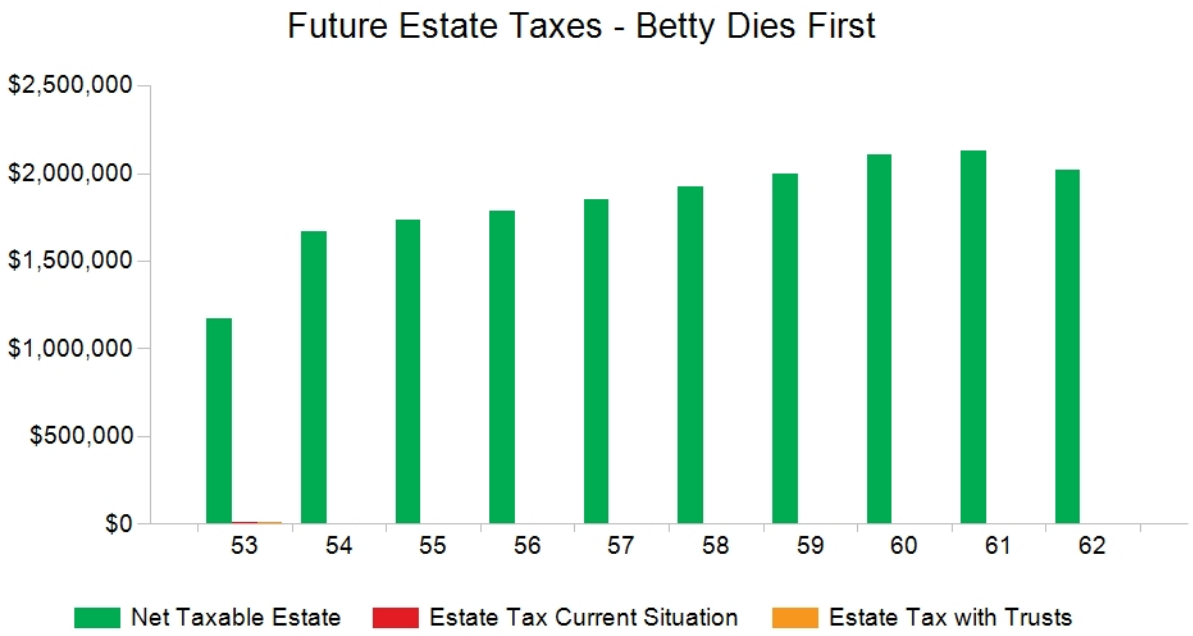
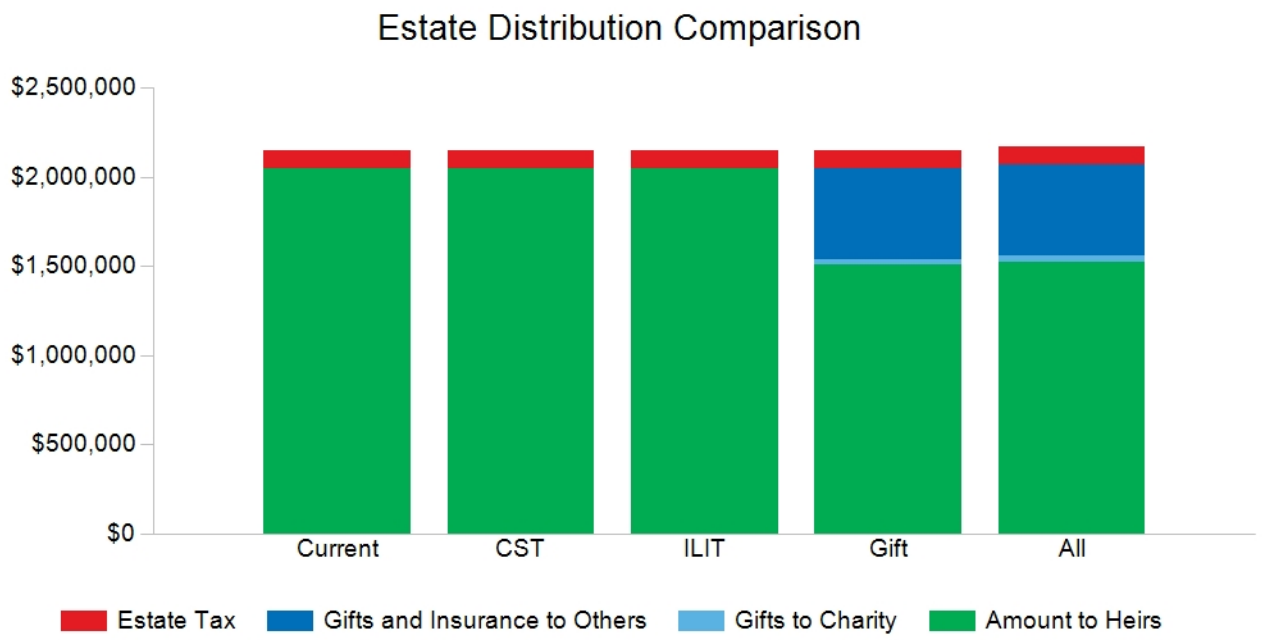


Age	Retirement Capital*	Debts & Expenses	Net Taxable Estate	Exclusion Amount	Estimated Estate Tax
53	$1,992,090	($823,955)	$1,168,135	$10,900,000	
54	2,057,340	(392,130)	1,665,210	11,227,000	
55	2,118,906	(381,657)	1,737,249	11,563,810	
56	2,150,457	(368,816)	1,781,641	11,910,724	
57	2,206,896	(356,847)	1,850,049	12,268,046	
58	2,266,187	(344,269)	1,921,919	12,636,087	
59	2,330,128	(331,118)	1,999,009	13,015,170	
60	2,427,267	(318,612)	2,108,655	13,405,625	
61	2,429,317	(301,043)	2,128,274	13,807,794	
62	2,291,161	(270,204)	2,020,957	14,222,028	

**Assets & Insurance = residence, personal prop., savings, investments, retirement accounts and life insurance. Net of bequests.*

Estate Option Comparison

Various estate planning options illustrated result in different amounts received by the heirs, the IRS and, if elected, amounts gifted to charities, heirs or others. The amounts shown are estimates only and are subject to future change by Congress.



Estate Planning Results	Current Planning	Credit Shelter Trust	Life Insurance Trust	Gifts to Charity, Heirs, other	All Options
Assets and insurance paid to heirs	$2,150,922	$1,611,189	$1,991,592	$1,608,780	$1,467,607
Credit Shelter Trust to heirs		539,733			1,767
Gifts to Heirs					
Life Insurance Trust & not in estate			159,330		159,330
Gifts to Charity				30,000	30,000
Estate and retirement plan tax**	**($103,365)**	**($103,365)**	**($103,365)**	**($103,365)**	**($103,365)**
Total to Heirs	**$2,047,557**	**$2,047,557**	**$2,047,557**	**$1,505,415**	**$1,525,340**
Total to all Beneficiaries	**$2,047,557**	**$2,047,557**	**$2,047,557**	**$2,047,557**	**$2,067,481**
Planning Gain		**$0**	**$0**	**$0**	**$19,925**

Implementation of estate planning options as illustrated above should be based on careful consideration with your financial and legal advisors. The amounts and results shown are estimates only and actual results may differ substantially. No investment products or systems are represented in this illustration. Future Estate balances are hypothetical and are used for illustration purposes only.

**Columns do not total 100% due to asset increase or reduction with deaths occurring at different ages.*
***Assumes estate taxes after the year 2016 continue with indexing.*
Note: For source of numbers for Current and All Options refer to Estate Planning Options report.

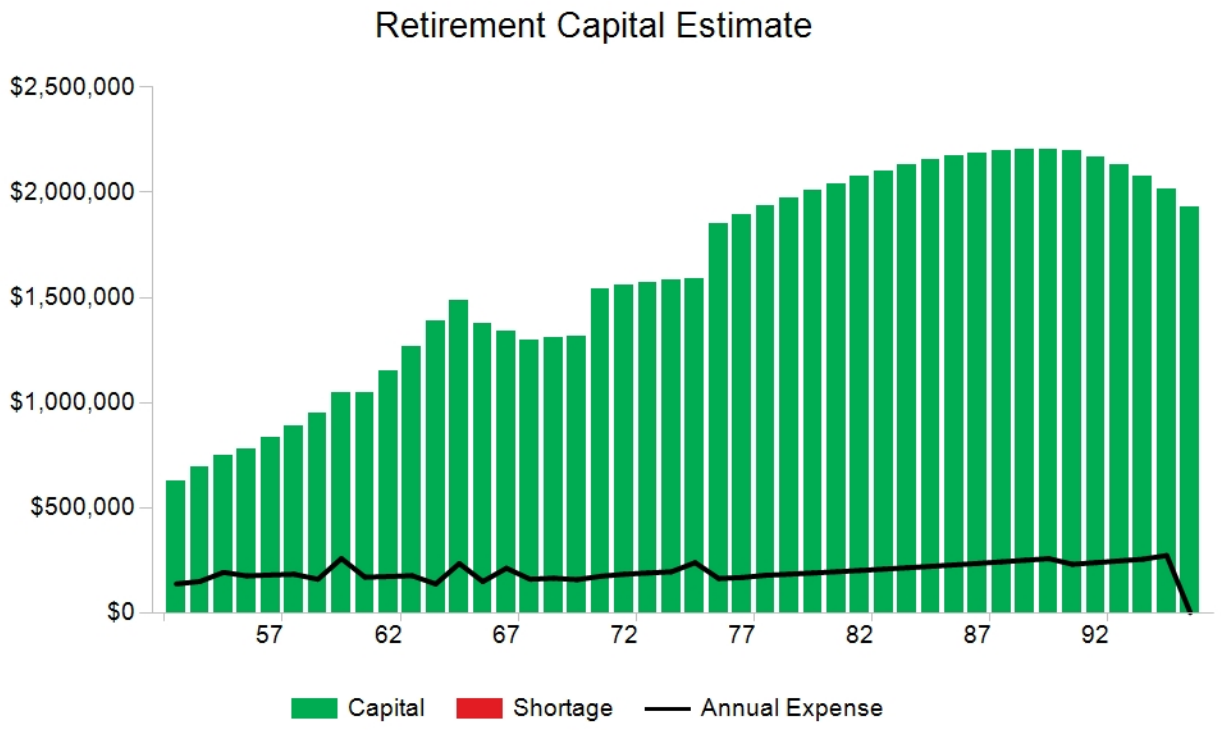
Summary

This section summarizes the results of the combined cash flows, their effect on your asset accounts and income taxes.

The result is an illustration of the amount of capital available at any time, the amount of funds used for your retirement and how long funds will last.

A Monte Carlo Simulation report may be included to illustrate the fact that the results of any retirement projection will vary based on market conditions, and other factors that are not possible to accurately predict.

Retirement Estimate



As inflation increases the amount of income needed for your standard of living, there is the potential need to draw increasing amounts out of savings, investments and retirement accounts.

The graph shows how long your capital might last. The objective is to assure that your capital is properly managed so that it will last at least until your life expectancy.

If the capital is depleted before your need for income has ceased, then you will become dependent on your pensions, Social Security, relatives or public sources. If there is capital remaining when your need for income stops then the remaining capital is available for your heirs.

The line allows you to visualize the annual expenses as compared to your capital accounts.

If the bars dip below the "0" level on the graph, it indicates that you have consumed all your savings, investment, and retirement accounts, and your spending requirements have caused a "deficit" spending situation - a need for funds where none exists.

Monte Carlo

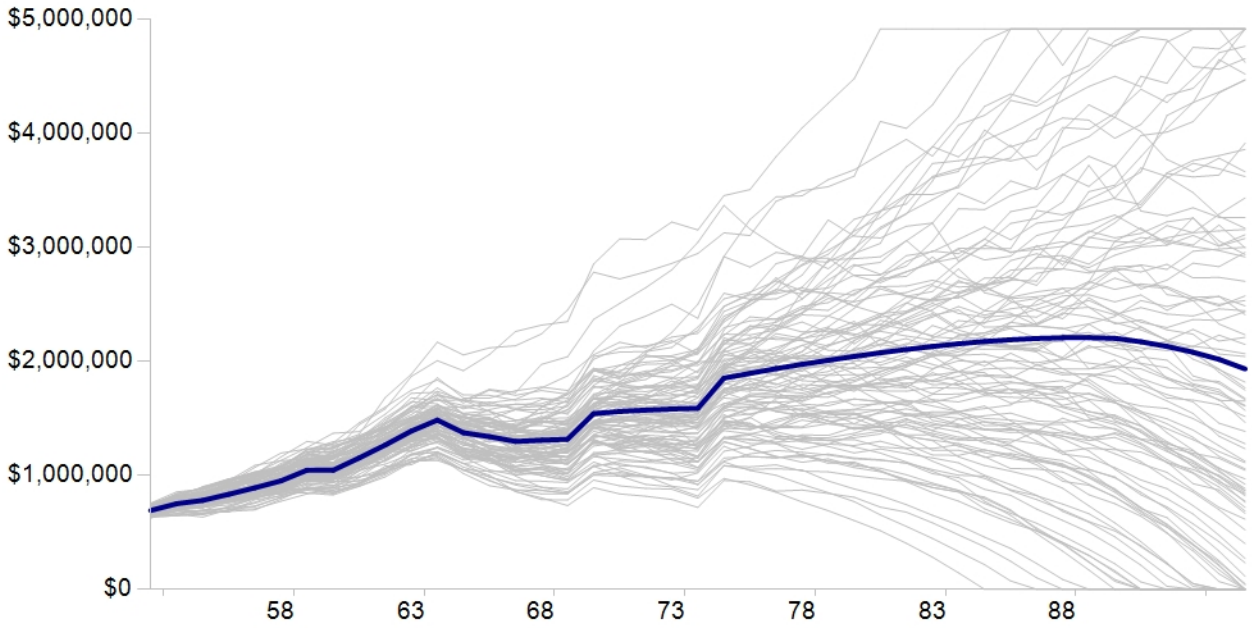
Monte Carlo Simulation illustrates possible variations in growth and/or depletion of retirement capital under unpredictable future conditions. The simulation introduces uncertainty by fluctuating annual rates of return on assets. The graph and related calculations do not presuppose or analyze any particular investment or investment strategy. This long-term hypothetical model is used to help show potential effects of market volatility and possible effects on your financial future. This is not a projection, but an illustration of uncertainty.

The simulations begin in the current year and model potential asset level changes over time. Included are all capital assets, both tax advantaged and taxable, all expenses, including education funding if applicable, pension benefits and Social Security benefits. Observing results from these large number of simulations may offer insight into the shape, trends and potential range of future retirement plan outcomes under volatile market conditions.

Results from 10,000 Monte Carlo Simulations:

Original Retirement Capital estimate	$1,931,826	**Percentage of results above zero***	81%
Minimum (worst case) result	$0	Percentage with $ remaining at Allen's age 90	96%
Average Monte Carlo result	$2,148,152	Percentage with $ remaining at Allen's age 85	99%
Maximum Monte Carlo result	$17,024,946	Percentage with $ remaining at Allen's age 80	100%

**Percent of times money is remaining at last age shown.*



The bold line is the estimated retirement capital value over time using fixed rates.
Annual rate of return of 6.49% in the original retirement estimate varied from 6.35% to 7.32% based on portfolio changes over time.
This simulation used a 4.25% standard deviation to create ten thousand sets of normally distributed random rates of return based on the annual rates of return in the original estimate (95% of the rates fall between -2.15% and 15.82%).
A standard deviation rate of 2.00% was applied to the inflation rate used on personal expenses.

The original capital estimate indicated a possibility of having $1,931,826 in assets remaining at last life expectancy. Monte Carlo simulation, using 10,000 trials of the same assets, income and expenses, resulted in a 81% probability of having funds remaining at last life expectancy, and an average amount of $2,148,152 remaining.

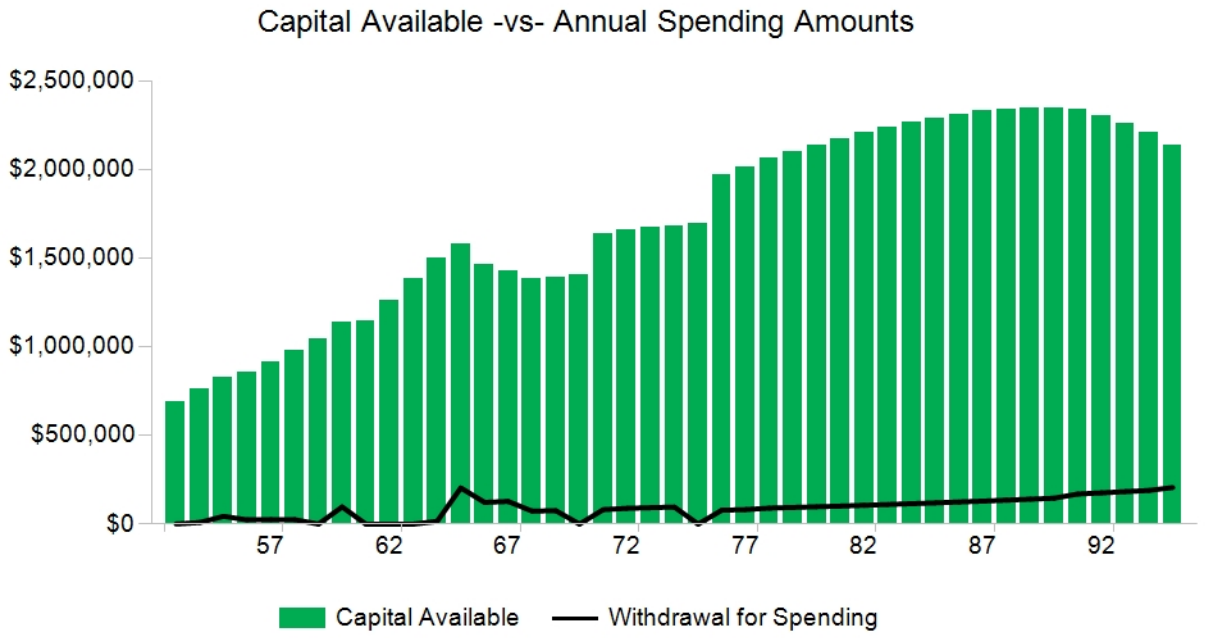
The Monte Carlo illustration above points out the uncertainty of future retirement capital outcomes. It is important that you return regularly for a review of your goals and financial condition, in order to assure that appropriate periodic adjustments are made to your financial affairs.

IMPORTANT: The projections or other information generated in this report regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment products or results and are not guarantees of future results. Results may vary with each report and over time. Results of this simulation are neither guarantees nor projections of future results. Information is for illustrative purposes only. Do not rely on this report to predict actual performance of any investment or investment strategy.

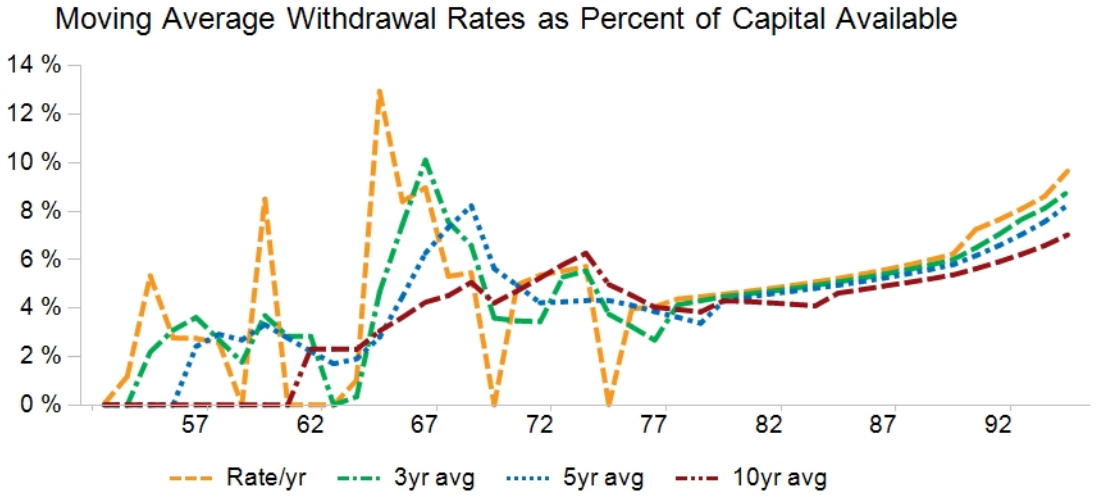
Withdrawal Rates Analysis

It is important to ensure that income is available when you need it. If some of the income requirements are to be met from the capital you have accumulated, then monitoring the rate at which you are spending capital is critical.

The bar graph, indicated on the left scale, measures your capital values available at each year. The line represents the dollar amounts withdrawn from your assets to meet spending requirements.



The following graph measures your spending as a percent of capital each year. It uses a "moving average" method to smooth the lines into an average withdrawal rate over one, three, five and ten year periods.



Withdrawal Rate Averages

	High	Low *	Average
Annual range (rate for each year)	12.95%	0.00%	4.73%
Three year average range	10.10%	0.00%	4.72%
Five year average range	8.25%	1.70%	4.67%
Ten year average range	7.02%	2.29%	4.62%

** Years when there is a positive cash flow and no withdrawals are required result in a 0% withdrawal rate.*