

# Personal Financial Plan

For

## John and Mary Sample

July 1, 2018

Prepared by

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## About Your Personal Financial Plan

We appreciate that you have questions and concerns as you work to attain and preserve financial security. Today's financial environment is complex and in many regards, uncertain. The decisions you make regarding work, spending, investment, and retirement, both now and in the future, will significantly affect your financial condition over the long term.

In an effort to aid you in learning, understanding, and formulating a personal basis for decision making, this 'Personal Financial Plan' is offered to help enhance your knowledge of various topics and communicate some of the intricacies of the financial world. The plan represents a framework to clarify and structure your financial matters.

This plan is based upon confidential information you provided regarding your present resources and objectives. While illustrations within this plan can be a valuable aid in the examination of your finances, it does not represent the culmination of your planning efforts. Financial planning is an ongoing process.

This hypothetical illustration of mathematical principles is custom made to model some potential situations and transitions you may face in your financial future. Hypothetical assumptions used in this illustration are specifically chosen to communicate and demonstrate your current financial position and highlight for discussion with your advisor the complex future interacting effects of combined incomes, expenses, savings, asset growth, taxes, retirement benefits, and insurance.

This document is not an advertisement or solicitation for any specific investment, investment strategy, or service. No recommendations or projections of specific investments or investment strategies are made or implied. Any illustrations of asset growth contained herein are strictly used to demonstrate mathematical concepts and relationships while presenting a balanced and complete picture of certain financial principles. Growth assumptions are applied to generalized accounts based upon differing tax treatment. Illustrations, charts and tables do not predict or project actual future investment performance, or imply that any past performance will recur.

This plan does not provide tax or legal advice, but may illustrate some tax rules or effects and mention potential legal options for educational purposes. Information contained herein is not a substitute for consultation with a competent legal professional or tax advisor and should only be used in conjunction with his or her advice.

The results shown in this illustration are not guarantees of, or projections of future performance. Results shown are for illustrative purposes only. This presentation contains forward-looking statements and there can be no guarantees that the views and opinions expressed will come to pass. Historical data shown represents past performance and does not imply or guarantee comparable future results. Information and statistical data contained herein have been obtained from sources believed to be reliable but in no way are guaranteed as to accuracy or completeness.

The Assumptions page contains information you provided that is used throughout the presentation. The asset listing herein is not an account statement and does not necessarily include current or complete balances, holdings, and returns. Please review the information for accuracy and notify your Financial Advisor promptly if discrepancies in the assumptions are present; discrepancies may materially alter the presentation.

Your actual future investment returns, tax levels and inflation are unknown. This illustration uses representative assumptions in a financial planning calculation model to generate a report for education and discussion purposes. Calculations and assumptions within this report may not reflect all potential fees, charges, and expenses that might be incurred over the time frame covered by these illustrations which, if included, would result in lower investment returns and less favorable illustration results. Do not rely upon the results of this report to predict actual future investment performance, market conditions, tax effects or inflation rates.

## Summary

This report uses financial models to present a picture of your current financial situation and illustrations of possible directions your finances may take. Future economic and market conditions are unknown, and will change. The assumptions used are representative of economic and market conditions that could occur, and are designed to promote a discussion of appropriate actions that may need to be taken, now or in the future, to help you manage and maintain your financial situation under changeable conditions.

### Your Current Situation:

- You have assets of approximately \$982,000.
- You have liabilities of approximately \$240,000.
- Your net worth is approximately \$742,000.
- You now have \$526,000 in working assets and are adding \$26,950 per year.

### Your Goals:

- John wants to retire at age 65 and Mary wants to retire at age 63.
- Monthly after-tax income needed at that time is \$7,083 (in today's dollars).
- You will need the income until the last life expectancy of age 95.
- To meet your education goals you need to save \$10,141 annually (\$845 monthly).

### Analysis Details:

- Asset Allocation: Type of Investor - Somewhat Aggressive
- Long-term care assets at risk: \$681,738
- Net Estimated Life Insurance Needs Shortage for John: \$219,000
- Net Estimated Life Insurance Needs Shortage for Mary: \$275,000
- John and Mary both have Wills.
- John and Mary do not have Durable Powers of Attorney.
- John and Mary do not have Living Wills.
- John and Mary do not have Health Care Powers of Attorney.

### Retirement Analysis

Using the information you provided, calculations have been made to estimate whether your current retirement program will meet your stated retirement goals. The analysis begins now and extends through life expectancy. It includes tax advantaged, taxable investments, defined benefit pensions, if applicable, and Social Security benefits. The analysis calculates growth and depletion of capital assets over time. This analysis is the basis for the following summarized statement.

### Actions:

It appears you may run out of money before the last life expectancy of age 95. The range of possible options you might consider to improve your situation include the following:

- Increase the rate of return on your investments.
- Increase your annual savings by \$3,600/year (\$300 month).
- Reduce your retirement spending needs by \$3,100 to \$81,900/year (\$6,823/month).
- Defer your retirement by about 1 year.
- Combine any of the above and lower the requirements for each.

This report is for informational and educational purposes only. The information and assumptions used are estimates. The resulting calculations are designed to help illustrate financial concepts and general trends.

## Assumptions

<b>Client Information:</b>	<b>John</b>	<b>Mary</b>	<b>Asset Allocations:</b>	<b>Current</b>	<b>Suggested</b>
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					

<b>Income (Annual)</b>	<b>John</b>	<b>Mary</b>
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)

<b>Item Description</b>	<b>Start Year</b>	<b>Inc. Rate</b>	<b>Number of Years</b>	<b>Amount per Year</b>
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)

<b>Rate Assumptions</b>	<b>Pre-Ret.</b>	<b>Ret.</b>
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%

<b>Expenses (After-Tax )</b>	<b>Pre-Ret.</b>	<b>Ret.</b>
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.

## Asset Worksheet

Description	Current Amount	Annual Additions*	Addition Period	Asset Class	Account Taxation	Asset Type
Checking / Savings	40,000			Cash	Taxable (1)	Money Market
Municipal Bond Fund	10,000			Income	Tax-Free (J)	Muni Bonds & Funds
Stock Mutual Funds	85,000			Growth	Taxable (J)	Mutual Funds (Stock)
IRA	34,000			Growth	IRA (2)	Stocks
401k	160,000	11,900	2018-2034	Growth	Tax-Deferred (1)	Bond Mutual Funds
401k	128,000	10,050	2018-2034	Agg. Gro.	Tax-Deferred (2)	Mutual Funds (Stock)
Annuity	30,000			Inc./Gro.	Annuity (1)	Annuities
Roth IRA	12,000	2,500	2018-2034	Growth	Roth IRA (1)	Money Market
Roth IRA	27,000	2,500	2018-2034	Growth	Roth IRA (2)	Money Market
<b>Totals:</b>	<b>\$526,000</b>	<b>\$26,950</b>				

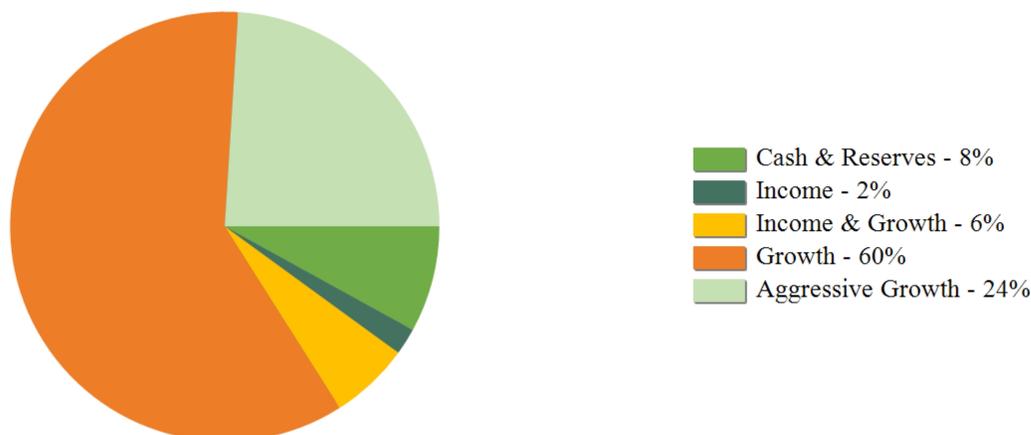
\*Annual IRA addition amounts used in the analysis are limited to the maximums allowed by law.

Note: 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.

## Your Current Asset Allocation

*The information from the Asset Worksheet was used to create the following chart.*

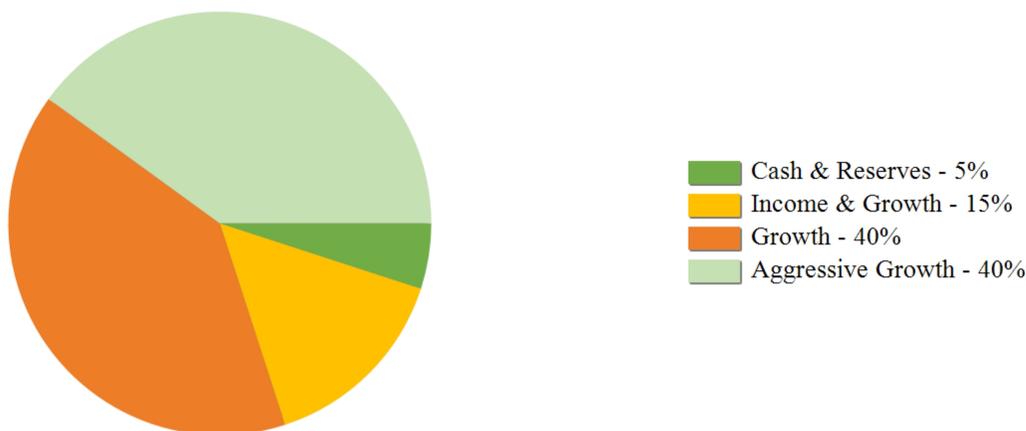
It is important to the success of your planning that your asset allocation is consistent with your goals. You should compare your current allocation to the Suggested Asset Allocation below which may be more appropriate and beneficial to your situation.



## Suggested Asset Allocation

*Based upon information you provided, we believe you should consider an investment mix similar to the one below.*

We have illustrated a broad-based allocation. Effectiveness might be further increased by diversifying the types of securities held within the asset mix. See your Financial Advisor for further analysis.



Asset Allocation	Current		Suggested *		Change
Cash & Reserves	\$40,000	8%	\$26,300 **	5%	(\$13,700)
Income	10,000	2%	0	0%	(10,000)
Income & Growth	30,000	6%	78,900	15%	48,900
Growth	318,000	60%	210,400	40%	(107,600)
Aggressive Growth	128,000	24%	210,400	40%	82,400
Other	0	0%	0	0%	0
<b>Total</b>	<b>\$526,000</b>	<b>100%</b>	<b>\$526,000</b>	<b>100%</b>	<b>0</b>

\* These suggested asset allocation percentages are representative portfolio target values.

\*\* Does not include any provision for an Emergency Fund.

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

# Retirement Profile

## Developing A Retirement Plan

Developing a retirement plan means understanding your current situation, deciding among alternatives, and taking appropriate action today. *This report will help you define your current retirement goals, identify your current planning, and estimate the results for your review.*

<b><u>Your Current Retirement Goals</u></b>	<b><u>John</u></b>	<b><u>Mary</u></b>
Age:	48	46
Retirement Age:	65	63
Years until Retirement:	17	17
Years of Retirement:	25	32
Annual Retirement Spending (After-tax):	<b>\$85,000</b>	<i>(expressed in today's dollars)</i>

**Additional Objectives** Please see the attached Education Funding Illustration.

Education Costs have been included in the Retirement Analysis.

### Other Expenses

World Travel - 2 Years Post Retirement:	(\$20,000)/year starting 2034, increase rate of 3%, for 2 years.
Replace Roof:	(\$12,000)/year starting 2019, increase rate of 3%, for 1 year.
Kitchen and Bath Renovation:	(\$32,000)/year starting 2020, increase rate of 3%, for 1 year.

### Assumptions

	<b><u>Pre-Retirement</u></b>	<b><u>Retirement</u></b>
Inflation Rate:	3.0%	3.0%
Income Tax Rate (Average):	25.0%	20.0%
Return on Investments (Average):	6.9%	6.0%

**Resources Available for Retirement**

Funds to meet your goals can come from several sources: Personal Investing, Retirement Plans, Defined Benefit Pensions, Social Security, and Other Income.

[Here is a summary of your situation.](#)

**Personal Investments**

Money Market Accounts/Funds  
 Annuities  
 Municipal Bonds and Funds  
 Stock Mutual Funds

**Current Balances**

**\$40,000**  
**30,000**  
**10,000**  
**85,000**  
**\$165,000**

**Retirement Plans**

Qualified Plans-John  
 Qualified Plans-Mary  
 IRA Assets-Mary  
 Roth Assets-John  
 Roth Assets-Mary

**\$160,000**  
**128,000**  
**34,000**  
**12,000**  
**27,000**

**\$361,000**

**Total Investment Assets**

**\$526,000**

See Asset Worksheet for detailed annual savings information.

**Social Security**

Full Benefit Age  
 Benefit (After-tax)

**John**

67  
 \$33,503

**Mary**

67  
 \$32,668

**Pension Plans**

Pension Amount  
 Pension Starting Age  
 Increase Rate Pre-Retirement  
 Increase Rate in Retirement  
 Survivor Percentage

**John**

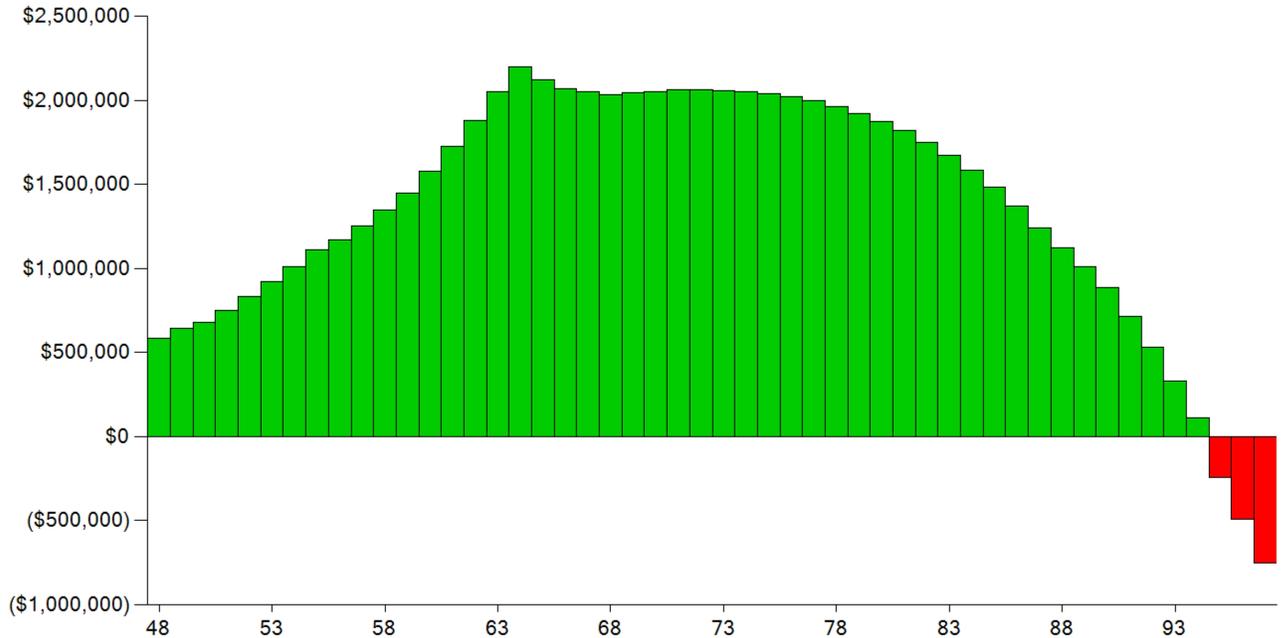
\$5,760\*  
 65  
 0.0%  
 2.0%  
 0%

**Mary**

N/A

\*Annual amount, after taxes.

# Retirement Summary



## Retirement Capital Illustration

The analysis begins at your current age and extends through your life expectancy. It includes all assets, both tax advantaged and taxable, all expenses, including education funding if applicable, other income and expense estimates, defined benefit pensions, and Social Security benefits. The graph illustrates the growth and depletion of capital assets as seen in Retirement Capital Analysis.

**General Assumptions:**

Rates of Return Before and After Retirement Used in Illustration:	
Taxable RORs:	7%    6%
Tax Def. RORs:	7%    6%
Tax Free RORs:	5%    4%
Annuity RORs:	6%    6%

Retirement Spending Needs*	\$85,000
Survivor Spending Needs*	\$75,000
Retirement Age	John - 65
Retirement Age	Mary - 63
Inflation - Current	3%
Inflation - Retirement	3%
Tax Rate - Current	25%
Tax Rate - Retirement	20%

\* Spending needs are stated in today's after tax-dollars. See Assumptions page for complete listing of assumptions.

**Actual future returns, taxes, expenses, and benefits are unknown. This illustration uses representative estimates and assumptions for educational and discussion purposes only. Do not rely on this report for investment analysis.**

**Retirement Capital Illustration Results:**

It appears you may run out of money before the last life expectancy of age 95. The range of possible options you might consider to improve your situation include the following:

- Increase the rate of return on your investments.
- Increase your annual savings by \$3,600/year (\$300 month).
- Reduce your retirement spending needs by \$3,100 to \$81,900/year (\$6,823/month).
- Defer your retirement by about 1 year.
- Combine any of the above and lower the requirements for each.

# Monte Carlo Simulation Explanation

The financial planning process can help you evaluate your status in relationship to your financial goals and objectives. In preparing a hypothetical financial illustration for discussion, a series of representative fixed assumptions are made, such as inflation rates, rates of return, retirement benefits and tax rates. While such static hypothetical illustrations are still useful for education and discussion purposes, they are based upon unchanging long-term assumptions. In fact, economic and financial environments are unpredictable and constantly changing.

Monte Carlo Simulation is one way to visualize the effect of unpredictable financial market volatility on your retirement plan. Monte Carlo Simulation introduces random uncertainty into the annual assumptions of a retirement capital illustration model, and then runs the model a large number of times. Observing results from all these changing results can offer a view of trends, patterns and potential ranges of future outcomes illustrated by the randomly changing simulation conditions. While Monte Carlo Simulation cannot and does not predict your financial future, it may help illustrate for you some of the many different possible hypothetical outcomes.

## Monte Carlo Simulation Technique:

Based upon the trends, changes, and values shown in your hypothetical financial program, the simulation process uses a different random rate of return for each year of a new hypothetical financial plan. Ten thousand full financial plan calculations are performed utilizing the volatile annual rates of return. The result is ten thousand new hypothetical financial plan results illustrating possible future financial market environments.

By using random rates from a statistically appropriate collection of annual returns, and repeating the process thousands of times, the resulting collection can be viewed as a representative set of potential future results. The tendencies within the group of Monte Carlo Simulation results; the highs, lows and averages, offer insight into potential plan performance which may occur under various combinations of broad market conditions.

**Note: No investment products, investment strategy or particular investment style is projected or illustrated by this process. Simulation results demonstrate effects of volatility on rate of return assumptions for education and discussion purposes only.**

## Standard Deviation:

The simulated level of volatility in future financial markets is represented by a Standard Deviation value. This statistical measure of variation is used within the Monte Carlo Simulation to indicate how dramatically return rates can change year by year. The Standard Deviation controls the magnitude of the random changes in each annual rate of return as it is varied each year above or below the average annual rate to simulate market volatility.

The simulation model uses a Standard Deviation based upon the rate of return assumptions used in the Retirement Capital Illustration, and limits the rate of return variation to plus or minus five standard deviations in any year. Low assumed return rates generate low Standard Deviation values, higher returns relate to higher Standard Deviations.

## The Bold Line

The bold line in the Monte Carlo Simulation Results graph tracks the value of assets over the length of the illustration if all rates of return are held stable at the assumed rates of return (see Assumptions). The estimate uses annual expected portfolio rates of return and inflation rates to model the growth and use of assets as indicated under Assumptions. The bold line represents the values shown in the Retirement Capital Analysis.

## Percentage of Monte Carlo Results Above Zero at Selected Ages

These results represent the percentage of Monte Carlo simulation outcomes that show positive retirement asset value remaining at different ages. A percentage above 70 at last life expectancy is an indication that the underlying retirement plan offers a substantial probability of success even under volatile market conditions. Additional ages shown give the percentage of simulation outcomes with positive asset amounts at various ages.

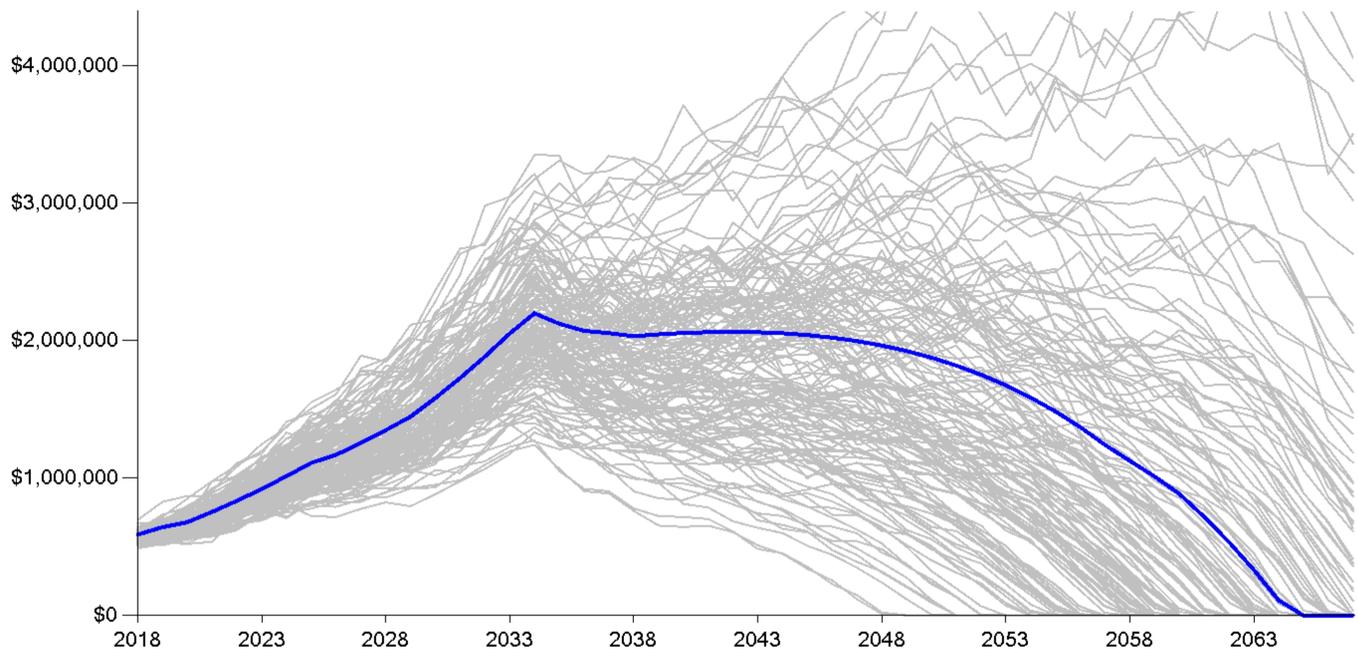
## Monte Carlo Simulation Minimum, Average and Maximum Dollar Results

These values indicate the best, worst and average dollar results at the end of the ten thousand Monte Carlo Simulations. These show the range of results (high and low), and the average of all Monte Carlo results. All values are based on results at the life expectancy of the last to die.

*IMPORTANT: The projections or other information generated by the Personalized Financial Plan regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Each Monte Carlo Simulation is unique; results vary with each use and over time.*

# Monte Carlo Retirement Simulation

## Results from 10,000 Monte Carlo Simulation Trials



\* The bold line is the estimated retirement capital value over time using fixed rates.

### Success Rate of Your Plan - 32%

**This indicates an unacceptable risk of attaining your retirement goals. Monitor your plan regularly.**

Changes in assumptions may have a significant impact on the results of this plan.

This Monte Carlo Retirement 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 broad market volatility and the possible impact on your financial plans. 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 this large number of simulations may offer insight into the shape, trends, and potential range of future retirement plan outcomes under volatile market conditions.

### Retirement Capital Analysis Results, at Life Expectancy, of 10,000 Monte Carlo Simulations:

Percent with funds at last life expectancy	32%	Retirement Capital Estimate	\$0
Percent with funds at age 87	83%	Minimum (Worst Case) result	\$0
Percent with funds at age 75	> 95%	Average Monte Carlo result	\$621,096
Percent with funds at age 65	> 95%	Maximum Monte Carlo result	\$20,011,071

Life insurance proceeds are not included in the final year balances of these calculations.

Illustration based on random rates of return which average 6.3%, with a std. dev. of 6.2% (95% of values fall between -6.1% and 18.7%).

**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 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 performance. Information is for illustrative purposes only. Do not rely upon the results of this report to predict actual future performance of any investment or investment strategy.

## Introduction to Dynamic Behavior Analysis

A key question for most people is, “What does it really take to retire with security?” Financial professionals have developed a number of ways to understand and address uncertainties to prepare a secure financial future. Dynamic Behavior Analysis is an advanced technique that builds on earlier methods of retirement success analysis.

The “Dynamic” part of the analysis allows both retirement age and retirement spending to change based on investment performance. The “Behavior” part is the set of rules, or logic, that dictates the responses in particular situations. Applied together in a Monte Carlo Simulation, this active method compensates for some of the limitations of other illustration methods.

Traditional retirement illustrations are static – that is, they assume inflation rates and investment returns are consistent throughout the calculations. Static illustrations offer a good picture of general retirement concepts, and are representative if every year is close to average. Of course, in real life, rates of inflation and returns may fluctuate significantly.

Introducing the effects of market uncertainty, Monte Carlo Simulation does all the calculations for a retirement illustration, but randomly varies rates of return on investments every year. Thousands of these trials are run, each represents a potential retirement with a unique set of investment returns. The greater the percentage of successful Monte Carlo trials, the better the retirement plans stands up to variable financial market conditions.

In the real world, changing financial markets are not the only factors affecting retirement security. Individuals can and do respond intelligently to financial market conditions as they occur. When retirement investments don’t grow as planned, reasonable people may change their plans and actions to protect their security, perhaps by retiring later or by temporarily spending less at some point in retirement.

Dynamic Behavior Analysis introduces reasonable responses by using active Monte Carlo Simulation. Thousands of randomized trials are run, and in trials that develop adverse conditions, the retirement age and/or spending levels change to model reasonable financial decisions. The resulting illustrations show success rates for different retirement ages and the associated spending levels. These analysis results can help indicate how robust a retirement plan is when adjustments are made in response to financial changes.

## Dynamic Behavior Analysis - continued

Rational people will respond to changing financial conditions to protect their financial security. Thorough education and preparation for a secure retirement requires seeing the potential effects of future market uncertainty and being prepared to respond appropriately. Dynamic Behavior Analysis is a method that factors in reasonable adjustments to retirement age and spending levels in response to investment returns. Dynamic Behavior Analysis results offer a more complete picture of various effects market variability may have on retirement decisions.

### The Retirement Decision

Evaluating a retirement age, to see if it is financially reasonable, starts with three questions designed to assure retirement savings last throughout a lifetime. How much in savings will need to be spent in each year of retirement? What percentage of retirement investments need to be withdrawn in the first year of retirement? What is the latest acceptable retirement start age?

First-year spending is used to determine if there are sufficient investment assets to safely sustain withdrawal throughout retirement. Income from sources such as Social Security or pensions is subtracted from the retirement spending need. The remainder will be withdrawn from savings and investments.

This withdrawal, when viewed as a percentage of total assets, may indicate readiness to retire. Percentages below a certain number (usually around 4.5%) might be considered a safe initial withdrawal rate. For example, if at retirement age total assets are \$1,000,000, then a withdrawal of \$45,000 would be acceptable in the first year of retirement (\$45,000 is 4.5% of \$1,000,000).

To evaluate a retirement age in a trial, that year's withdrawal amount is compared to accumulated retirement assets. If the ratio is less than the maximum acceptable withdrawal percentage, the trial lets retirement occur. If not, the model defers retirement until the withdrawal ratio is acceptable or the maximum acceptable retirement age is reached.

### Spending Levels

Determining annual retirement spending levels starts with three questions. How much retirement spending is desired? How much is required, that is, what is needed to cover necessities? Finally, what is the maximum percentage of assets that can be withdrawn in a single year?

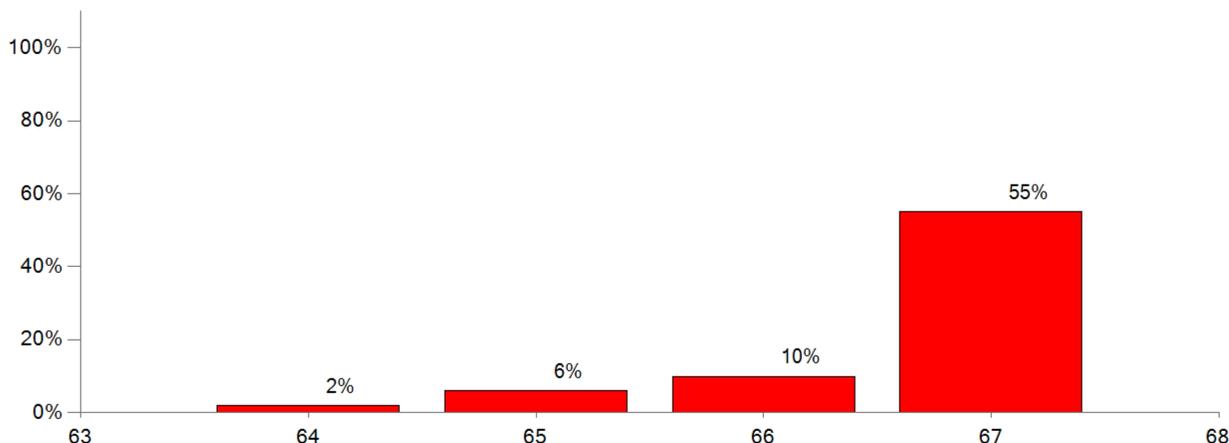
The calculation model always tries to maintain the desired spending level. If however, assets will not sustain that level, withdrawals will be reduced, subject to these limitations:

1. Spending will never be more than the desired amount.
2. Spending will never be less than the required amount.  
Note: both these amounts will be increased each year for inflation.
3. Withdrawal from assets will never be higher than the maximum percentage.

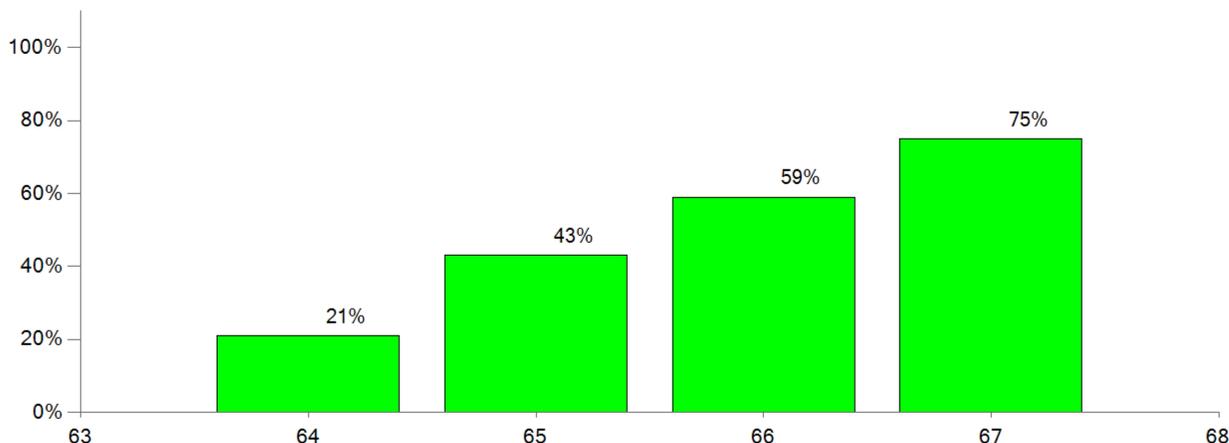
That last point needs a little more explanation. As a person comes closer to life expectancy, it's reasonable to spend down some of the assets, if needed. Because of this, the percentage of assets that can be withdrawn is also increased with age: in the first year of retirement, it's the "safe" rate; by life expectancy, it's reached the selected maximum.

# Behavior Analysis

## Probability of meeting Initial Retirement Spending Levels at each Age



## Behavior Monte Carlo Simulation result at each Retirement Age



### Graph Explanation

Dynamic Behavior Analysis extends the Monte Carlo simulation to consider effects of intelligent responses to changing financial conditions. These charts show the percentage of projections that are successful for given retirement ages.

Each red column shows the probability of having enough funds at retirement to safely make the planned initial withdrawal. Each Green column shows the probability of having sufficient funds through life expectancy. Given your planned retirement spending of \$85,000/year, this shows the percentage of projections in which you have enough funds for this spending not to exceed the maximum initial withdrawal rate. In other words, the successful projections are the ones in which you have at least \$1,888,889 in today's dollars.

### Assumptions

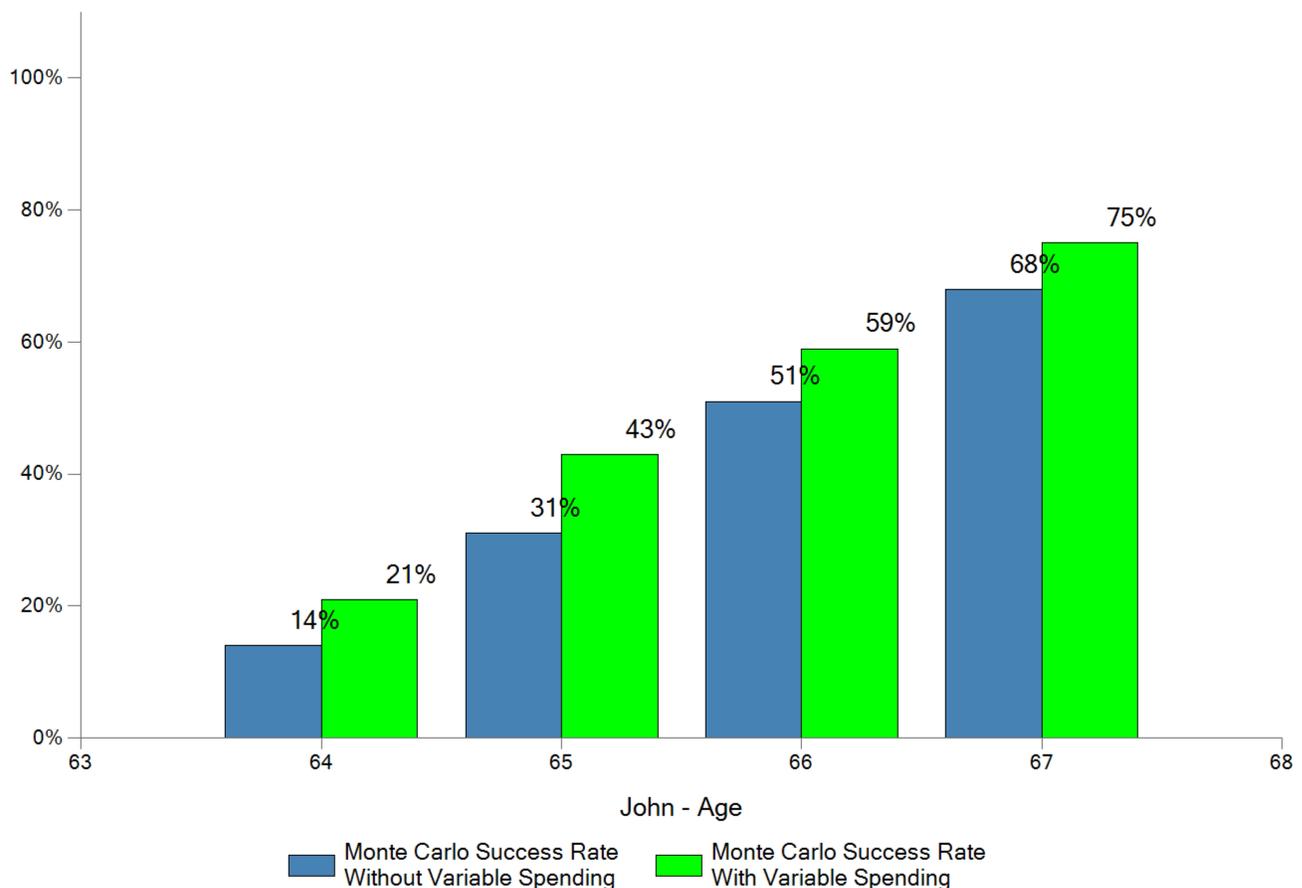
Randomize rate of return	Yes	Initial withdrawal rate limit	4.5%
Randomize inflation rate	No	Ending withdrawal rate limit	10.0%
Allow for a different retirement age	Yes	Variable spending budget floor	90%
Early      1      Later      2		Variable spending budget ceiling	125%
		Variable spending increase ratio	25%

## Retirement Income Sustainability and Variable Spending

Retirement investments are often the most important source of funding for retiree's spending needs. Key to the reliable flow of these critical funds throughout retirement is a strategy to avoid taking too much money from retirement investments in any one year.

In order to model effects of retiree spending flexibility, Dynamic Behavior Analysis bases spending on the budget, but makes limited reductions in simulation situations where the full budget figure requires withdrawals above the maximum withdrawal rate. The size of budget reduction adjustments is limited based on retiree discretionary spending flexibility.

Variable spending calculations make adjustments in each simulation year when the full budget would require withdrawals that exceed that year's rate limit. This can occur when investment assets don't grow as expected or when inflation is higher than anticipated. Calculated spending is based on the inflated budget, but is limited on the upper end by the maximum asset withdraw rate, and on the lower end by the minimum acceptable percentage of the inflated budget.



For each example retirement age, this Dynamic Behavior Analysis graph illustrates the simulation result for each age's success rate at full budgeted spending (blue) and the simulation success rate with variable spending (green).

In this simulation, retirement age is based on an initial withdrawal rate limit of 4.5% and variable spending is kept between 90% and 125% of inflated budget based upon the initial withdrawal rate limit and the ending withdrawal rate limit of 10.0%.

# Goal Evaluation

Successfully planning for your future may require recognizing that in some situations you may not be able to meet all your hoped for financial goals. Prioritizing different financial goals, and evaluating the impact of those expenses on your long term financial stability, can assist you and your advisor in planning and managing your spending decisions.

This report illustrates how expenses associated with your financial goals may potentially affect the likelihood of sustaining financial stability throughout your life. Monte Carlo simulations based on your current plan, and including the expenses associated with all your planned expenses, show a success rate of 32%. Since you have indicated that not all the planned expenses are essential, additional Monte Carlo simulations have been run to illustrate how your goals may affect the sustainability of your long term financial plans.

To create this illustration, your entire current financial plan has been recalculated a number of times while excluding expenses associated with different priorities of your goals. The illustration starts by including only the highest priority items; your retirement expenses and those other goals you identify as essential. Sequentially, the goals identified as primary, secondary and optional are included. Each case shows the percentage of successful Monte Carlo simulations resulting from the set of goals that are included in the calculations.



## Essential expenses only

46%

	Start Year	Inc. Rate	Number of years	Amount per year
Replace Roof	2019	3.00%	1	\$12,000



## Essential and Primary expenses

37%

	Start Year	Inc. Rate	Number of years	Amount per year
Kitchen and Bath Renovation	2020	3.00%	1	\$32,000



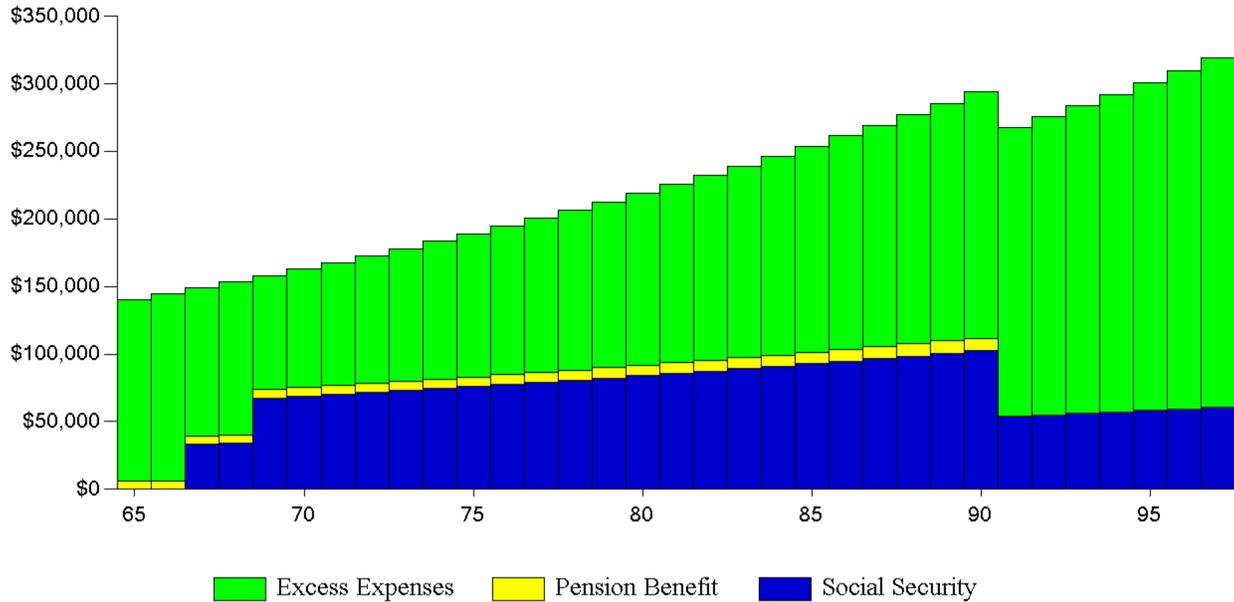
## Essential, Primary, and Secondary expenses

31%

	Start Year	Inc. Rate	Number of years	Amount per year
World Travel - 2 Years Post	2034	3.00%	2	\$20,000

**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 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 performance. Information is for illustrative purposes only. Do not rely upon the results of this report to predict actual future performance of any investment or investment strategy.

## Retirement Expense Forecast



The Retirement Expense Forecast graph combines estimated Social Security benefits with defined pension benefits plotted with estimated annual living expenses in retirement. The graph begins at retirement age and continues to life expectancy. Future retirement expenses are estimated based on your objectives, adjusted for inflation over time. Survivor expense levels start the year after first life expectancy.

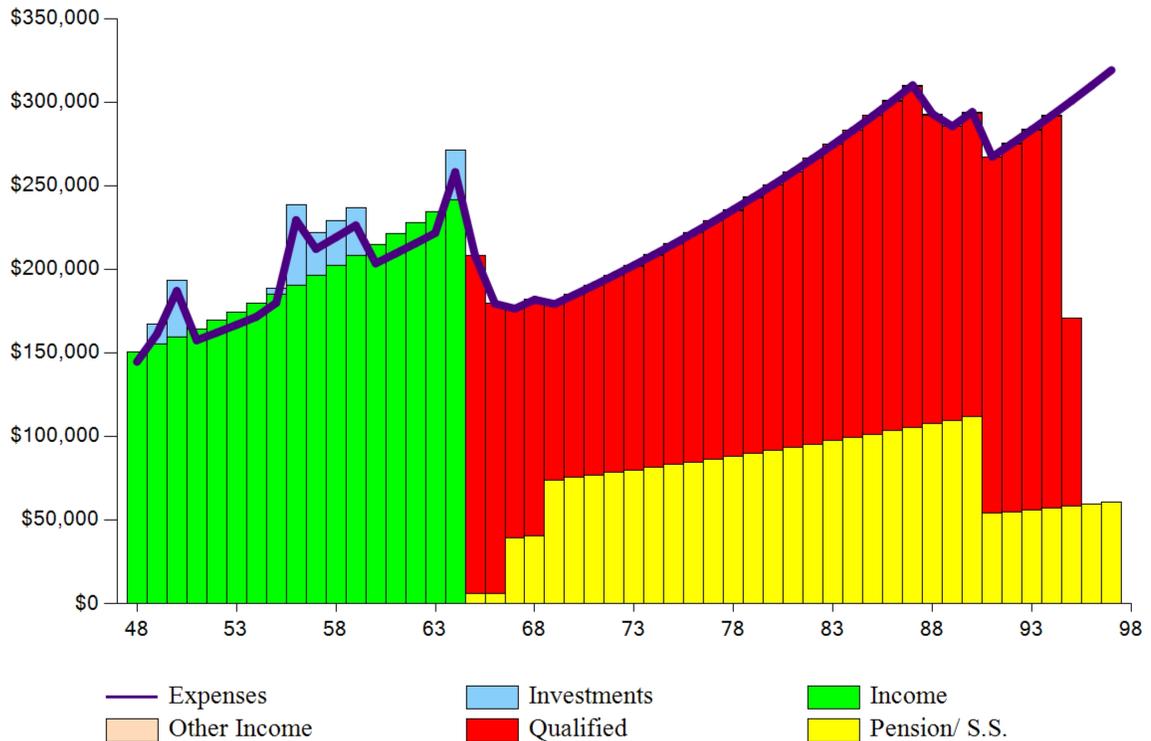
Social Security benefits, and annual adjustments for benefit growth, are estimated and illustrated over the anticipated lifetime. If the starting age selected for Social Security benefits is prior to normal benefit age, only a partial Social Security benefit may be available. Benefit amounts may decrease upon first death.

The Pension Benefit estimate combines any pension benefits and plots them starting at the age the benefit begins. At the death of the pension holder a surviving spouse might receive no continuing benefit, or only a portion of the benefit, causing a decrease in overall annual income.

Excess Expenses shown in the graph represent the amount of inflation adjusted annual living expenses that exceed the combined estimated Social Security and pension benefits. These are estimated amounts which will need to come from retirement savings to fund future expenses not covered by expected benefit income.

**Note: Social Security and Pension benefit estimates are based upon information you provided. Estimates are not guarantees of future benefits amounts. Clients should not rely upon results of this report to predict actual future benefit amounts.**

## Cash Flow Summary



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

- Earned income (wages and self-employment)
- Social Security
- Qualified plan additions and distributions
- Investment additions and distributions
- Misc - (inheritances, sale of residence, retirement account minimum distributions, life insurance)

The line illustrates the annual expenses including:

- Personal living expenses
- Planned debt expenses
- Specified special expenses
- Planned deposits to investment and retirement accounts
- Miscellaneous expense items
- Taxes

Note: The Cash Flow report provides the actual numbers that create the preceding Cash Flow Summary graph.

## Cash Flow

Age	Earned Income	Retire/Roth Accounts	Investment Accounts	Pension/ Soc Sec.	Other Income	Total Sources	Living Exp. & Taxes	Surplus (Shortage)
48	46	\$150,500	(\$21,000)			\$129,500	(\$123,625)	\$5,875
49	47	155,015	(21,420)	12,360	(12,360)	133,595	(127,373)	6,222
50	48	159,665	(21,849)	33,949	(33,949)	137,816	(131,235)	6,581
51	49	164,455	(22,285)			142,170	(135,214)	6,956
52	50	169,388	(22,731)			146,657	(139,313)	7,344
53	51	174,469	(23,186)			151,283	(143,535)	7,748
54	52	179,704	(23,649)			156,055	(147,885)	8,170
55	53	185,095	(24,121)	3,372	(3,372)	160,974	(152,367)	8,607
56	54	190,648	(24,605)	47,816	(47,816)	166,043	(156,984)	9,059
57	55	196,367	(25,097)	25,342	(25,342)	171,270	(161,740)	9,530
58	56	202,259	(25,598)	26,863	(26,863)	176,661	(166,640)	10,021
59	57	208,326	(26,110)	28,474	(28,474)	182,216	(171,688)	10,528
60	58	214,576	(26,632)			187,944	(176,889)	11,055
61	59	221,013	(27,167)			193,846	(182,246)	11,600
62	60	227,644	(27,709)			199,935	(187,765)	12,170
63	61	234,473	(28,263)			206,210	(193,451)	12,759
64	62	241,507	(26,057)	30,017	(32,094)	213,373	(200,001)	13,372
65R	63R		202,224	5,760	(33,057)	174,927	(174,928)	
66	64		173,527	5,875		179,402	(179,402)	
67	65		136,926	39,496		176,422	(176,422)	
68	66		141,527	40,286		181,813	(181,813)	
69	67		105,441	73,759		179,200	(179,201)	
70	68		109,526	75,235		184,761	(184,761)	
71	69		113,752	76,739		190,491	(190,491)	
72	70		118,123	78,274		196,397	(196,397)	
73	71		122,645	79,840		202,485	(202,485)	
74	72		127,321	81,436		208,757	(208,758)	
75	73		132,158	83,065		215,223	(215,223)	
76	74		137,160	84,726		221,886	(221,887)	
77	75		142,333	86,421		228,754	(228,754)	
78	76		147,683	88,149		235,832	(235,832)	
79	77		153,214	89,912		243,126	(243,126)	
80	78		158,934	91,711		250,645	(250,644)	
81	79		164,847	93,545		258,392	(258,392)	
82	80		170,961	95,416		266,377	(266,377)	
83	81		177,282	97,324		274,606	(274,606)	
84	82		183,816	99,270		283,086	(283,087)	
85	83		190,571	101,256		291,827	(291,827)	
86	84		197,553	103,281		300,834	(300,834)	
87	85		204,770	105,347		310,117	(310,117)	
88	86		185,454	107,453		292,907	(292,908)	
89	87		175,951	109,603		285,554	(285,554)	
90L	88		182,325	111,795		294,120	(294,120)	
	89		213,415	53,888		267,303	(267,303)	
	90		220,356	54,966		275,322	(275,322)	
	91		227,516	56,065		283,581	(283,581)	
	92		234,901	57,186		292,087	(292,088)	
	93		112,517	58,330		170,847	(300,850)	(130,003)
	94			59,497		59,497	(309,875)	(250,378)
	95L			60,686		60,686	(319,171)	(258,485)

Retire/Roth and Investment Accounts include additions, investment earnings, and distributions for RMDs or spending requirements.

Pension, Social Security, and Other Income amounts are net of tax. Living Exp. and Taxes include tax on earned income and retirement account distributions. Tax rates of 25% and 20% (before and after retirement) are used to estimate taxes.

## Cash Flow Explanation

Cash flows are sources and uses of money. Primary sources of funds are income from work, Social Security, pensions, savings, insurance proceeds, and other income events. Regular living expenses, education costs, and other planned expenses are the primary use of funds.

The cash flow report pages are designed to be an alternate presentation of the financial information shown elsewhere in this report. The emphasis of the cash flow illustrations are the amounts and types of incomes and levels of expenses that occur during the illustration.

The Cash Flow Summary Graph illustrates four primary financial elements; income, investment, expenses, and cash sources. The different colored bars in the graph represent the level of cash flows that are occurring, and what accounts they are related to. The single solid line represents the annual expense level from now to the end of the illustration. Prior to retirement, bars above the expense level represent investments.

Portions of bars below the expense line represent sources of cash that are being used to pay for planned living expenses and to cover special expenses such as education. During the working years, income from employment is generally the primary source of cash to cover expenses. In retirement, Social Security, pension benefits, and cash withdrawn from investment accounts are the major sources of cash to cover expenses.

In general terms, the best case is to have the cash flow bars always at or above the expense line. This indicates that there is sufficient income, or investment asset sources, to meet living expenses and other planned needs. Gaps between the expense line and cash flow bars indicate calculated shortfalls of cash flow during those years.

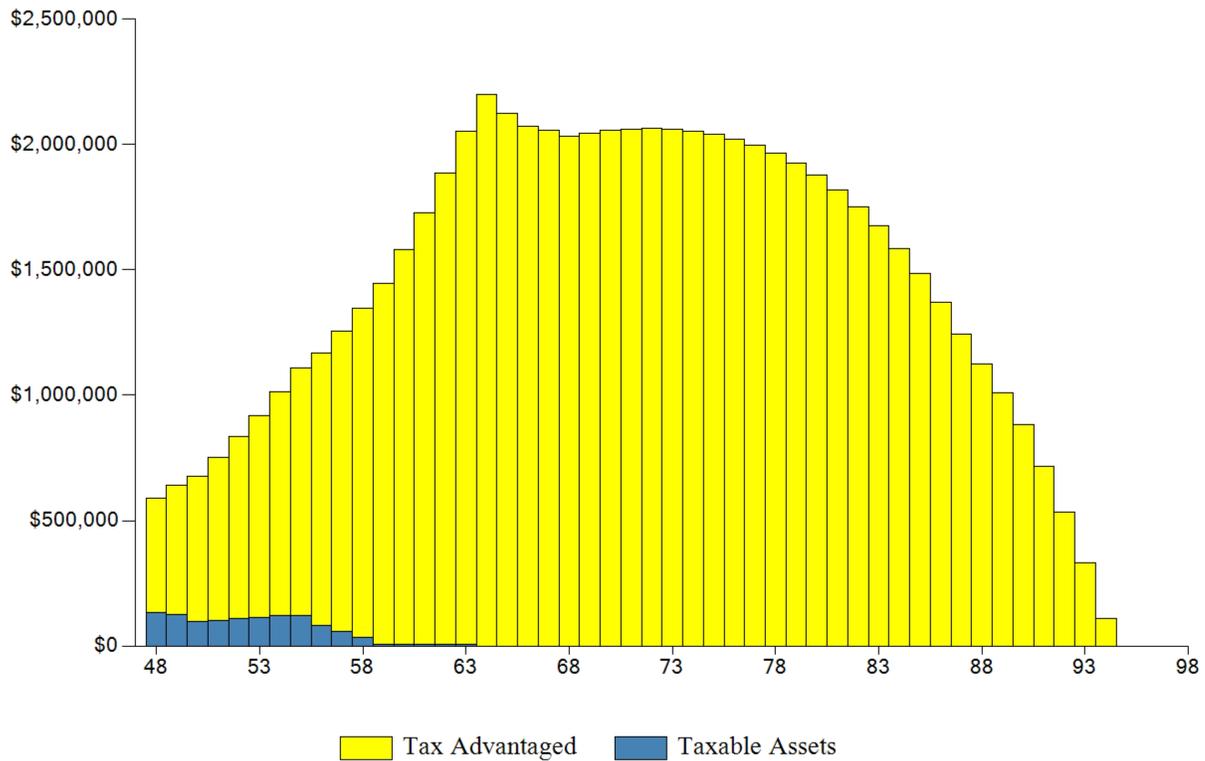
The cash flow numbers page contains the numerical information upon which the graph is based. This page shows the sources and uses of funds. The columns coincide with the bars and lines in the cash flow graph. Red numbers represent a use of cash, black a source.

The red numbers in the Retire/Roth or Investment Accounts columns are additions made to those accounts; these are investments and uses of funds. The black numbers in those columns represent withdrawals from the account; these are sources of funds to meet retirement needs.

All sources (and investment uses) are subtotaled in the Total Sources column. Tax estimates are based on earned income and investment income (adjusted for contributions to qualified retirement accounts) multiplied by the estimated net effective tax rates. The resulting tax estimate is added to inflation adjusted living expenses to create an estimated annual figure.

The combination of Total Sources and Living Expenses & Taxes can create a surplus or shortage. A shortage indicates that expenses exceed incomes and sources. A surplus can indicate that incomes exceed expenses. During retirement, if money is withdrawn at the same level of need, no surplus or shortage will occur.

# Total Capital Assets



The Total Capital Assets graph displays taxable assets, combined with the value of the tax advantaged assets over time. The illustration shows assets from current age through life expectancy. Estimated capital growth is based on the rate of return for the assets, plus any annual additions or expenses. When the taxable accounts have been consumed, tax-advantaged accounts may be drawn on for additional funds.

Generally, the IRS requires that by age 70 1/2, minimum distributions must be made from qualified tax-deferred accounts. These annual distributions must be made on a schedule calculated to consume the account balances during the life expectancy. Money distributed from these tax-deferred accounts will first be used to meet current spending needs. Excess funds will be reinvested into taxable accounts.

# Retirement Capital Analysis

Age		Spending Needs	John Soc. Sec.	Mary Soc. Sec.	John Pension	Mary Pension	Other Inc. (Expense)	Surplus (Shortage)	Additions to Assets	Retirement Capital \$526,000
48	46							\$26,950	\$588,025	
49	47						(12,360)	(12,360)	27,489	642,122
50	48						(33,949)	(33,949)	28,039	678,490
51	49								28,599	753,287
52	50								29,171	833,789
53	51								29,755	920,402
54	52								30,349	1,013,555
55	53						(3,372)	(3,372)	30,955	1,110,252
56	54						(47,816)	(47,816)	31,576	1,168,661
57	55						(25,342)	(25,342)	32,207	1,255,577
58	56						(26,863)	(26,863)	32,851	1,348,020
59	57						(28,474)	(28,474)	33,508	1,446,340
60	58								34,178	1,581,887
61	59								34,863	1,727,571
62	60								35,559	1,884,111
63	61								36,270	2,052,278
64	62						(32,094)	(32,094)	36,994	2,199,267
65R	63R	(140,483)			5,760		(33,057)	(167,780)		2,122,930
66	64	(144,697)			5,875			(138,822)		2,071,572
67	65	(149,037)	33,503		5,993			(109,541)		2,054,832
68	66	(153,508)	34,173		6,113			(113,222)		2,032,347
69	67	(158,113)	34,857	32,668	6,235			(84,354)		2,045,681
70	68	(162,856)	35,554	33,321	6,360			(87,621)		2,055,609
71	69	(167,741)	36,265	33,988	6,487			(91,002)		2,061,779
72	70	(172,773)	36,990	34,667	6,616			(94,499)		2,063,817
73	71	(177,956)	37,730	35,361	6,749			(98,116)		2,061,320
74	72	(183,294)	38,485	36,068	6,884			(101,858)		2,053,857
75	73	(188,792)	39,254	36,789	7,021			(105,727)		2,040,964
76	74	(194,455)	40,039	37,525	7,162			(109,729)		2,022,145
77	75	(200,288)	40,840	38,276	7,305			(113,867)		1,996,869
78	76	(206,296)	41,657	39,041	7,451			(118,147)		1,964,565
79	77	(212,484)	42,490	39,822	7,600			(122,572)		1,924,627
80	78	(218,858)	43,340	40,618	7,752			(127,147)		1,876,402
81	79	(225,423)	44,207	41,431	7,907			(131,878)		1,819,192
82	80	(232,185)	45,091	42,259	8,065			(136,769)		1,752,252
83	81	(239,150)	45,993	43,105	8,227			(141,826)		1,674,785
84	82	(246,324)	46,913	43,967	8,391			(147,054)		1,585,939
85	83	(253,713)	47,851	44,846	8,559			(152,457)		1,484,806
86	84	(261,324)	48,808	45,743	8,730			(158,043)		1,370,413
87	85	(269,163)	49,784	46,658	8,905			(163,816)		1,241,723
88	86	(277,237)	50,780	47,591	9,083			(169,784)		1,125,207
89	87	(285,554)	51,795	48,543	9,265			(175,951)		1,011,489
90L	88	(294,120)	52,831	49,514	9,450			(182,325)		884,382
	89	(267,303)		53,888				(213,415)		717,627
	90	(275,322)		54,966				(220,356)		533,717
	91	(283,581)		56,065				(227,516)		331,398
	92	(292,088)		57,186				(234,902)		109,333
	93	(300,850)		58,330				(242,520)		
	94	(309,875)		59,497				(250,378)		
	95L	(319,171)		60,686				(258,485)		

Pension and Soc. Sec. amounts are net of tax. 85% of Soc. Sec. is assumed taxable. A tax rate of 20% (after retirement) is used to estimate taxes. This report is based upon assumed inflation rates of 3% and 3% (before and after retirement).

## Taxable Savings & Investment Accounts

Age	Additions	Growth	Tax on Growth	From Tax-Advantaged Distributions	Tax on Dist.	Cash Flow Paid In (Out)	Balance \$125,000
48	46	\$8,750	(\$2,188)				\$131,562
49	47	8,777	(2,194)			(12,360)	125,784
50	48	7,617	(1,904)			(33,949)	97,547
51	49	6,828	(1,707)				102,668
52	50	7,187	(1,797)				108,057
53	51	7,564	(1,891)				113,730
54	52	7,961	(1,990)				119,701
55	53	8,261	(2,065)			(3,372)	122,525
56	54	6,903	(1,726)			(47,816)	79,886
57	55	4,705	(1,176)			(25,342)	58,073
58	56	3,125	(781)			(26,863)	33,553
59	57	1,352	(338)			(28,474)	6,093
60	58	427	(107)				6,412
61	59	449	(112)				6,748
62	60	472	(118)				7,102
63	61	497	(124)				7,475
64	62	255	(64)	25,121	(692)	(32,094)	
65R	63R			202,225	(34,445)	(167,780)	
66	64			173,527	(34,705)	(138,822)	
67	65			136,926	(27,385)	(109,541)	
68	66			141,528	(28,306)	(113,222)	
69	67			105,442	(21,088)	(84,354)	
70	68			109,527	(21,905)	(87,621)	
71	69			113,752	(22,750)	(91,002)	
72	70			118,124	(23,625)	(94,499)	
73	71			122,645	(24,529)	(98,116)	
74	72			127,322	(25,464)	(101,858)	
75	73			132,159	(26,432)	(105,727)	
76	74			137,161	(27,432)	(109,729)	
77	75			142,334	(28,467)	(113,867)	
78	76			147,683	(29,537)	(118,147)	
79	77			153,215	(30,643)	(122,572)	
80	78			158,934	(31,787)	(127,147)	
81	79			164,848	(32,970)	(131,878)	
82	80			170,962	(34,192)	(136,769)	
83	81			177,283	(35,457)	(141,826)	
84	82			183,817	(36,763)	(147,054)	
85	83			190,571	(38,114)	(152,457)	
86	84			197,554	(39,511)	(158,043)	
87	85			204,770	(40,954)	(163,816)	
88	86			185,455	(15,671)	(169,784)	
89	87			175,951		(175,951)	
90L	88			182,325		(182,325)	
	89			213,415		(213,415)	
	90			220,356		(220,356)	
	91			227,516		(227,516)	
	92			234,902		(234,902)	
	93			112,517		(242,520)	
	94					(250,378)	
	95L					(258,485)	

This report is based on assumed growth rates of 7% and 6%, with inflation rates of 3% and 3% (before and after retirement). Additions increase at 2% per year. Tax rates of 25% and 20% (before and after retirement) are used to estimate taxes. Starting cost basis is 100%.

# Tax-Deferred Annuities

Age	Additions	Growth	Distributions	Balance \$30,000	Cumulative Growth	Taxable Distribution	Tax on Distribution
48	46	\$1,800		\$31,800	\$1,800		
49	47	1,908		33,708	3,708		
50	48	2,022		35,730	5,730		
51	49	2,144		37,874	7,874		
52	50	2,272		40,147	10,147		
53	51	2,409		42,556	12,556		
54	52	2,553		45,109	15,109		
55	53	2,707		47,815	17,815		
56	54	2,869		50,684	20,684		
57	55	3,041		53,725	23,725		
58	56	3,224		56,949	26,949		
59	57	3,417		60,366	30,366		
60	58	3,622		63,988	33,988		
61	59	3,839		67,827	37,827		
62	60	4,070		71,897	41,897		
63	61	4,314		76,210	46,210		
64	62	4,490	(2,769)	77,931	50,700	2,769	(692)
65R	63R	2,270	(80,200)		50,200	50,200	(10,040)
66	64						
67	65						
68	66						
69	67						
70	68						
71	69						
72	70						
73	71						
74	72						
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89	87						
90L	88						
	89						
	90						
	91						
	92						
	93						
	94						
	95L						

This report is based on assumed growth rates of 6% and 6%, with inflation rates of 3% and 3% (before and after retirement). Additions increase 2% a year. Tax rates of 25% and 20% (before and after retirement) are used to estimate taxes. Starting cost basis is 100%.

# Tax-Deferred Retirement Accounts

<u>John</u>				<u>Mary</u>							
Age	Additions	Growth	Distributions	Balance		Age	Additions	Growth	Distributions	Balance	
				\$160,000						\$162,000	
48	\$11,900	\$11,617		<b>\$183,517</b>		46	\$10,050	\$11,692		<b>\$183,742</b>	
49	12,138	13,271		<b>208,926</b>		47	10,251	13,221		<b>207,214</b>	
50	12,381	15,058		<b>236,365</b>		48	10,456	14,871		<b>232,541</b>	
51	12,628	16,988		<b>265,981</b>		49	10,665	16,651		<b>259,857</b>	
52	12,881	19,070		<b>297,932</b>		50	10,878	18,571		<b>289,306</b>	
53	13,139	21,315		<b>332,386</b>		51	11,096	20,640		<b>321,042</b>	
54	13,401	23,736		<b>369,523</b>		52	11,318	22,869		<b>355,229</b>	
55	13,669	26,345		<b>409,537</b>		53	11,544	25,270		<b>392,043</b>	
56	13,943	29,156		<b>452,636</b>		54	11,775	27,855		<b>431,673</b>	
57	14,222	32,182		<b>499,040</b>		55	12,011	30,637		<b>474,321</b>	
58	14,506	35,441		<b>548,987</b>		56	12,251	33,631		<b>520,203</b>	
59	14,796	38,947		<b>602,730</b>		57	12,496	36,852		<b>569,551</b>	
60	15,092	42,719		<b>660,541</b>		58	12,746	40,315		<b>622,612</b>	
61	15,394	46,777		<b>722,712</b>		59	13,001	44,038		<b>679,651</b>	
62	15,702	51,139		<b>789,553</b>		60	13,261	48,040		<b>740,952</b>	
63	16,016	55,829		<b>861,398</b>		61	13,526	52,340		<b>806,818</b>	
64	16,336	60,870		<b>938,604</b>		62	13,796	56,960		<b>877,574</b>	
65R		52,656	(122,025)	<b>869,235</b>		63R		52,654		<b>930,228</b>	
66		46,948	(173,527)	<b>742,656</b>		64		55,814		<b>986,042</b>	
67		40,452	(136,926)	<b>646,181</b>		65		59,163		<b>1,045,205</b>	
68		34,525	(141,528)	<b>539,178</b>		66		62,712		<b>1,107,917</b>	
69		29,187	(105,442)	<b>462,923</b>		67		66,475		<b>1,174,392</b>	
70		24,490	(109,527)	<b>377,886</b>		68		70,464		<b>1,244,856</b>	
71		19,261	(113,752)	<b>283,394</b>		69		74,691		<b>1,319,547</b>	
72		14,905	(69,965)	<b>228,334</b>		70		77,728	(48,159)	<b>1,349,116</b>	
73		11,548	(71,736)	<b>168,146</b>		71		79,420	(50,910)	<b>1,377,626</b>	
74		7,884	(73,509)	<b>102,521</b>		72		81,043	(53,814)	<b>1,404,856</b>	
75		3,893	(75,282)	<b>31,132</b>		73		82,585	(56,877)	<b>1,430,564</b>	
76		907	(32,039)			74		82,680	(105,122)	<b>1,408,122</b>	
77						75		80,217	(142,334)	<b>1,346,005</b>	
78						76		76,330	(147,683)	<b>1,274,651</b>	
79						77		71,883	(153,215)	<b>1,193,319</b>	
80						78		66,831	(158,934)	<b>1,101,216</b>	
81						79		61,128	(164,848)	<b>997,496</b>	
82						80		54,721	(170,962)	<b>881,255</b>	
83						81		47,557	(177,283)	<b>751,529</b>	
84						82		39,577	(183,817)	<b>607,289</b>	
85						83		30,720	(190,572)	<b>447,438</b>	
86						84		20,920	(197,554)	<b>270,804</b>	
87						85		10,105	(204,771)	<b>76,139</b>	
88						86		2,218	(78,357)		
89						87					
90L						88					
						89					
						90					
						91					
						92					
						93					
						94					
						95L					

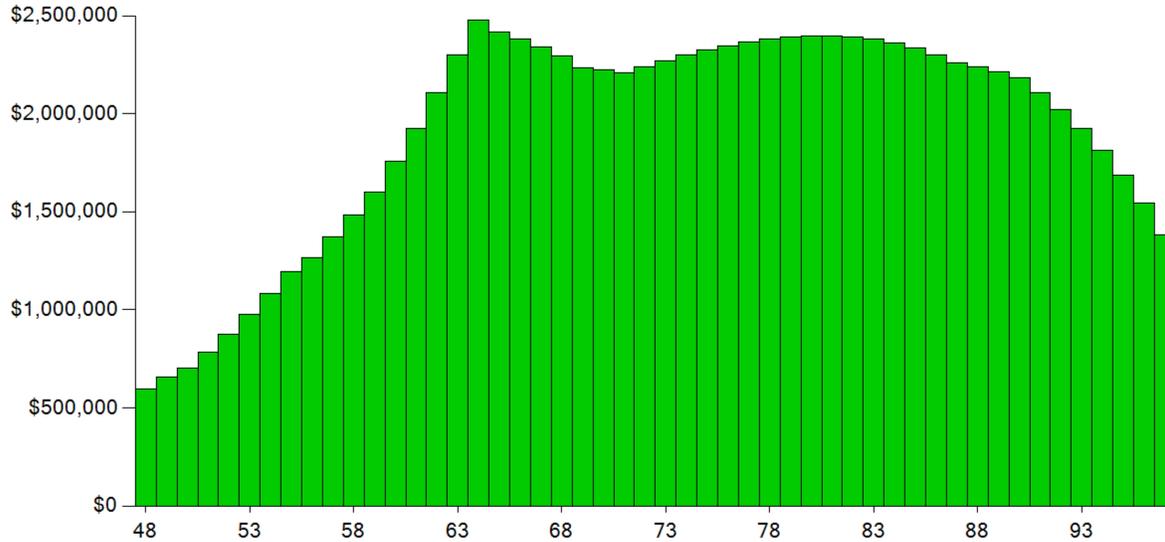
This report is based on assumed growth rates of 7% and 6%, with inflation rates of 3% and 3% (before and after retirement). Additions increase 2% and 2% per year (John and Mary).

# Tax-Free Accounts

		<u>Combined Roth IRA</u>				<u>Other Tax-Free</u>				
Age		John	Mary	Growth	Distrib.	Balance		Growth	Distrib.	Balance
		Additions	Additions			\$39,000	Additions			\$10,000
48	46	\$2,500	\$2,500	\$2,905		\$46,904		\$500		\$10,500
49	47	2,550	2,550	3,462		55,465		525		11,025
50	48	2,601	2,601	4,065		64,731		551		11,576
51	49	2,653	2,653	4,717		74,753		579		12,154
52	50	2,706	2,706	5,422		85,586		608		12,761
53	51	2,760	2,760	6,184		97,289		638		13,399
54	52	2,815	2,815	7,007		109,925		670		14,068
55	53	2,871	2,871	7,896		123,561		703		14,771
56	54	2,929	2,929	8,854		138,273		739		15,509
57	55	2,987	2,987	9,888		154,134		775		16,284
58	56	3,047	3,047	11,003		171,230		814		17,098
59	57	3,108	3,108	12,204		189,648		855		17,952
60	58	3,170	3,170	13,497		209,485		898		18,849
61	59	3,234	3,234	14,890		230,842		942		19,791
62	60	3,298	3,298	16,390		253,827		990		20,780
63	61	3,364	3,364	18,003		278,558		1,039		21,819
64	62	3,431	3,431	19,739		305,158		532	(22,351)	
65R	63R			18,309		323,467				
66	64			19,408		342,874				
67	65			20,572		363,446				
68	66			21,807		385,252				
69	67			23,115		408,366				
70	68			24,502		432,867				
71	69			25,972		458,838				
72	70			27,530		486,367				
73	71			29,182		515,548				
74	72			30,933		546,480				
75	73			32,789		579,268				
76	74			34,756		614,023				
77	75			36,841		650,864				
78	76			39,052		689,914				
79	77			41,395		731,308				
80	78			43,878		775,186				
81	79			46,511		821,696				
82	80			49,302		870,997				
83	81			52,260		923,256				
84	82			55,395		978,650				
85	83			58,719		1,037,368				
86	84			62,242		1,099,609				
87	85			65,977		1,165,584				
88	86			66,722	(107,098)	1,125,207				
89	87			62,234	(175,952)	1,011,489				
90L	88			55,220	(182,325)	884,382				
	89			46,660	(213,415)	717,627				
	90			36,447	(220,356)	533,717				
	91			25,198	(227,516)	331,398				
	92			12,837	(234,902)	109,333				
	93			3,184	(112,518)					
	94									
	95L									

This report is based on assumed growth rates of 7% and 6% on Roth IRAs and 5% and 4% on Tax-Free Accounts, with inflation rates of 3% and 3% (before and after retirement). Additions increase 2% and 2% on Roth IRAs (John and Mary) and 2% on Tax-Free Accounts per year.

# Retirement Capital Analysis - What-if?



## Retirement Capital Analysis

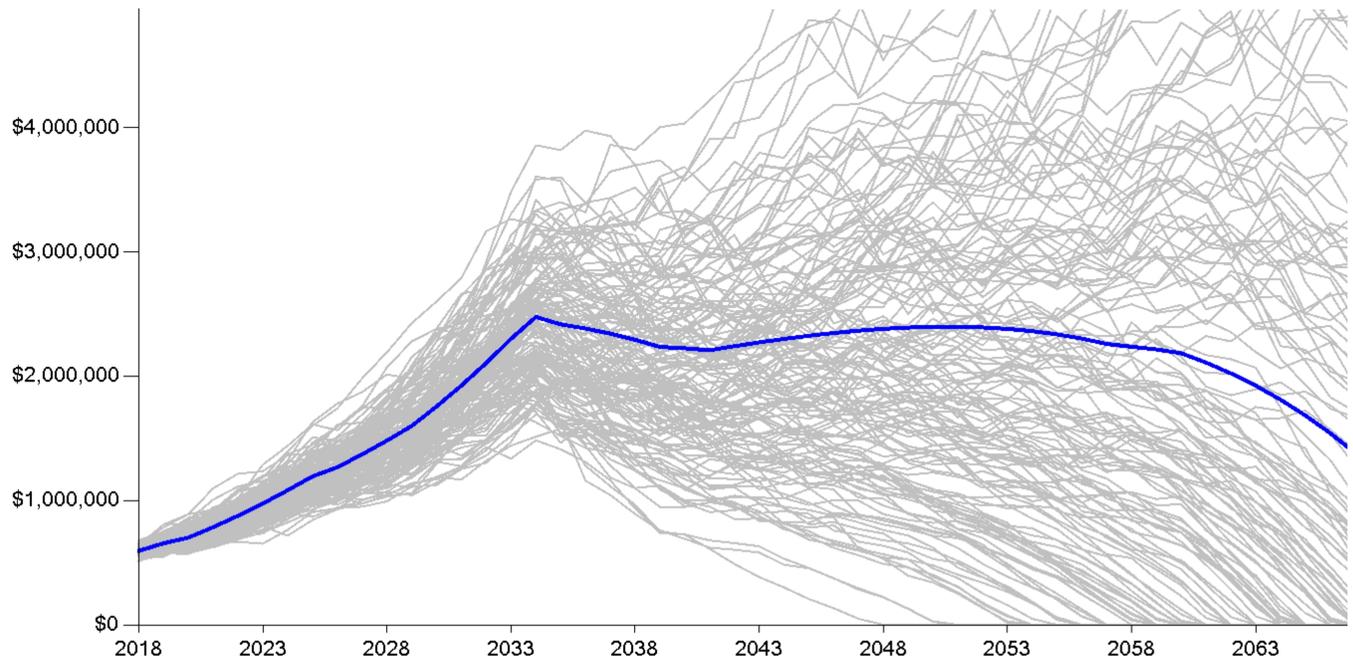
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**Success Rate of Plan "Max Roth IRAs + Optimal SS Filing Method": 60%**

**Assumptions Changed from Original Report :**

Annual Additions - John Roth IRA	\$6,500
Annual Additions - Mary Roth IRA	\$6,500
Social Security Strategy	Optimal

# Monte Carlo Retirement Simulation - What-if?



Life insurance proceeds are not included in the final year balances of these calculations.

**Success Rate of Plan "Max Roth IRAs + Optimal SS Filing Method": 60%**

**Assumptions Changed from Original Report :**

Annual Additions - John Roth IRA	\$6,500
Annual Additions - Mary Roth IRA	\$6,500
Social Security Strategy	Optimal

Illustration based on an average rate of return of 6.3%, with a std. dev. of 6.2% (95% of values fall between -6.1% and 18.7%).

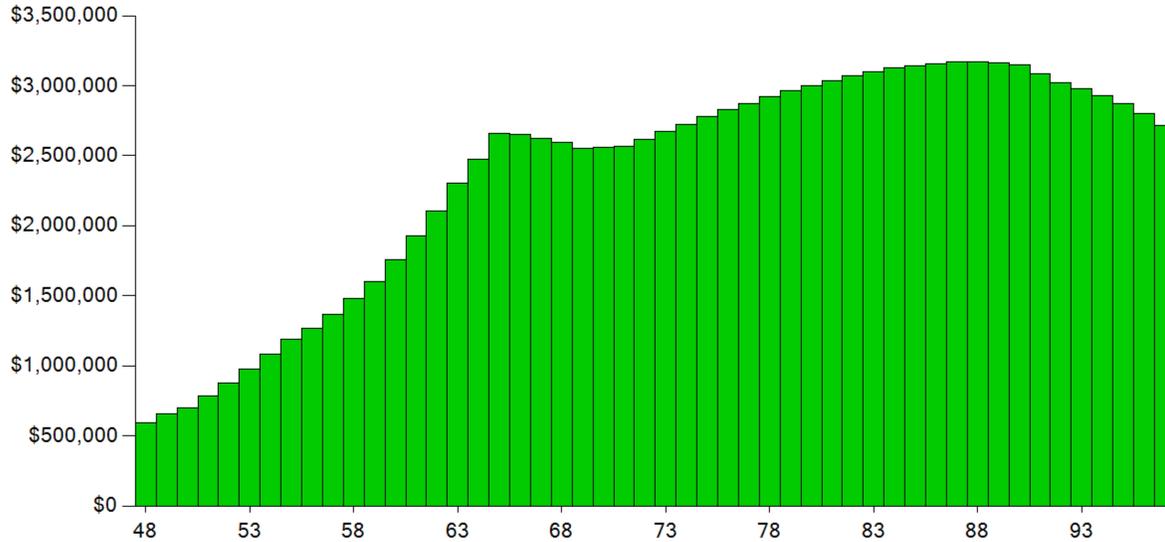
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# Retirement Capital Analysis - What-if?

Age		Spending Needs	John Soc. Sec.	Mary Soc. Sec.	John Pension	Mary Pension	Other Inc. (Expense)	Surplus (Shortage)	Additions to Assets	Retirement Capital \$526,000
48	46								\$32,950	\$594,235
49	47						(12,360)	(12,360)	34,389	655,908
50	48						(33,949)	(33,949)	35,599	701,065
51	49								36,190	785,299
52	50								37,829	877,003
53	51								38,587	975,783
54	52								39,359	1,082,138
55	53						(3,372)	(3,372)	40,145	1,193,149
56	54						(47,816)	(47,816)	40,948	1,267,060
57	55						(25,342)	(25,342)	41,769	1,370,761
58	56						(26,863)	(26,863)	42,603	1,481,360
59	57						(28,474)	(28,474)	43,454	1,599,309
60	58								44,324	1,756,064
61	59								45,211	1,924,651
62	60								46,115	2,105,912
63	61								47,038	2,300,750
64	62						(32,094)	(32,094)	47,978	2,476,501
65R	63R	(140,483)			5,760		(33,057)	(167,780)		2,416,798
66	64	(144,697)			5,875			(138,822)		2,383,073
67	65	(149,037)			5,993			(143,044)		2,341,888
68	66	(153,508)			6,113			(147,395)		2,292,628
69	67	(158,113)			6,235			(151,878)		2,234,641
70	68	(162,856)	44,087		6,360			(112,410)		2,223,991
71	69	(167,741)	44,969		6,487			(116,286)		2,207,711
72	70	(172,773)	45,868	42,988	6,616			(77,301)		2,240,648
73	71	(177,956)	46,785	43,847	6,749			(80,575)		2,271,346
74	72	(183,294)	47,721	44,724	6,884			(83,965)		2,299,520
75	73	(188,792)	48,675	45,619	7,021			(87,476)		2,324,864
76	74	(194,455)	49,649	46,531	7,162			(91,113)		2,347,047
77	75	(200,288)	50,642	47,462	7,305			(94,879)		2,365,711
78	76	(206,296)	51,655	48,411	7,451			(98,779)		2,380,474
79	77	(212,484)	52,688	49,379	7,600			(102,817)		2,390,925
80	78	(218,858)	53,742	50,367	7,752			(106,998)		2,396,620
81	79	(225,423)	54,816	51,374	7,907			(111,325)		2,397,085
82	80	(232,185)	55,913	52,402	8,065			(115,805)		2,391,810
83	81	(239,150)	57,031	53,450	8,227			(120,443)		2,380,248
84	82	(246,324)	58,172	54,519	8,391			(125,243)		2,361,812
85	83	(253,713)	59,335	55,609	8,559			(130,210)		2,335,875
86	84	(261,324)	60,522	56,721	8,730			(135,351)		2,301,763
87	85	(269,163)	61,732	57,856	8,905			(140,670)		2,258,755
88	86	(277,237)	62,967	59,013	9,083			(146,175)		2,236,468
89	87	(285,554)	64,226	60,193	9,265			(151,870)		2,214,229
90L	88	(294,120)	65,511	61,397	9,450			(157,763)		2,184,587
	89	(267,303)		66,821				(200,482)		2,109,165
	90	(275,322)		68,157				(207,165)		2,022,335
	91	(283,581)		69,520				(214,061)		1,923,192
	92	(292,088)		70,911				(221,177)		1,810,771
	93	(300,850)		72,329				(228,521)		1,684,040
	94	(309,875)		73,776				(236,099)		1,541,900
	95L	(319,171)		75,251				(243,920)		1,383,176

Pension and Soc. Sec. amounts are net of tax. 85% of Soc. Sec. is assumed taxable. A tax rate of 20% (after retirement) is used to estimate taxes. This report is based upon assumed inflation rates of 3% and 3% (before and after retirement).

# Retirement Capital Analysis - What-if?



## Retirement Capital Analysis

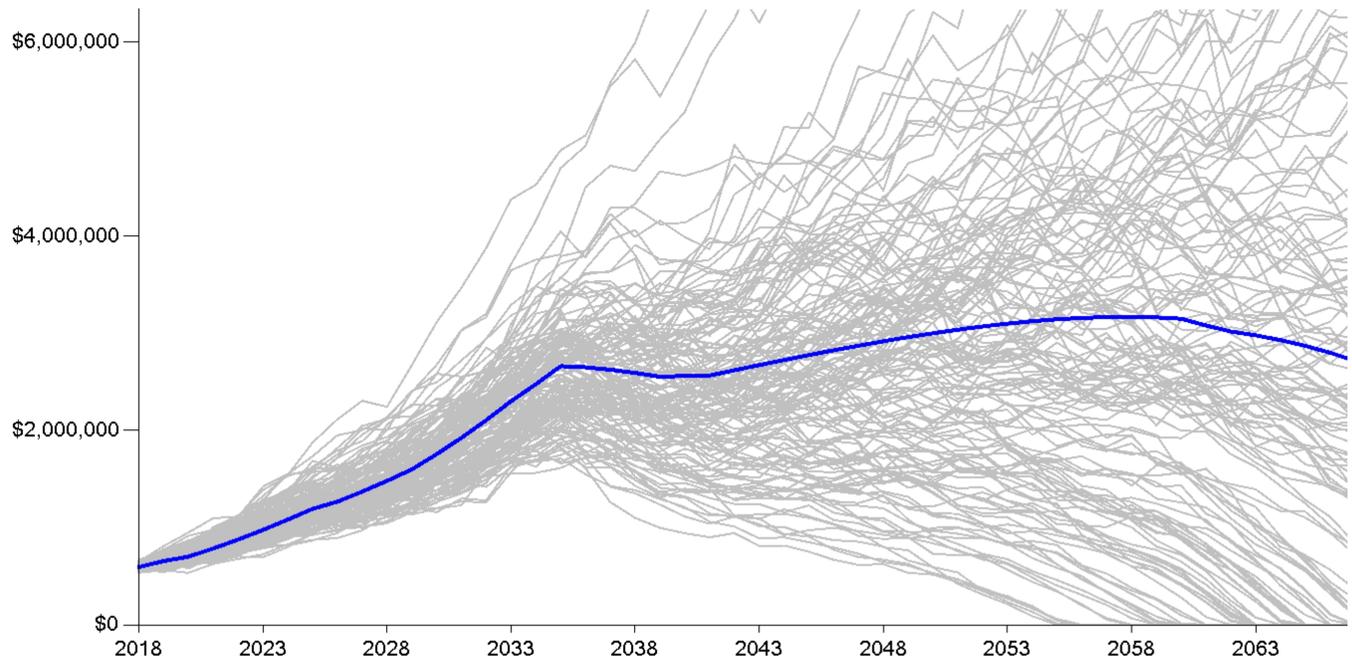
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**Success Rate of Plan "Retire 1yr Late + Max Roth IRAs + Optimal SS Filing Method": 76%**

**Assumptions Changed from Original Report :**

Retirement Age - John	66
Retirement Age - Mary	64
Annual Additions - John Roth IRA	\$6,500
Annual Additions - Mary Roth IRA	\$6,500
Social Security Strategy	Optimal

# Monte Carlo Retirement Simulation - What-if?



Life insurance proceeds are not included in the final year balances of these calculations.

## Success Rate of Plan "Retire 1yr Late + Max Roth IRAs + Optimal SS Filing Method": 76%

### Assumptions Changed from Original Report :

Retirement Age - John	66
Retirement Age - Mary	64
Annual Additions - John Roth IRA	\$6,500
Annual Additions - Mary Roth IRA	\$6,500
Social Security Strategy	Optimal

Illustration based on an average rate of return of 6.3%, with a std. dev. of 6.3% (95% of values fall between -6.3% and 18.9%).

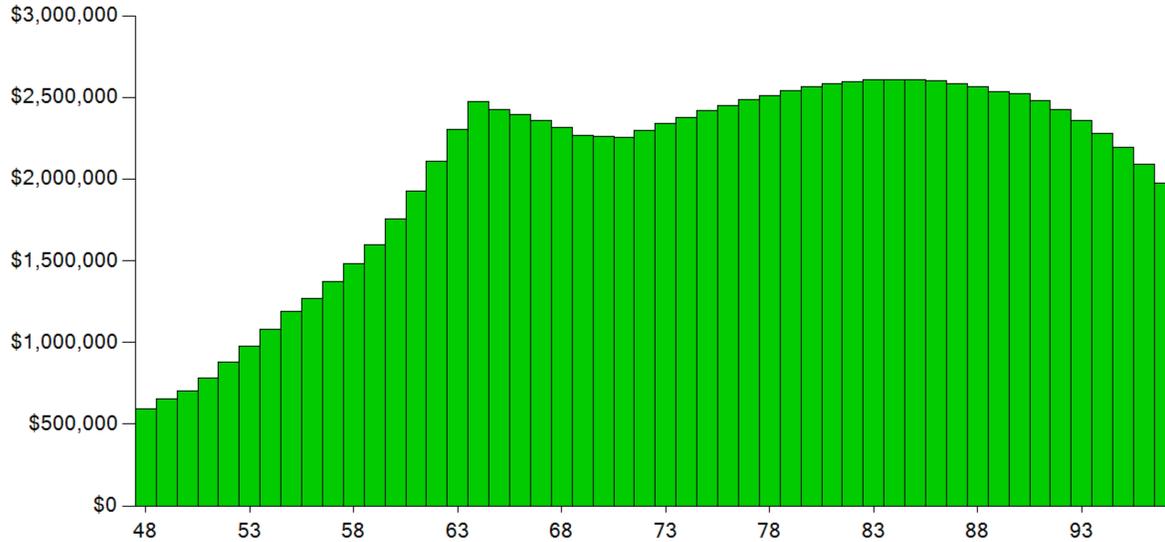
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# Retirement Capital Analysis - What-if?

Age		Spending Needs	John Soc. Sec.	Mary Soc. Sec.	John Pension	Mary Pension	Other Inc. (Expense)	Surplus (Shortage)	Additions to Assets	Retirement Capital \$526,000
48	46								\$32,950	\$594,235
49	47						(12,360)	(12,360)	34,389	655,908
50	48						(33,949)	(33,949)	35,599	701,065
51	49								36,190	785,299
52	50								37,829	877,003
53	51								38,587	975,783
54	52								39,359	1,082,138
55	53						(3,372)	(3,372)	40,145	1,193,149
56	54						(47,816)	(47,816)	40,948	1,267,060
57	55						(25,342)	(25,342)	41,769	1,370,761
58	56						(26,863)	(26,863)	42,603	1,481,360
59	57						(28,474)	(28,474)	43,454	1,599,309
60	58								44,324	1,756,064
61	59								45,211	1,924,651
62	60								46,115	2,105,912
63	61								47,038	2,300,750
64	62						(32,094)	(32,094)	47,978	2,476,501
65	63				5,400		(33,057)	(27,657)	48,937	2,661,743
66R	64R	(144,697)			5,875			(138,822)		2,650,439
67	65	(149,037)			5,993			(143,044)		2,625,295
68	66	(153,508)			6,113			(147,395)		2,593,040
69	67	(158,113)			6,235			(151,878)		2,553,079
70	68	(162,856)	44,087		6,360			(112,410)		2,561,535
71	69	(167,741)	44,969		6,487			(116,286)		2,565,508
72	70	(172,773)	45,868	42,988	6,616			(77,301)		2,619,912
73	71	(177,956)	46,785	43,847	6,749			(80,575)		2,673,366
74	72	(183,294)	47,721	44,724	6,884			(83,965)		2,725,662
75	73	(188,792)	48,675	45,619	7,021			(87,476)		2,776,574
76	74	(194,455)	49,649	46,531	7,162			(91,113)		2,825,859
77	75	(200,288)	50,642	47,462	7,305			(94,879)		2,873,252
78	76	(206,296)	51,655	48,411	7,451			(98,779)		2,918,467
79	77	(212,484)	52,688	49,379	7,600			(102,817)		2,961,197
80	78	(218,858)	53,742	50,367	7,752			(106,998)		3,001,109
81	79	(225,423)	54,816	51,374	7,907			(111,325)		3,037,844
82	80	(232,185)	55,913	52,402	8,065			(115,805)		3,071,014
83	81	(239,150)	57,031	53,450	8,227			(120,443)		3,100,204
84	82	(246,324)	58,172	54,519	8,391			(125,243)		3,124,966
85	83	(253,713)	59,335	55,609	8,559			(130,210)		3,144,817
86	84	(261,324)	60,522	56,721	8,730			(135,351)		3,159,241
87	85	(269,163)	61,732	57,856	8,905			(140,670)		3,167,681
88	86	(277,237)	62,967	59,013	9,083			(146,175)		3,169,541
89	87	(285,554)	64,226	60,193	9,265			(151,870)		3,164,179
90L	88	(294,120)	65,511	61,397	9,450			(157,763)		3,150,909
	89	(267,303)		66,821				(200,482)		3,081,842
	90	(275,322)		68,157				(207,165)		3,019,196
	91	(283,581)		69,520				(214,061)		2,979,865
	92	(292,088)		70,911				(221,177)		2,930,844
	93	(300,850)		72,329				(228,521)		2,871,318
	94	(309,875)		73,776				(236,099)		2,800,414
	95L	(319,171)		75,251				(243,920)		2,717,201

Pension and Soc. Sec. amounts are net of tax. 85% of Soc. Sec. is assumed taxable. A tax rate of 20% (after retirement) is used to estimate taxes. This report is based upon assumed inflation rates of 3% and 3% (before and after retirement).

# Retirement Capital Analysis - What-if?



## Retirement Capital Analysis

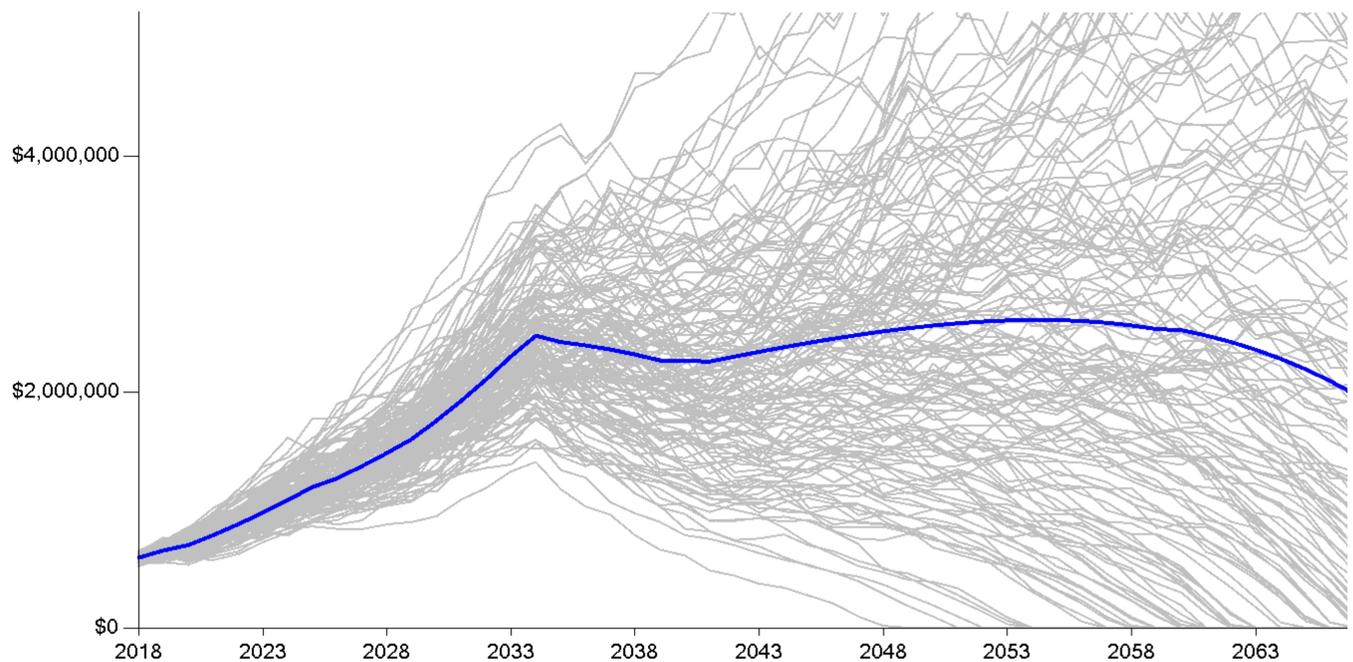
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**Success Rate of Plan "Spend 2.5k/yr less + Max Roth IRAs + Optimal SS": 67%**

**Assumptions Changed from Original Report :**

Spending Needs - Retirement	\$82,500
Spending Needs - Survivor	\$72,500
Annual Additions - John Roth IRA	\$6,500
Annual Additions - Mary Roth IRA	\$6,500
Social Security Strategy	Optimal

# Monte Carlo Retirement Simulation - What-if?



Life insurance proceeds are not included in the final year balances of these calculations.

## Success Rate of Plan "Spend 2.5k/yr less + Max Roth IRAs + Optimal SS": 67%

### Assumptions Changed from Original Report :

Spending Needs - Retirement	\$82,500
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# Retirement Capital Analysis - What-if?

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48	46								\$32,950	\$594,235
49	47						(12,360)	(12,360)	34,389	655,908
50	48						(33,949)	(33,949)	35,599	701,065
51	49								36,190	785,299
52	50								37,829	877,003
53	51								38,587	975,783
54	52								39,359	1,082,138
55	53						(3,372)	(3,372)	40,145	1,193,149
56	54						(47,816)	(47,816)	40,948	1,267,060
57	55						(25,342)	(25,342)	41,769	1,370,761
58	56						(26,863)	(26,863)	42,603	1,481,360
59	57						(28,474)	(28,474)	43,454	1,599,309
60	58								44,324	1,756,064
61	59								45,211	1,924,651
62	60								46,115	2,105,912
63	61								47,038	2,300,750
64	62						(32,094)	(32,094)	47,978	2,476,501
65R	63R	(136,351)			5,760		(33,057)	(163,648)		2,422,118
66	64	(140,441)			5,875			(134,566)		2,394,192
67	65	(144,654)			5,993			(138,661)		2,359,317
68	66	(148,993)			6,113			(142,880)		2,316,916
69	67	(153,462)			6,235			(147,227)		2,266,375
70	68	(158,065)	44,087		6,360			(107,619)		2,263,798
71	69	(162,806)	44,969		6,487			(111,351)		2,256,261
72	70	(167,690)	45,868	42,988	6,616			(72,218)		2,298,655
73	71	(172,720)	46,785	43,847	6,749			(75,339)		2,339,575
74	72	(177,901)	47,721	44,724	6,884			(78,572)		2,378,786
75	73	(183,238)	48,675	45,619	7,021			(81,922)		2,416,037
76	74	(188,735)	49,649	46,531	7,162			(85,393)		2,451,055
77	75	(194,397)	50,642	47,462	7,305			(88,988)		2,483,544
78	76	(200,228)	51,655	48,411	7,451			(92,711)		2,513,190
79	77	(206,234)	52,688	49,379	7,600			(96,567)		2,539,651
80	78	(212,421)	53,742	50,367	7,752			(100,561)		2,562,557
81	79	(218,793)	54,816	51,374	7,907			(104,695)		2,581,515
82	80	(225,356)	55,913	52,402	8,065			(108,976)		2,596,098
83	81	(232,116)	57,031	53,450	8,227			(113,409)		2,605,849
84	82	(239,079)	58,172	54,519	8,391			(117,998)		2,610,277
85	83	(246,251)	59,335	55,609	8,559			(122,748)		2,608,855
86	84	(253,638)	60,522	56,721	8,730			(127,665)		2,601,017
87	85	(261,247)	61,732	57,856	8,905			(132,754)		2,586,156
88	86	(269,084)	62,967	59,013	9,083			(138,022)		2,563,621
89	87	(277,156)	64,226	60,193	9,265			(143,472)		2,532,716
90L	88	(285,470)	65,511	61,397	9,450			(149,113)		2,524,051
	89	(258,379)		66,821				(191,558)		2,478,189
	90	(266,130)		68,157				(197,973)		2,422,968
	91	(274,113)		69,520				(204,593)		2,357,615
	92	(282,336)		70,911				(211,425)		2,281,304
	93	(290,806)		72,329				(218,477)		2,193,151
	94	(299,530)		73,776				(225,754)		2,092,213
	95L	(308,515)		75,251				(233,264)		1,977,484

Pension and Soc. Sec. amounts are net of tax. 85% of Soc. Sec. is assumed taxable. A tax rate of 20% (after retirement) is used to estimate taxes. This report is based upon assumed inflation rates of 3% and 3% (before and after retirement).

## Social Security Visualizer™

There are many choices, opportunities, and decisions related to when and how a couple applies for Social Security. Delaying application, restricting application to only spousal benefits, or filing for and then suspending benefits, are methods that may initially reduce income, but then increase later benefits, and potentially pay off in the long run.

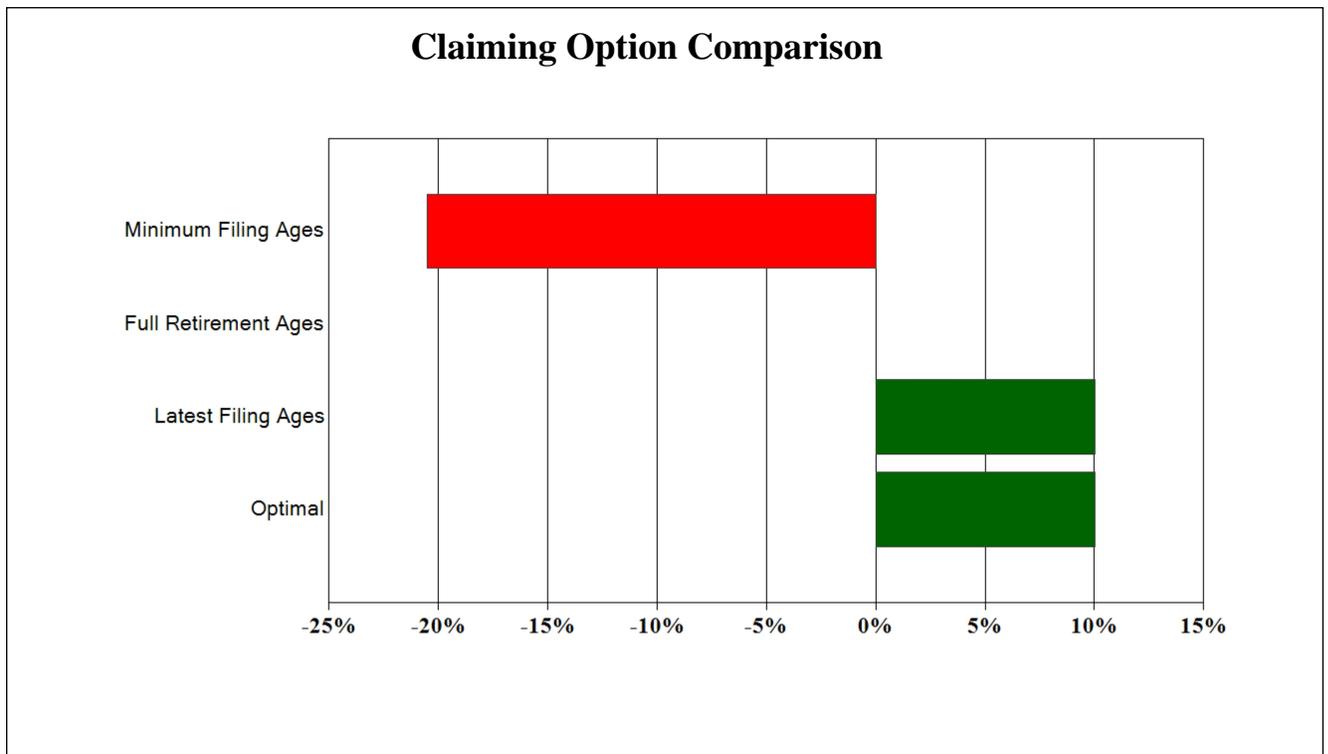
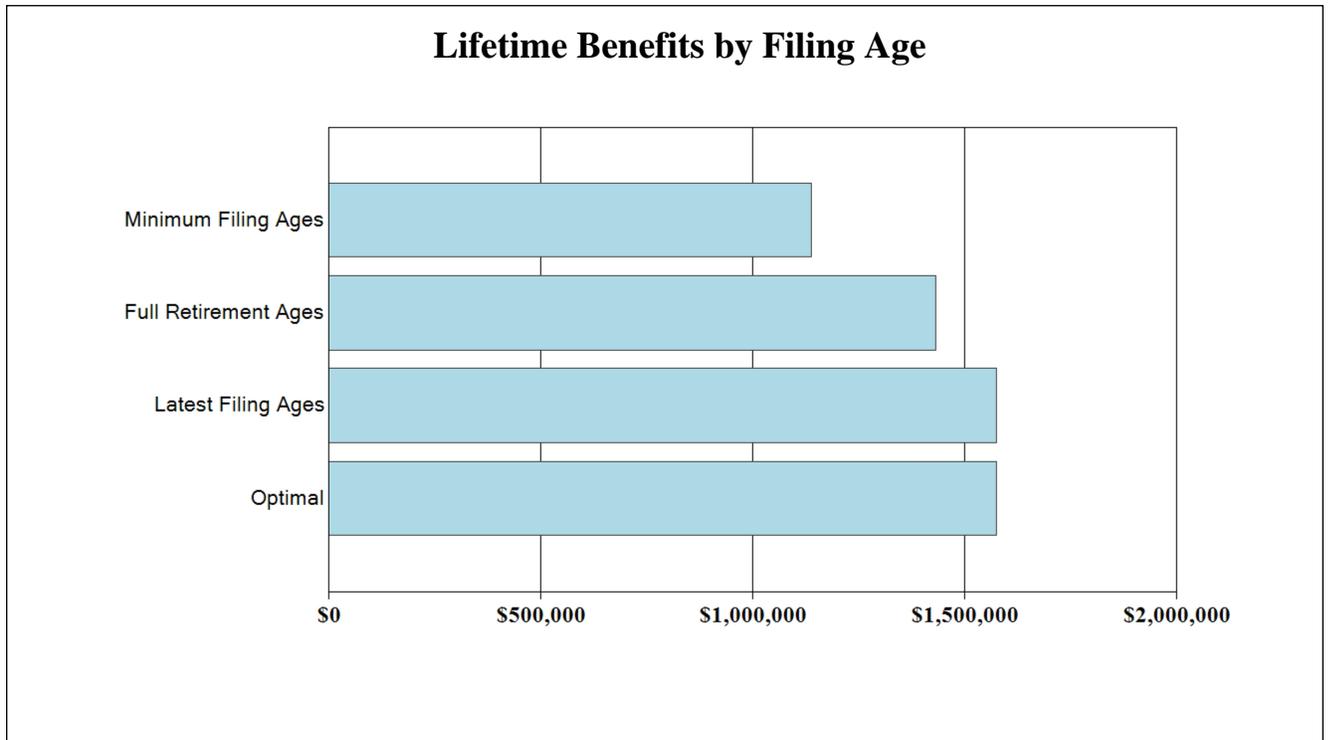
The choices you make will need to take into account your ability to wait for benefit income, your health, your family history of longevity, and how benefits now and in the future affect other aspects of your financial security. One of the more important aspects of your benefits choices are that all increased benefits are inflation adjusted, and thus present a very valuable annuity hedge against inflation, and increased benefits also increase survivor benefits.

For discussion and comparison purposes, five primary options are illustrated along with their estimated lifetime benefits in today's dollars. For easier comparison, the (loss) or gain compared to filing at full retirement age is also shown. Understanding your options, and discussing them with your advisor, can help you make more informed decisions about your filing options, and how Social Security benefits may fit into your financial future.

	<u>Lifetime Benefits</u>	<u>Difference</u>	<u>Percent</u>
<b>1.) Filing at Minimum Ages</b> <b>62</b> John files for own benefits at 62. <b>62</b> Mary files for own benefits at 62.	<b>\$1,136,916</b>	<b>(\$293,328)</b>	<b>79%</b>
<b>2.) Filing at Full Retirement Age</b> <b>67</b> John files for own benefits at 67. <b>67</b> Mary files for own benefits at 67.	<b>\$1,430,244</b>	\$0	100%
<b>3.) Filing at Maximum Age</b> <b>70</b> John files for own benefits at 70. <b>70</b> Mary files for own benefits at 70.	<b>\$1,573,827</b>	<b>\$143,583</b>	<b>110%</b>
<b>4.) Optimal - File at Age(s):</b> <b>70</b> John files for own benefits at 70. <b>70</b> Mary files for own benefits at 70.	<b>\$1,573,827</b>	<b>\$143,583</b>	<b>110%</b>

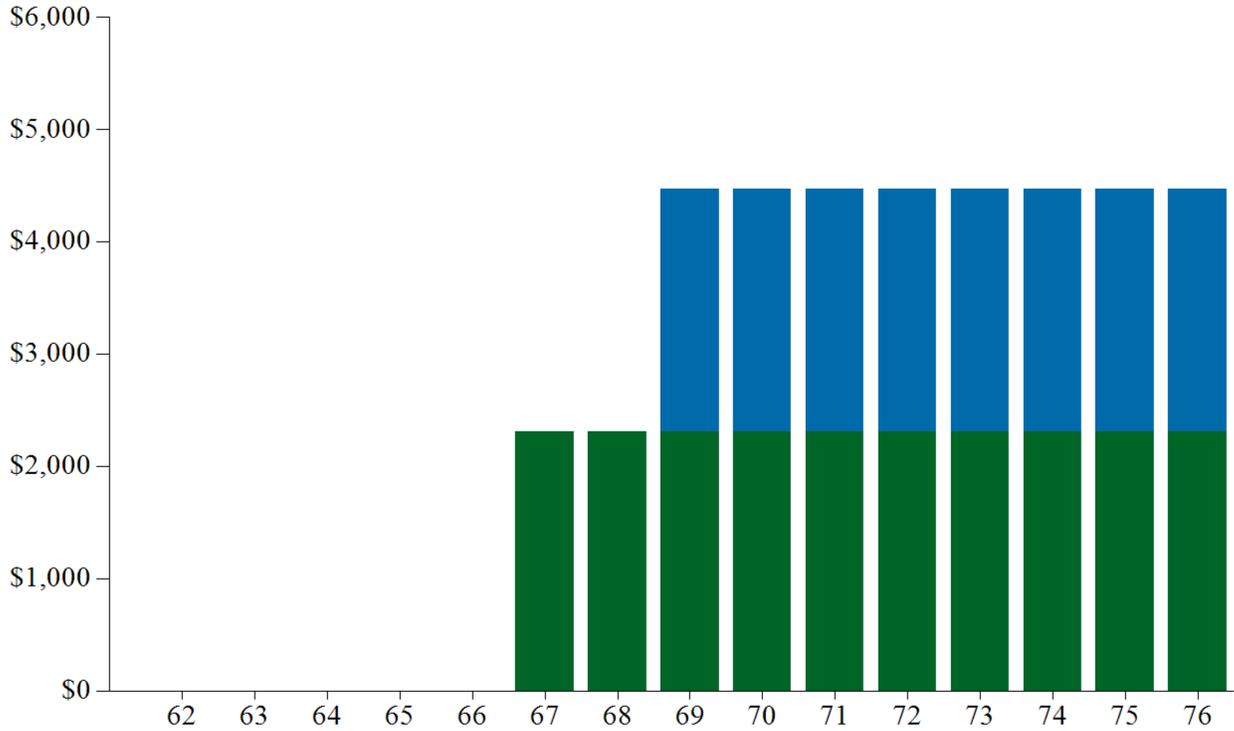
Note: Lifetime Social Security benefit calculations are for comparative and illustrative purposes only, and are based upon estimates and assumptions of future incomes, existing benefit levels, and life expectancies.

# Social Security Claiming Options



Note: Lifetime Social Security benefit calculations are for comparative and illustrative purposes only, and are based upon estimates and assumptions of future incomes, existing benefit levels, and life expectancies.

# Social Security Timeline



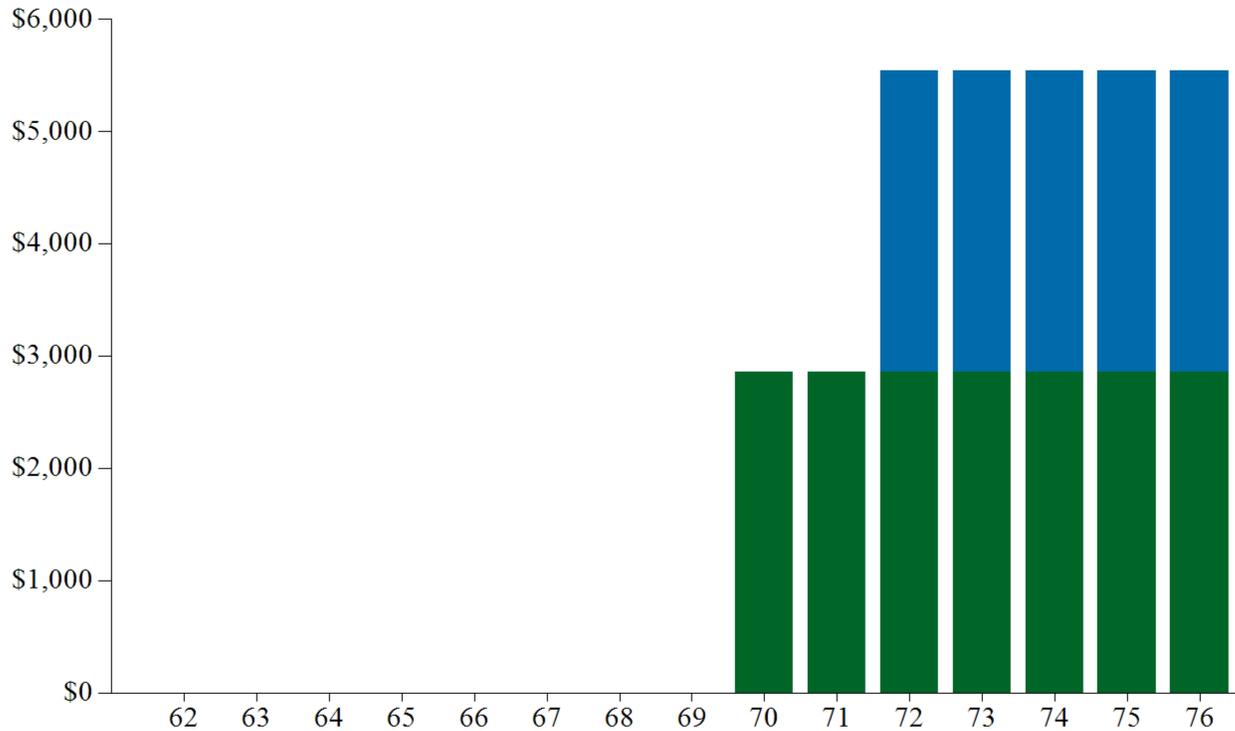
### Full Retirement Age - Timeline:

Monthly amount (in today's dollars)

John	Mary	Action
62	60	
63	61	
64	62	
65	63	
66	64	
67	65	John files.
68	66	
69	67	Mary files.
70	68	
71	69	
72	70	
73	71	
74	72	
75	73	
76	74	
<b>Lifetime Total</b>		<b>\$1,430,244</b>

Note: Lifetime Social Security benefit calculations are for comparative and illustrative purposes only, and are based upon estimates and assumptions of future incomes, existing benefit levels, and life expectancies.

# Social Security Optimal Timeline



### Optimal - File at Age(s):

#### Monthly amount (in today's dollars)

John	Mary	Action
62	60	
63	61	
64	62	
65	63	
66	64	
67	65	
68	66	
69	67	
70	68	John files.
71	69	
72	70	Mary files.
73	71	
74	72	
75	73	
76	74	
<b>Lifetime Total</b>		<b>\$1,573,827</b>

Note: Lifetime Social Security benefit calculations are for comparative and illustrative purposes only, and are based upon estimates and assumptions of future incomes, existing benefit levels, and life expectancies.

## Social Security Application Options

**File Early:** Social Security retirement benefits can be started as early as age 62. For those that need the income, this may be the only choice. Taking early benefits lowers payouts permanently. Benefits are reduced 5/9 of one percent for each month before normal retirement age, up to 36 months. If the number of months exceeds 36, then the benefit is further reduced 5/12 of one percent per month.

**File at Full Retirement:** If the applicants can wait until “Full Retirement Age”, they receive what Social Security considers their full benefits. Waiting for full benefits results in higher primary, spousal, and survivor payments. What Social Security considers an individual’s “Full Retirement Age” is determined by the year of their birth.

<u>Year of Birth</u>	<u>Full Retirement Age</u>
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

**File Late:** Waiting beyond “Full Retirement Age” raises benefits 8% per year up to age 70, for a maximum potential increase ranging from 24% to 32%. In situations where one or both of a married couple are healthy, and/or have a history of longevity in their family, filing late can increase the lifetime benefit payout, and potentially reduce the “longevity risk” of outliving financial assets.

**File "Restricted":** For some married couples, it makes sense to use a two-step benefit claiming process. One of these strategies is known as “Restricted” filing. Restricted filing may make sense when both spouses of the married couple have substantial or equal income records. If the first spouse claims benefits on their own record, and the second spouse has reached “Full Retirement Age”, the second spouse may file an application “Restricted” to just receive their spousal benefit, which amounts to half the first spouse’s benefit. Meanwhile, the second spouse’s full benefit increases until they claim it on their own record at age 70. In order to take advantage of this strategy, the spouse that is filing restricted must have been born on or before January 1st, 1954.

### Monthly Starting Benefits by Age:

<u>Age to Start Social Security</u>	<u>John Starting Retirement Benefit</u>	<u>Mary Starting Retirement Benefit</u>
62	1,616	1,514
63	1,731	1,623
64	1,847	1,731
65	2,001	1,876
66	2,154	2,019
67	2,309	2,164
68	2,493	2,337
69	2,678	2,510
70	2,863	2,683

Note: Lifetime Social Security benefit calculations are for comparative and illustrative purposes only, and are based upon estimates and assumptions of future incomes, existing benefit levels, and life expectancies.

## 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)
	<b>Suggested Additional Life Insurance Coverage</b>		<b>\$219,383</b>

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)
	<b>Suggested Additional Life Insurance Coverage</b>		<b>\$274,599</b>

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 <sup>1</sup>	(\$2,087,540)	(\$88,447)	(\$89,285)	\$721,502	\$538,387		(\$1,005,383)
Age	Spending Need	Education Costs	Other Inc. (Expense) <sup>2</sup>	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 <sup>1</sup>	(\$1,947,156)	(\$88,447)	(\$89,285)	\$818,725	\$459,729	\$35,834	(\$810,599)
Age	Spending Need	Education Costs	Other Inc. (Expense) <sup>2</sup>	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.

<b><u>John</u></b>		<b><u>Mary</u></b>	
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.

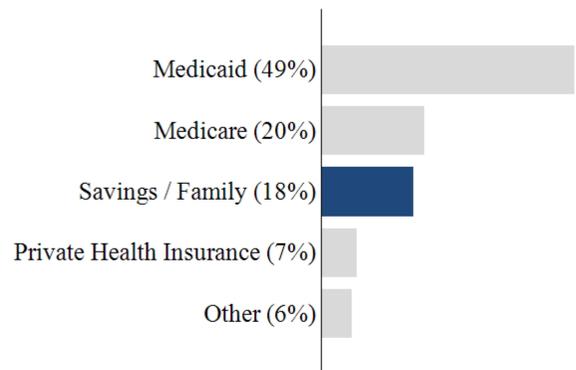
Generally the needs requirements to obtain insurance benefits fall into two categories:

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.

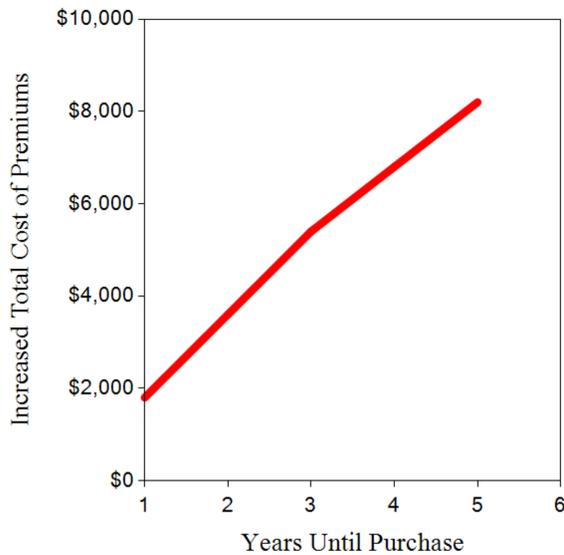
## Needs Estimate

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.

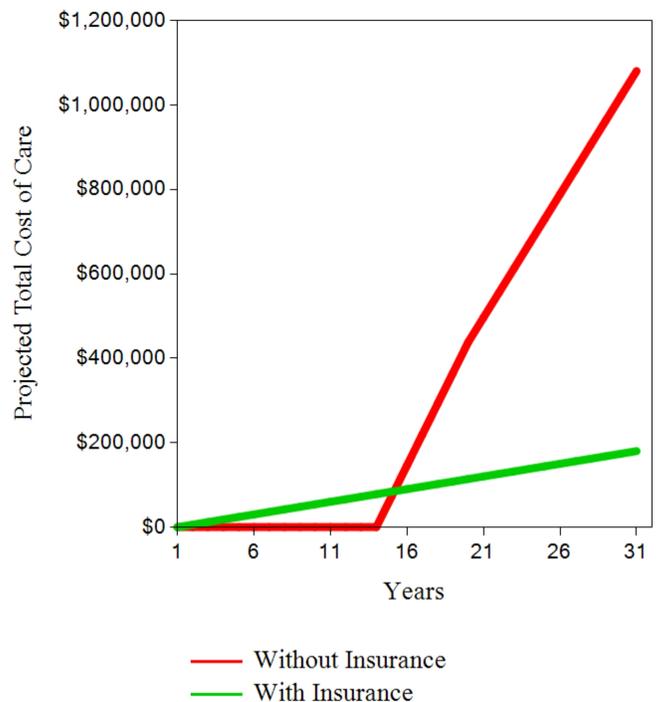
	<u>John</u>	<u>Mary</u>
Estimated daily care cost	\$200	\$200
Estimated annual care costs	\$73,000	\$73,000
Estimated years of care	5	5
Assumed inflation rate	5%	5%

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.

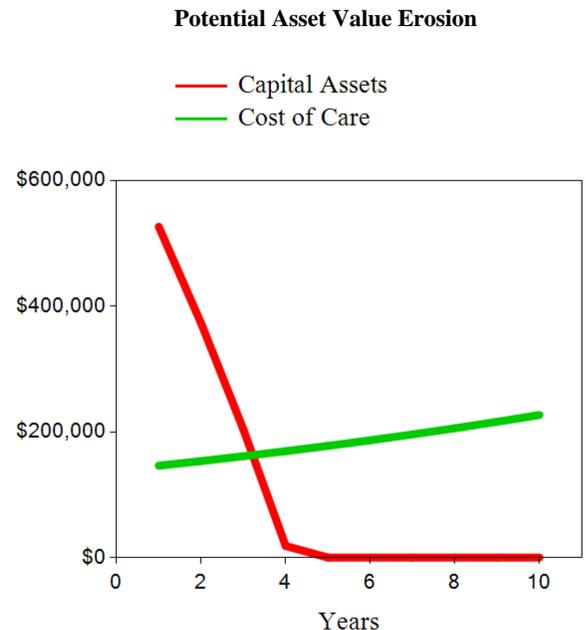
## Long-Term Care Unprotected Need

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.



### 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.

# Estate Planning

While a very complex topic, estate planning is a critical component of any well developed financial plan. To be effective, this planning needs to be carefully coordinated with the other areas of planning such as Insurance, Retirement, Investments, etc. The primary goal of this section is to highlight estate planning concepts, and help illustrate potential benefits of implementing basic estate planning techniques available today.

Estate tax rules changed in 2012 and 2018. To fairly illustrate concepts and estimate future estate taxes, this report illustrates estate taxes based upon existing estate law as enacted. New rules set an \$11.2 million unified federal estate and gift tax exemption (adjusted annually for inflation) with a top tax rate of 40%. Rules provide for portability of unused estate tax exclusion to surviving spouses. To utilize the Deceased Spouse Unused Exclusion Amount (DSUEA), executors must file an estate tax return at the time of the first spousal death enumerating DSUEA and electing that the DSUEA be used by the surviving spouse. Note that estate law is uncertain and may potentially change again sometime in the future.

## Estate Tax

Minimizing estate tax is a primary goal of most people with estate tax exposure. History is full of examples of estates decimated by unnecessary estate taxes and related expenses. This analysis of the current estate situation helps illustrate suggestions that can minimize current and future estate tax exposure. Some of the basic planning techniques considered are:

- Unlimited Marital Deduction
- Maximizing use of Applicable Exclusion Amount
- Unlimited Charitable Deductions
- Annual Gift Exclusion
- Revocable Living Trusts
- Irrevocable Life Insurance Trusts

## Other Financial Goals

Other financial goals to consider in estate planning are:

- Estate liquidity
- Managing probate, administrative and other expenses
- Minimizing Income Tax

## Non-Financial Goals

The non-financial aspects of estate planning are just as important as the various financial goals described above. They will often be of a very personal nature and should be customized to fit into your overall plan. Generally, this can be accomplished by discussing these goals noted above. We will be able to point out only general concepts in this report. However, some of the non-financial goals for you to consider are:

- Caring for dependents or minor children
- Distribution of property to heirs
- Maintaining control over assets
- Lifetime planning issues such as incapacity and health care powers

## Summary

Protecting your estate requires careful planning. The diverse skills required to coordinate a plan might require a team approach consisting of your financial planner, attorney, insurance specialist, accountant, and investment advisor. The illustrations provided here are intended as tools to help you and your team make informed decisions. In addition, your situation will most likely change with time. Therefore, you will need to monitor your estate planning situation periodically and make amendments as required.

***This report is a hypothetical illustration and does not constitute legal or tax advice. You should always obtain legal counsel and professional tax advice before taking action affecting your estate planning.***

## Your Current Situation

The recommendations in this report are based on information that you provided. Before reviewing the estate plan or implementing any of the recommendations that follow, please verify the following data and assumptions.

### Basic Data

	John	Mary
Age	48	46
Age at Death for this Illustration	48	46

### General Assumptions

Administrative & probate expenses as a percentage of estate assets:	4.00%
Estimated final expenses	\$7,500

### Existing Estate Planning

Will	<b>Yes</b>	<b>Yes</b>
Irrevocable Life Insurance Trust	No	No
Credit Shelter Trust Provisions	No	No
Generation Skip Trust Provisions	No	No
Revocable Living Trust	No	No
QTIP Trust Provisions	No	No
Marital Trust Provisions	No	No
Durable General Power of Attorney	No	No
Durable Health Care Power of Attorney	No	No
Living Will	No	No
Existing percentage of Estate in Living Trust	0%	0%

### Previous Gifting Detail

Previous Taxable Gifts	\$0	\$0
Previous Gift Taxes Paid	\$0	\$0

### Current Estate Summary

- John's gross estate consists of \$897,500 and Mary's consists of \$594,500.
- Potential estimated federal estate taxes currently are zero.
- Administrative, probate, and final expenses could total from \$106,617 to \$118,252.
- Additional planning could save up to \$95,396 in estate taxes and other costs.

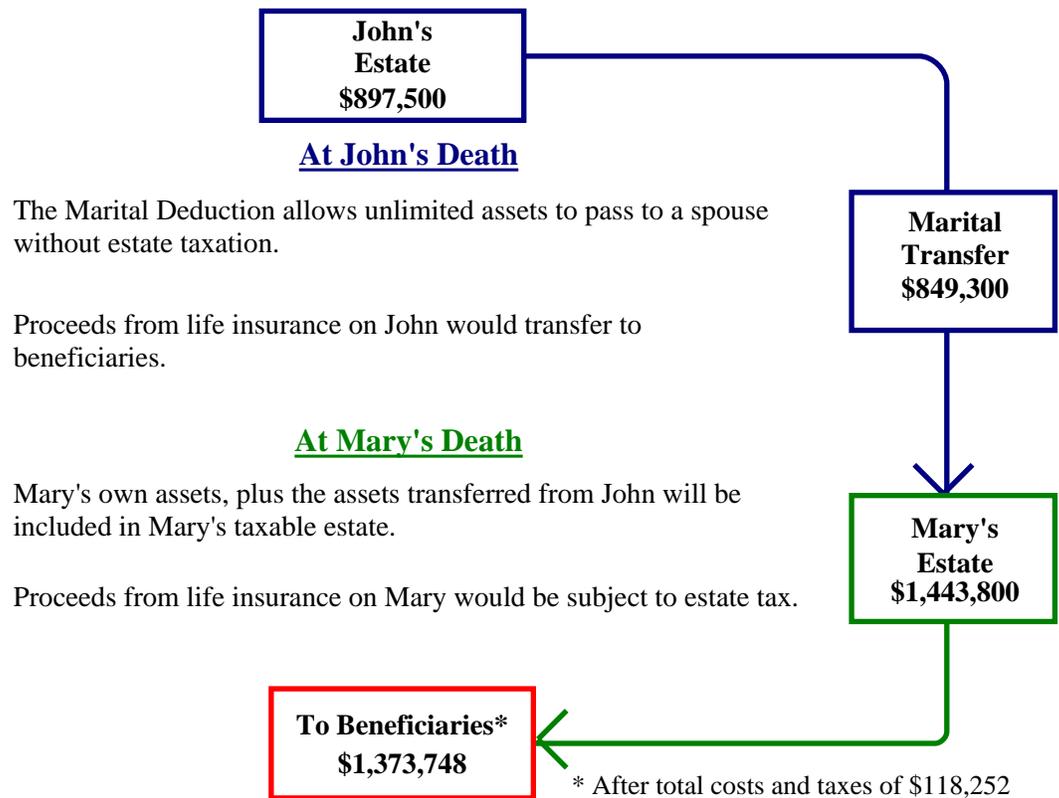
## Estate Net Worth Statement

### ASSETS

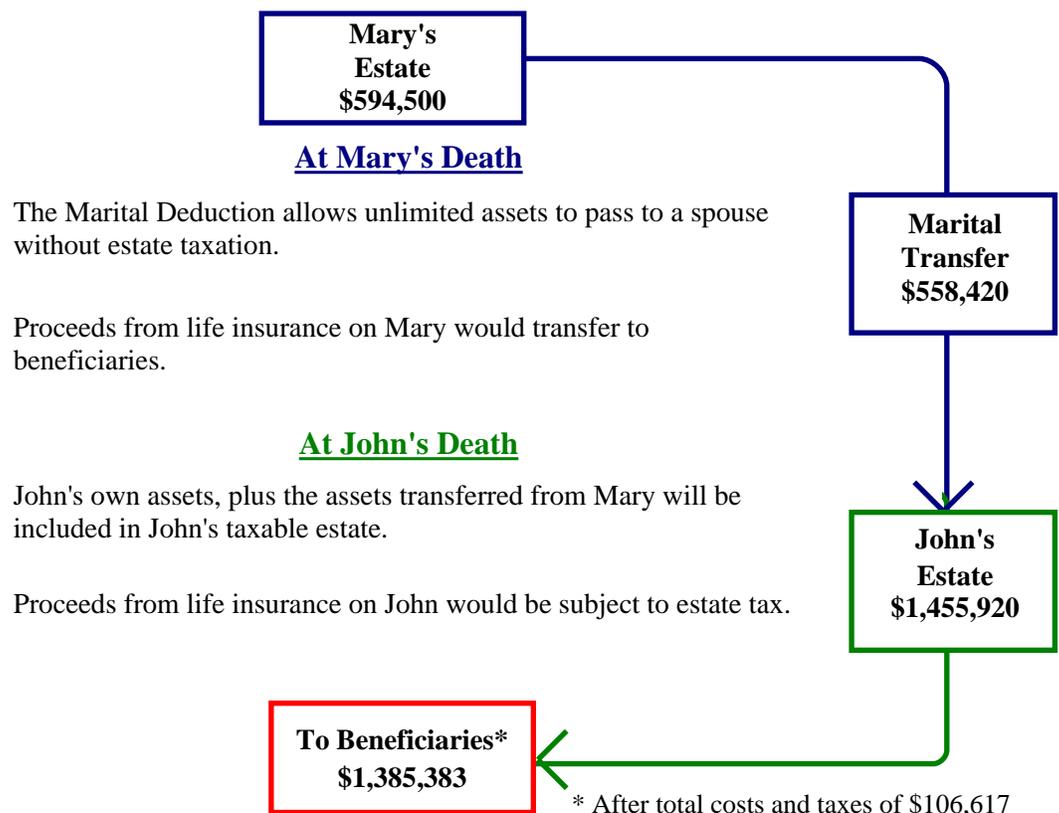
	<u>John</u>	<u>Mary</u>	<u>Joint/ Community</u>	<u>Total</u>
<b>Savings and Investments</b>				
Money market accounts/funds	\$40,000			\$40,000
Municipal bonds and funds			10,000	10,000
Stock mutual funds			85,000	85,000
Annuities	30,000			30,000
	\$70,000	\$0	\$95,000	\$165,000
<b>Retirement Accounts</b>				
Qualified Plans - John	\$160,000			\$160,000
Qualified Plans - Mary		128,000		128,000
Roth IRA Assets - John	12,000			12,000
Roth IRA Assets - Mary		27,000		27,000
IRA Assets - Mary		34,000		34,000
	\$172,000	\$189,000	\$0	\$361,000
<b>Other Assets</b>				
Residence			\$400,000	\$400,000
Personal Property			20,000	20,000
Cars			36,000	36,000
	\$0	\$0	\$456,000	\$456,000
<b>TOTAL ASSETS</b>	<b>\$242,000</b>	<b>\$189,000</b>	<b>\$551,000</b>	<b>\$982,000</b>
<b><u>LIABILITIES</u></b>				
Residence Mortgage			\$220,000	\$220,000
Credit Card Debt			5,000	5,000
Car Loans			15,000	15,000
<b>TOTAL LIABILITIES</b>	<b>\$0</b>	<b>\$0</b>	<b>\$240,000</b>	<b>\$240,000</b>
<b>NET WORTH</b>	<b>\$242,000</b>	<b>\$189,000</b>	<b>\$311,000</b>	<b>\$742,000</b>
<b><u>ADJUSTMENTS</u></b>				
Life insurance in estate	\$500,000	\$250,000		
Estate share of joint property	155,500	155,500		
<b>ESTATE NET WORTH</b>	<b>\$897,500</b>	<b>\$594,500</b>		

# Current Situation - Flowchart

## John Predeceases Mary



## Mary Predeceases John



Note: The Taxpayer Relief Act of 2012 provides portability of unused estate tax exclusion amounts between spouses (DSUEA). To utilize DSUEA, executors must file an estate tax return at the time of the first spousal death enumerating DSUEA and electing that the DSUEA be used by the surviving spouse.

## Current Situation - Estimate

### John Predeceases Mary

Estate	John's Death	Mary's Death
Separate property	\$70,000	\$0
50% of jointly owned & community property	275,500	275,500
Retirement Accounts	172,000	189,000
Life Insurance	500,000	250,000
Debt	(120,000)	(120,000)
Marital Transfer	0	849,300
	\$897,500	\$1,443,800
<b>Deductions and Expenses</b>		
Marital Transfer	(\$849,300)	\$0
Administrative, Probate and Final Expenses	(48,200)	(70,052)
	(\$897,500)	(\$70,052)
<b>Federal Taxable Estate</b>	\$0	\$1,373,748
<b>Federal Estate Tax</b>		
Federal Estate Tax	\$0	(\$495,299)
Applicable Credit Amount	0	495,299
<b>Federal Estate Tax</b>	\$0	\$0

### Mary Predeceases John

Estate	Mary's Death	John's Death
Separate property	\$0	\$70,000
50% of jointly owned & community property	275,500	275,500
Retirement Accounts	189,000	172,000
Life Insurance	250,000	500,000
Debt	(120,000)	(120,000)
Marital Transfer	0	558,420
	\$594,500	\$1,455,920
<b>Deductions and Expenses</b>		
Marital Transfer	(\$558,420)	\$0
Administrative, Probate and Final Expenses	(36,080)	(70,537)
	(\$594,500)	(\$70,537)
<b>Federal Taxable Estate</b>	\$0	\$1,385,383
<b>Federal Estate Tax</b>		
Federal Estate Tax	\$0	(\$499,953)
Applicable Credit Amount	0	499,953
<b>Federal Estate Tax</b>	\$0	\$0

Note: The Taxpayer Relief Act of 2012 provides portability of unused estate tax exclusion amounts between spouses. To utilize the "Deceased Spouse Unused Exclusion Amount" (DSUEA) executors must file an estate tax return at the time of the first spousal death enumerating DSUEA and electing that the DSUEA be used by the surviving spouse.

# Your Alternate Estate Planning Structure

## Summary of Alternative Estate Results

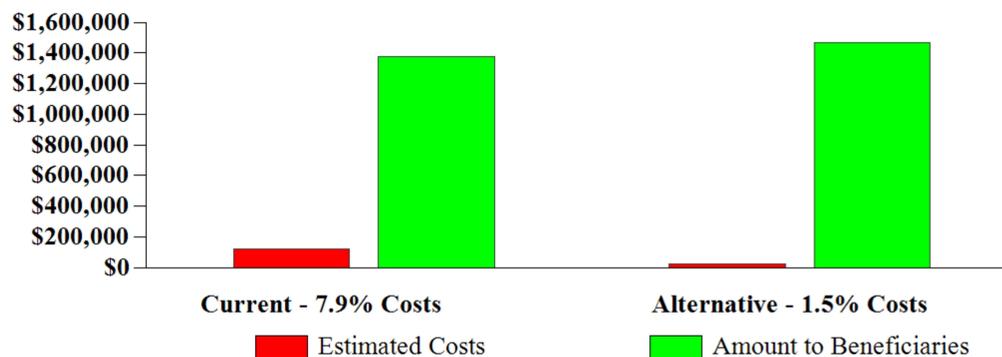
This report reviews and compares the cumulative impact of the suggested estate planning alternatives upon your estate. The Suggested Alternative Flowchart diagram which follows this page illustrates how the improved estate structure reduces the amount of your estate exposed to estate taxes. In your specific case, you may be able to reduce your estate costs and taxes by up to 81%. These savings directly translate into additional assets available for beneficiaries.

Note: In 2012 and 2018 estate tax rules changed. To fairly illustrate concepts and estimate future estate taxes, this report illustrates estate tax rates and rules based on existing estate law as enacted assuming no changes are made to current regulations and laws. Keep in mind that estate tax law is uncertain and may change in the future.

Currently, your combined total estate is estimated to be \$1,492,000. Using estimated estate settlement costs of \$118,252, you would pass approximately \$1,373,748 to your beneficiaries.

With proper implementation of suggested alternative estate structures, your current estimated estate settlement costs may be reduced to approximately \$22,856. This would allow you to save \$95,396 in taxes and expenses, transferring \$1,469,144 to your beneficiaries.

### Impact of Planning upon Estate Costs



## Alternative Wills and Trusts

By implementing suggested alternative estate strategies, you may significantly increase the assets passing to your beneficiaries at death and reduce your estimated estate settlement costs.

### Your current estate documents:

- A Will for each spouse

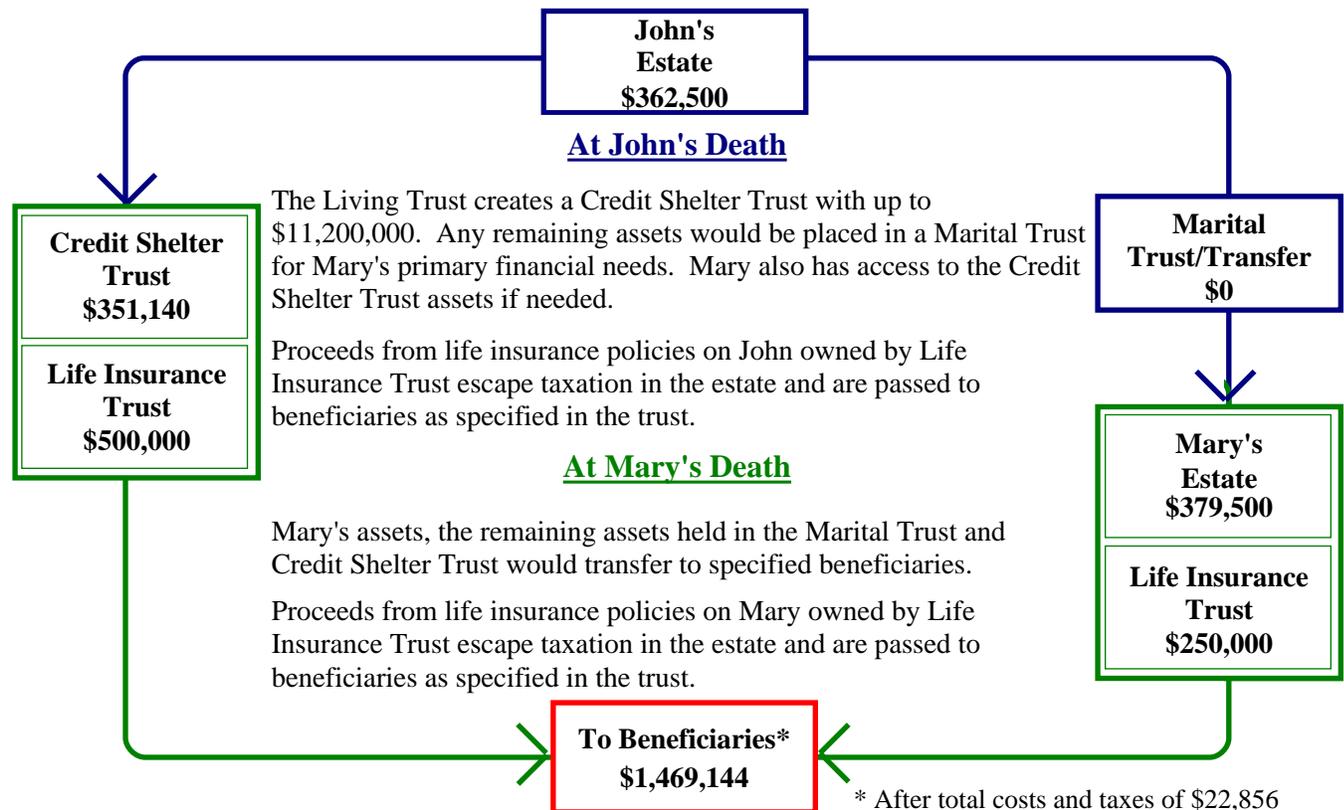
### Suggested additional/alternative estate documents:

- A revised Will for each spouse if necessary
- Revised asset ownership to balance property if necessary
- A Revocable Living Trust for each spouse
- Fund the Revocable Living Trusts
- Marital Trust provisions
- Credit Shelter Trust provisions
- Irrevocable Life Insurance Trusts\*
- Durable General Powers of Attorney
- Durable Health Care Powers of Attorney
- Living Wills

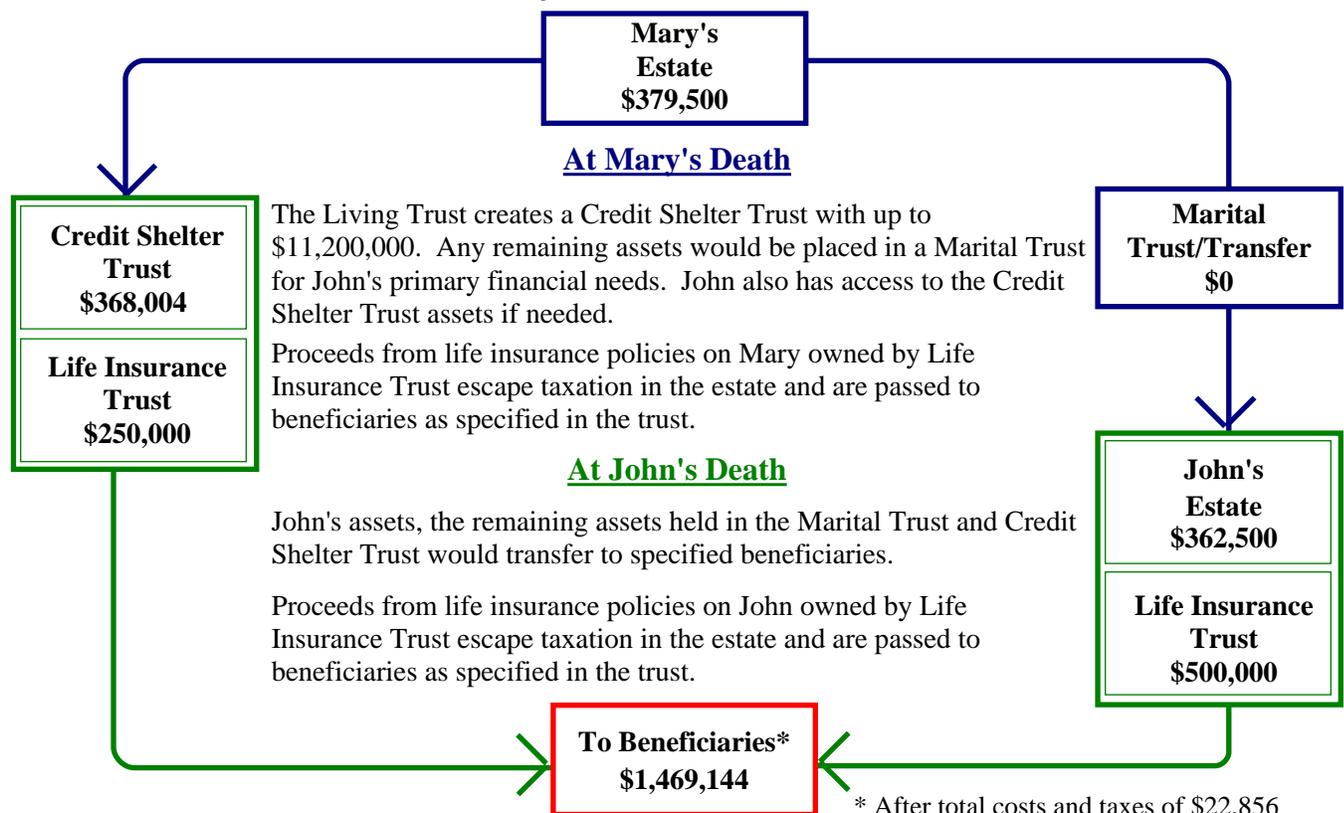
\* Please note that Irrevocable Life Insurance Trusts may not be needed in all cases. Please consult your attorney.

## Alternative Situation - Flowchart

### John Predeceases Mary



### Mary Predeceases John



Note: The Taxpayer Relief Act of 2012 provides portability of unused estate tax exclusion amounts between spouses (DSUEA). To utilize DSUEA, executors must file an estate tax return at the time of the first spousal death enumerating DSUEA and electing that the DSUEA be used by the surviving spouse.

## Alternative Situation - Estimate

### John Predeceases Mary

Estate	John's Death	Mary's Death
Separate property (assets balanced)	\$310,500	\$310,500
Retirement Accounts	172,000	189,000
Life Insurance	0	0
Debt	(120,000)	(120,000)
Marital Transfer	0	0
	\$362,500	\$379,500
<b>Deductions and Expenses</b>		
Marital Transfer	\$0	\$0
Administrative, Probate and Final Expenses	(11,360)	(11,496)
	(11,360)	(11,496)
<b>Federal Taxable Estate</b>	\$351,140	\$368,004
<b>Federal Estate Tax</b>		
Federal Estate Tax	(105,188)	(110,921)
Applicable Credit Amount	105,188	110,921
<b>Federal Estate Tax</b>	\$0	\$0

### Mary Predeceases John

Estate	Mary's Death	John's Death
Separate property (assets balanced)	\$310,500	\$310,500
Retirement Accounts	189,000	172,000
Life Insurance	0	0
Debt	(120,000)	(120,000)
Marital Transfer	0	0
	\$379,500	\$362,500
<b>Deductions and Expenses</b>		
Marital Transfer	\$0	\$0
Administrative, Probate and Final Expenses	(11,496)	(11,360)
	(11,496)	(11,360)
<b>Federal Taxable Estate</b>	\$368,004	\$351,140
<b>Federal Estate Tax</b>		
Federal Estate Tax	(110,921)	(105,188)
Applicable Credit Amount	110,921	105,188
<b>Federal Estate Tax</b>	\$0	\$0

Note: The Taxpayer Relief Act of 2012 provides portability of unused estate tax exclusion amounts between spouses. To utilize the "Deceased Spouse Unused Exclusion Amount" (DSUEA) executors must file an estate tax return at the time of the first spousal death enumerating DSUEA and electing that the DSUEA be used by the surviving spouse.

# Estate Tax Estimate

## Recent and Future Estate Tax Changes

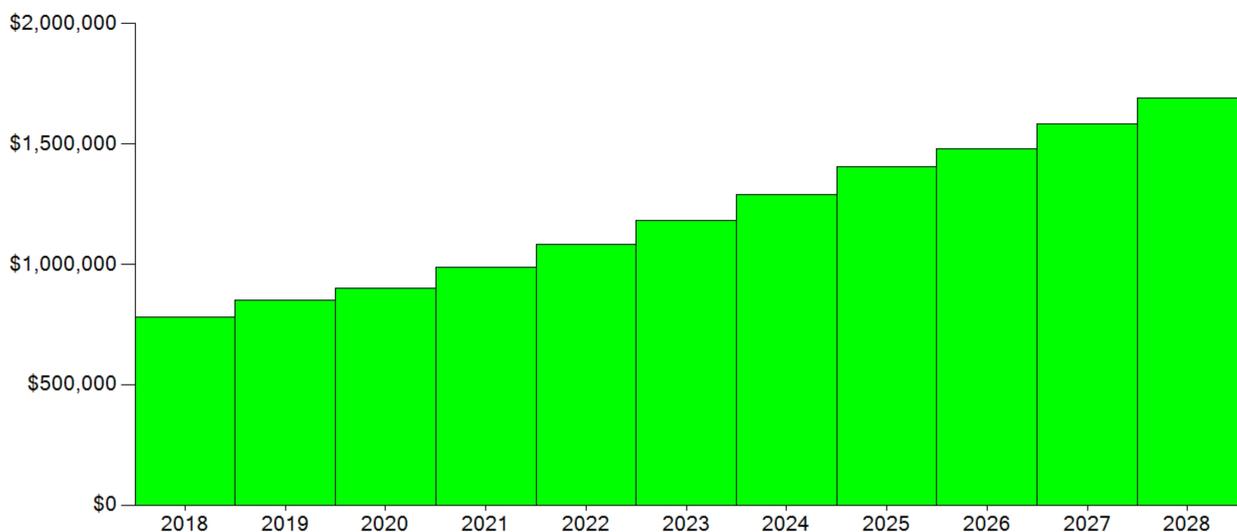
Estate tax rules changed under the Taxpayer Relief Act of 2012 which set a \$5 million federal estate and gift tax exemption, and a top estate tax rate of 40%. That Act also provided portability of unused estate tax exclusions to surviving spouses. To utilize Deceased Spouse Unused Exclusion Amount (DSUEA) executors must file an estate tax return at the time of first spousal death enumerating DSUEA and electing it be used by the surviving spouse.

The Tax Cuts and Jobs Act of 2017 effectively doubled individual estate and gift exclusion amounts to \$11.2 million during years 2018 through 2025. The exclusions are adjusted annually for inflation, and in 2026 will revert back to the pre act amount unless increased exclusion amounts are extended or modified by new tax law.

## 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 \$11,200,000 per person). 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. Keep in mind estate law is uncertain and may potentially change again sometime in the future.

### Estimated Estate Growth and Federal Estate Tax



Year End	Retirement Capital	Other Assets	Debts & Expenses	Adjustments *	Estate Tax Base	Exclusion Amounts**	Estimated Estate Tax
2018	\$588,025	\$456,000	(\$262,392)	\$0	\$781,633	\$22,400,000	\$0
2019	642,122	469,680	(262,934)	0	848,868	22,848,000	0
2020	678,490	483,770	(263,338)	0	898,923	23,304,000	0
2021	753,287	498,284	(264,053)	0	987,518	23,770,000	0
2022	833,789	513,232	(264,816)	0	1,082,205	24,246,000	0
2023	920,402	528,629	(265,632)	0	1,183,398	24,730,000	0
2024	1,013,555	544,488	(266,504)	0	1,291,538	25,224,000	0
2025	1,110,252	560,822	(267,409)	0	1,403,666	25,728,000	0
2026	1,168,661	577,647	(268,010)	0	1,478,298	13,286,000	0
2027	1,255,577	594,977	(268,844)	0	1,581,710	13,552,000	0
2028	1,348,020	612,826	(269,727)	0	1,691,119	13,824,000	0

\*Adjustments include charitable deductions or previous taxable gifts that have been included in your estate plan analysis.

\*\*For the purpose of this illustration, the exclusion amounts are incremented annually by 2%.

## Education Funding Illustration

John and Mary Sample

Assuming inflation of 6% the total projected cost of education will be \$192,400  
 If you can invest your education funds at 5%\* after taxes you may make:

### 1. A single contribution now:

- Required education funds	\$135,947
- Current education funds	\$47,500
- Additional contribution needed	\$88,447

### 2. Level contributions:

- Required level annual contributions	\$10,141	or	\$845/mo
- Planned contributions	\$0		
- Additional annual contributions needed	\$10,141		

The following schedule demonstrates making level annual contributions until the last year of education expenses. Any current funds saved will be utilized as educational expenses are incurred.

### Education Funding - Level Contributions

Student	Year	Contributions to Fund	Education Cost	Ending Balance at 5%
	2019	\$10,141		\$60,523
	2020	10,141		74,197
	2021	10,141		88,555
	2022	10,141		103,631
Janie starts	2023	10,141	20,073	98,384
	2024	10,141	21,278	91,609
	2025	10,141	22,554	83,156
John starts, Janie ends	2026	10,141	47,816	47,755
	2027	10,141	25,342	34,182
	2028	10,141	26,863	18,333
John ends	2029	10,141	28,474	

### Education Funding - Per Student

Student Name	Start Year	Number Of Years	Per Year in Today's \$	Total Cost at 6% Infl.	Current College Funds Saved	529 Plan	One-Time Deposit	Annual Deposits
Janie	2023	4	\$15,000	\$87,813	\$28,000	Yes	\$39,007	\$5,748
John	2026	4	15,000	104,587	19,500	Yes	49,440	5,669
				\$192,400	\$47,500		\$135,947	\$11,417**

\* This hypothetical rate of return is for illustrative purposes and does not represent a particular investment.

\*\* Annual deposit total shown may be higher than the level payment amount, but decreases as each student graduates.

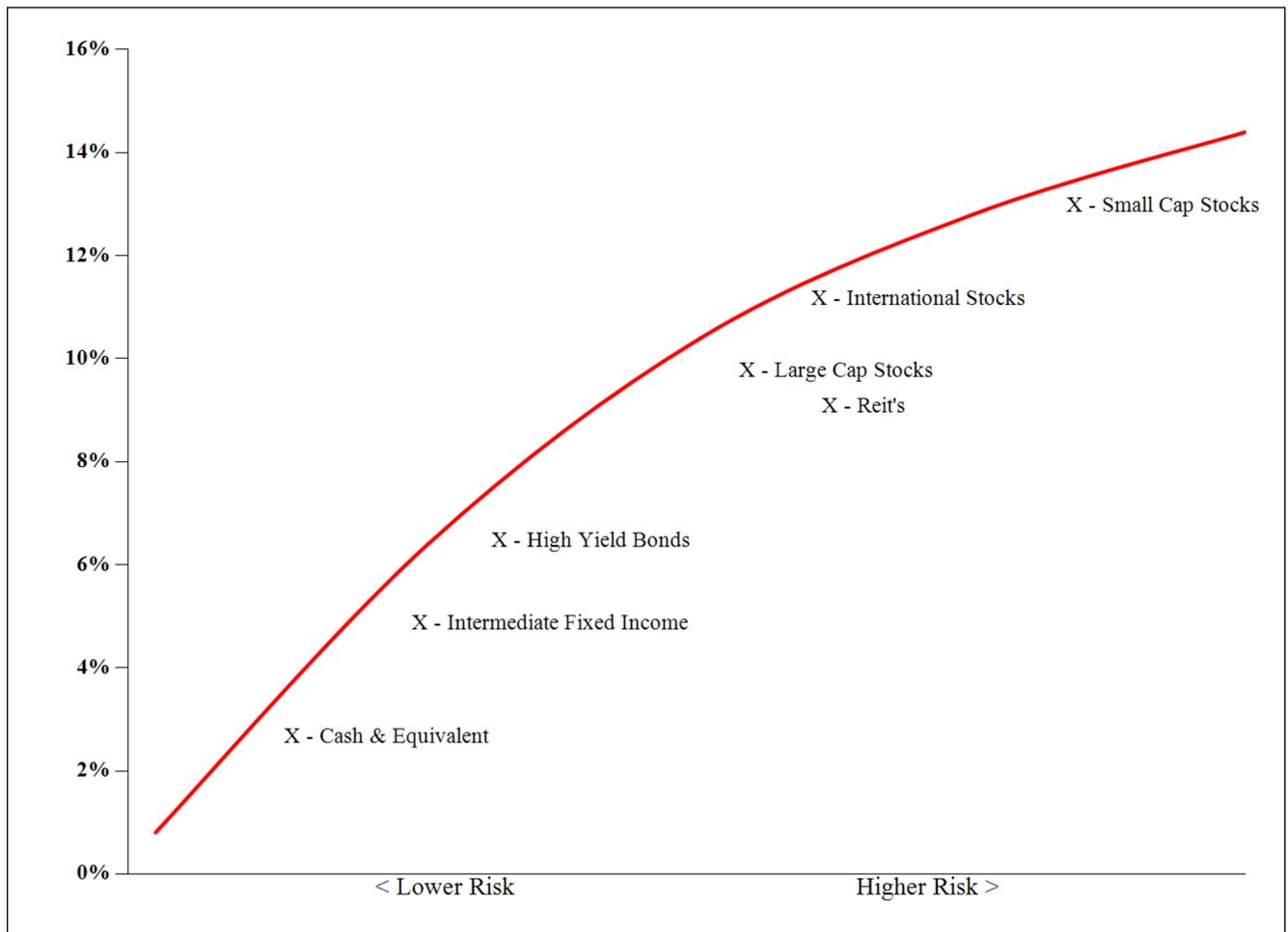
# Investment Planning

## ASSET ALLOCATION

Asset allocation is an important underlying principal in portfolio design because it helps to manage investment risk while attempting to maximize returns. There are basically three forms of investment risk. Credit Risk is the possibility of loss due to the underlying investment losing all of its value, for example, in a bankrupt company. Market Risk is the inherent volatility in the price and performance of investments in stocks, bonds, commodities, real estate or any other markets. Purchasing Power or Inflation Risk is the risk of an investment's value eroding over time due to an appreciation in the cost of living. Asset allocation is an attempt to utilize historical characteristics of markets to construct a portfolio that reflects the return potential of these markets. It also attempts to diversify some of the volatility risk across several asset classes, thus reducing the risk of any one big loss of principal, or any opportunity missed by not having a position in the appropriate markets.

The identification of an efficient set of portfolios is the first step in portfolio management. This set is represented by the Efficient Frontier, a graph of the lowest possible risk that can be attained for a portfolio's given expected return. The fundamental idea behind the Efficient Frontier is that, for any risk level, investors will be interested only in that portfolio with the highest expected return. This principal was set forth in a mathematical model constructed by Harry Markowitz in 1952, for which he earned a 1990 Nobel Prize for economics. Later studies, presented by Brinson, Hood, Singer Beebower, sought to determine why large pools of capital earn different rates of return. This research led to the conclusion that while only 6% of the returns in a portfolio were due to individual security selection and 2% to market timing, 92% of the returns were due to proper asset allocation.

### THE EFFICIENT FRONTIER



# Investment Planning

## MARKET RISK AND DIVERSIFICATION

Investment markets are unpredictable, particularly in the short-term. Since volatility can be managed and reduced, but never eliminated, investors should be concerned with how their portfolio is constructed to diminish market risk.

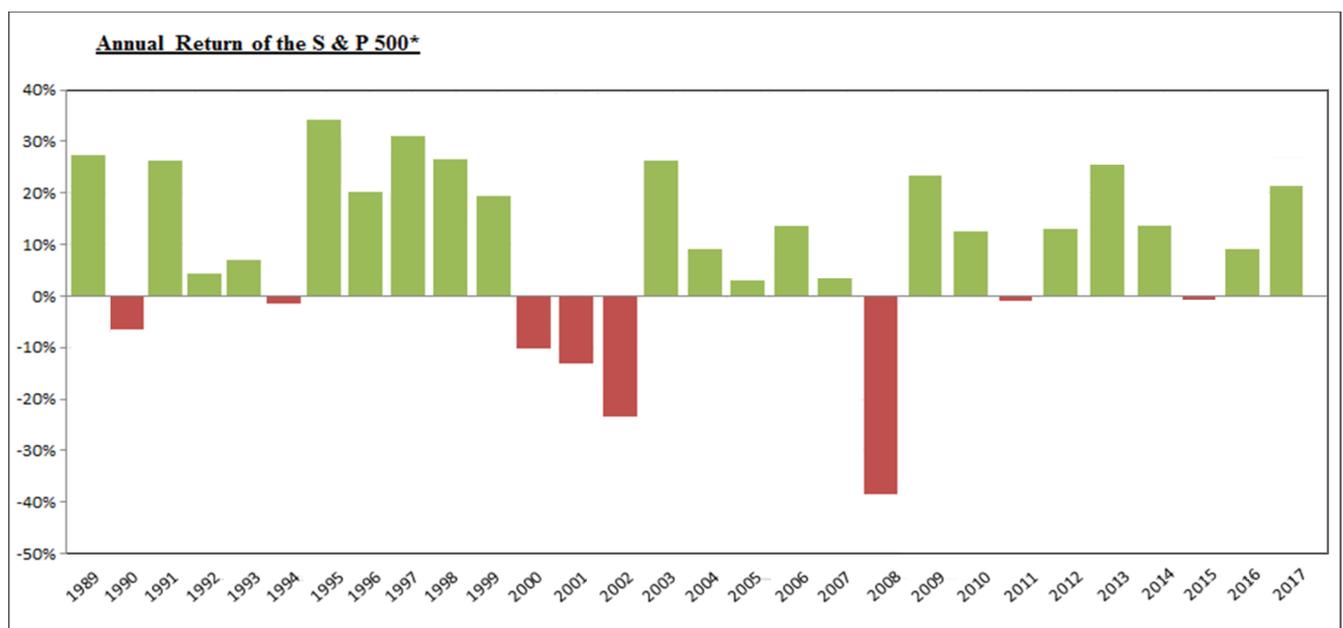
Diversification is an aid in reducing market risk. Diversification may be approached several ways. The first approach is diversification across asset classes. There are distinctions between large, mid, and small cap stocks based on the market capitalization of the companies. There are distinctions between growth stocks, with high price-to-earnings ratios, and value stocks, with price-to-earnings ratios similar or below the market averages. These asset classes may act dissimilarly in the market, each responding to macro-economic factors in its own way. Asset classes that react to market movements differently are said to have little correlation. Therefore, investing in diverse domestic equity asset classes, ones with little correlation between them, may lend stability of the performance of a portfolio.

International equity asset classes also react dissimilarly to market conditions. European markets are more closely tied to economic forces outside of the United States and may behave differently than their American counterparts. Emerging market economies in Latin America, Asia and Eastern Europe, are also subject to distinct economic conditions, and as a result will experience different results in many cases. Including international equity classes in a portfolio may further diversify market risk.

Another approach to diversification may be to invest in different types of assets, such as bonds or real estate. Because these assets do not have the same investment characteristics as equities, the movement of both types of assets within one portfolio should vary diametrically, thus providing stability to overall performance.

A third approach to diversification involves investing in different industries or companies in the equity markets, and different issuers or maturities in the bond markets. This may help to balance fluctuations in a portfolio due to such factors as seasonality or interest rate changes.

It is important to remember that although volatility involves risk, it is also the engine that drives superior investment returns. U.S. Treasury bills are not very volatile, but they offer low investment return. Small cap high growth stocks are very volatile, but offer superior return potential. It is important to discuss how you can best manage volatility with your Financial Advisor, and determine together which approach is best suited to your particular circumstances.



\*S&P 500 Index. Standard and Poor's index tracks 500 stocks of large U.S. companies and is the basis for several index mutual funds and exchange-traded funds.

# Investment Planning

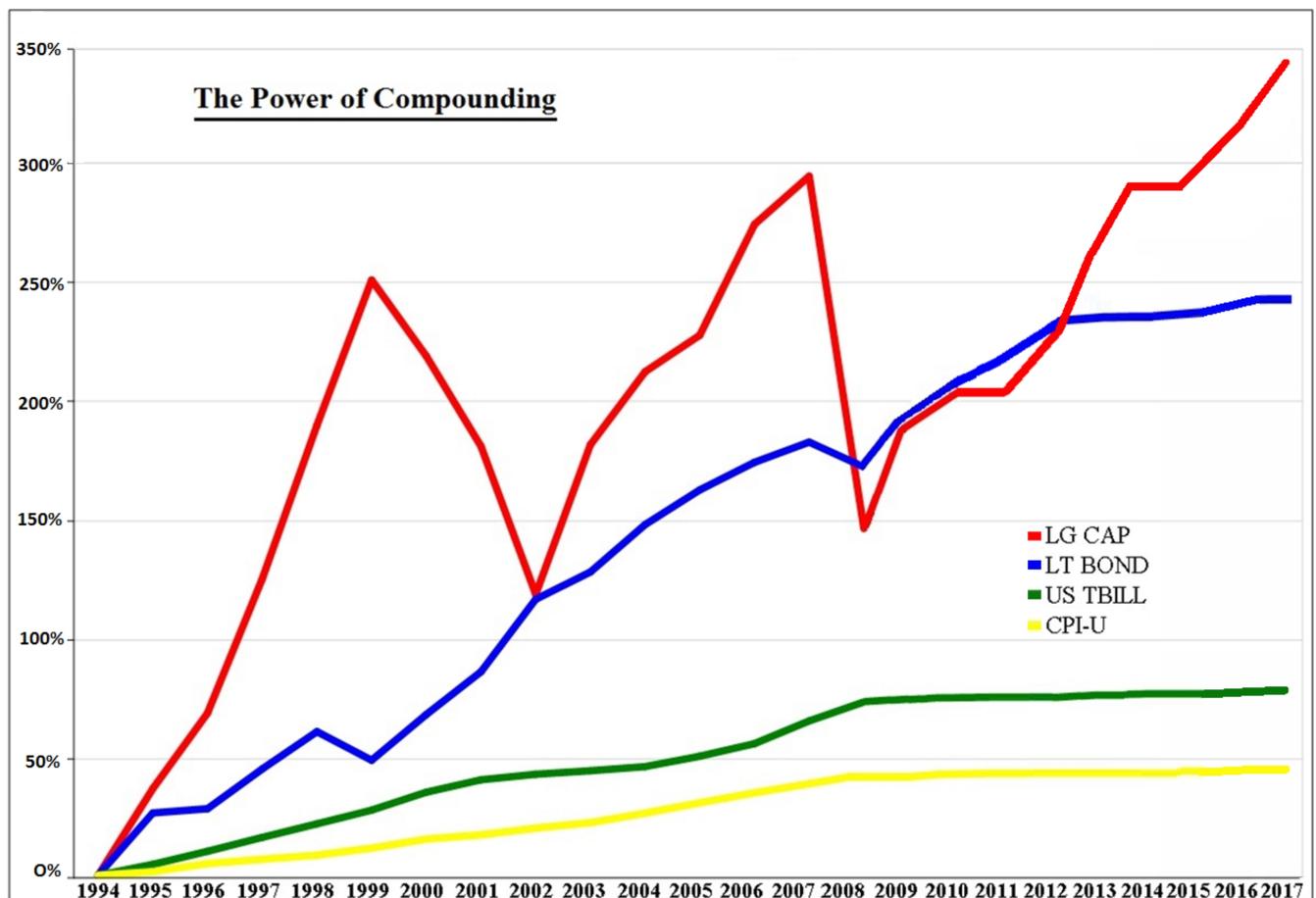
## INVESTMENT RETURNS AND THE POWER OF COMPOUNDING

One of the most important elements of achieving superior investment results is to allow the power of compounding to work for you. Given the inherent volatility of the investment markets, returns can vary substantially from year to year. When allowed to build upon themselves over an extended period, returns may become substantial. Often investors become impatient and are unwilling to allow time to work for them. But time, coupled with compounding, is the underlying engine for superior investment return potential.

Compounding is achieved in two basic ways. First, reinvesting dividends and interest payments; more money is put to work in the original investment. This allows new money to work with old money, and over time compounding power accelerates the investment performance. The second method of compounding is dollar cost averaging. This is simply making additional contributions to investments on a regular basis, such as monthly contributions to a 401(k) retirement plan. Because investment markets fluctuate, security prices may be lower than when the first investment dollars were contributed. This allows some of the investment to be purchased at lower prices, thus lowering the average cost of the entire investment. Conversely, when the market creates higher prices, fewer shares are purchased, thus achieving a favorable average cost per share. Of course, such a method cannot guarantee a profit or protect against loss in a declining market.

Asset classes that carry higher levels of risk do not necessarily assure higher returns over time. Generally, relatively volatile asset classes, such as stocks, exhibit higher compound growth potential than do relatively less volatile asset classes such as cash and bonds. Your Financial Advisor can assist you in determining the best method to assure that your portfolio take advantage of the power of compounding.

The chart below shows simple comparison between a few asset classes and their compounding.



# Debt Freedom

Credit is a useful and important tool in today's modern financial world. Mortgages, loans and credit cards allow people a way to purchase the goods and services they want now, then pay for the costs over time. With good planning and in the proper amount, credit is an affordable expense. Excessive debt can wreck even the best financial intentions.

Understanding and controlling debt is one aspect of long term financial well being. This part of the report offers guidance on efficient repayment strategies. Being in control of debt is the first step toward debt freedom.

## **Too Much Debt is Costly**

Costs of excessive borrowing can be heavy, both psychologically and economically. Psychologically, too much debt is a burden that squeezes family finances and increases stress as monthly payments eat up too much income. On the economic side, interest on debt increases the effective cost of purchases, and the benefits of credit are overwhelmed by the price over time

## **Three Step Debt Freedom Program**

### **1 Accelerated Debt Reduction or Elimination**

Develop a written plan to follow for efficient debt elimination.

Save money on interest payments by following a payment strategy.

Shorten payment schedule by increasing monthly payments.

### **2 Accelerated Wealth Accumulation**

Enhance your present lifestyle with increased cash flow.

Invest more money for future needs such as college education or retirement.

### **3 Debt Education**

Be knowledgeable about debt and understand when it makes sense to borrow.

## Part 1: Accelerated Debt Reduction or Elimination

### Your Personalized Plan to Get out of Debt

Here you will learn:

Which debts to pay off first

How much money you can save in interest payments

The effect of increasing debt repayments

**Your Current Plan:** The following is your existing debt repayment plan if you do nothing:

2 Loans

Monthly Payment: \$797.00

Total Debt: \$20,000.00

Loans paid off in 5 Years 2 Months

Total Interest Payments: \$3,090.10

Current debt plan: Detail

<b>Creditor Name</b>	<b>Debt Amount</b>	<b>Monthly Interest</b>	<b>Current Monthly Payment</b>	<b>Monthly Minimum Payment</b>	<b>Interest Rate</b>
Credit Card Debt	\$5,000.00	\$46.00	\$500.00	\$115.00	11.00 %
Car Loans	\$15,000.00	\$88.00	\$297.00	\$297.00	7.00 %

## Part 1: Accelerated Debt Reduction or Elimination

**Proposed Debt Reduction Plan:** The following is your plan for debt freedom:

2 Loans

Monthly Payment: \$997.00 (an increase of \$200.00 over total current loan and mortgage payments)

Total Debt: \$20,000.00

Loans paid off in 1 Years 11 Months

Total Interest Payments:\$1,412.40

Proposed debt plan: Detail			Monthly	Interest	Debt Freedom
Creditor Name	Amount	Interest	Minimum	Rate	Monthly
			Payment		Payment
Credit Card Debt	\$5,000.00	\$46.00	\$115.00	11.00 %	\$700.00
Car Loans	\$15,000.00	\$88.00	\$297.00	7.00 %	\$297.00

### **Good News**

#### **You will...**

1. Save \$1,678 in loan interest
2. Reduce debt payoff time by 3 Years 3 Months

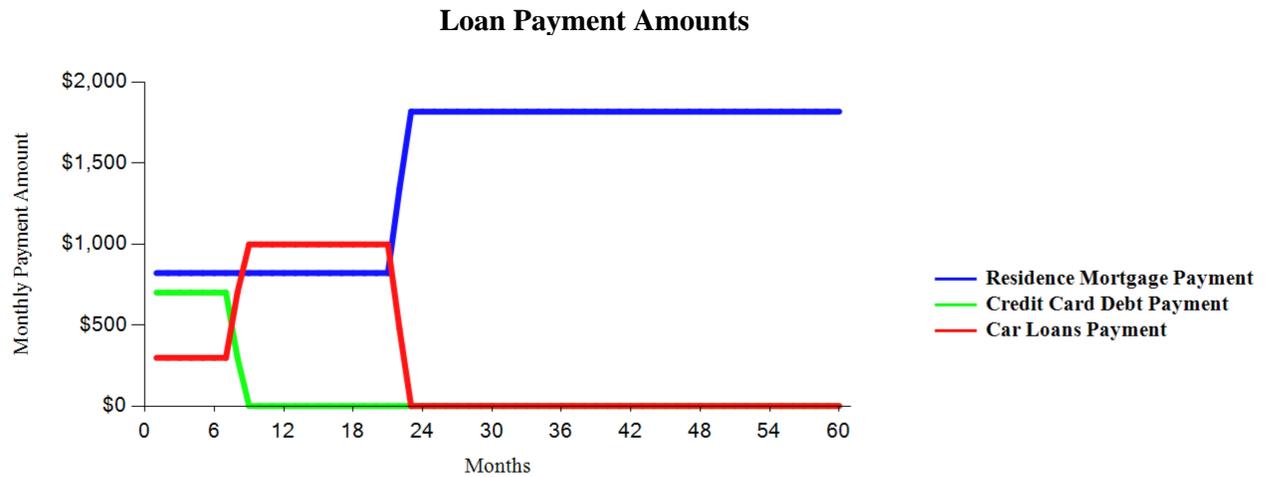
# Part 1: Accelerated Debt Reduction or Elimination

## How the Accelerated Debt Repayment Plan works

1. Debt Freedom calculates the most efficient method of debt repayment.
2. Total monthly payment is larger than minimum payments.
3. When Loan #1 is paid off, the payments that were being applied to #1 are paid toward #2. This continues as each loan is paid until all your debts have been eliminated.
4. Assumptions: Interest rates remain the same and you don't borrow more money.

## Monthly Payment Schedule

(Shown for the next 5 years, debt payment may continue longer )



## Part 2: Accelerated Wealth Accumulation

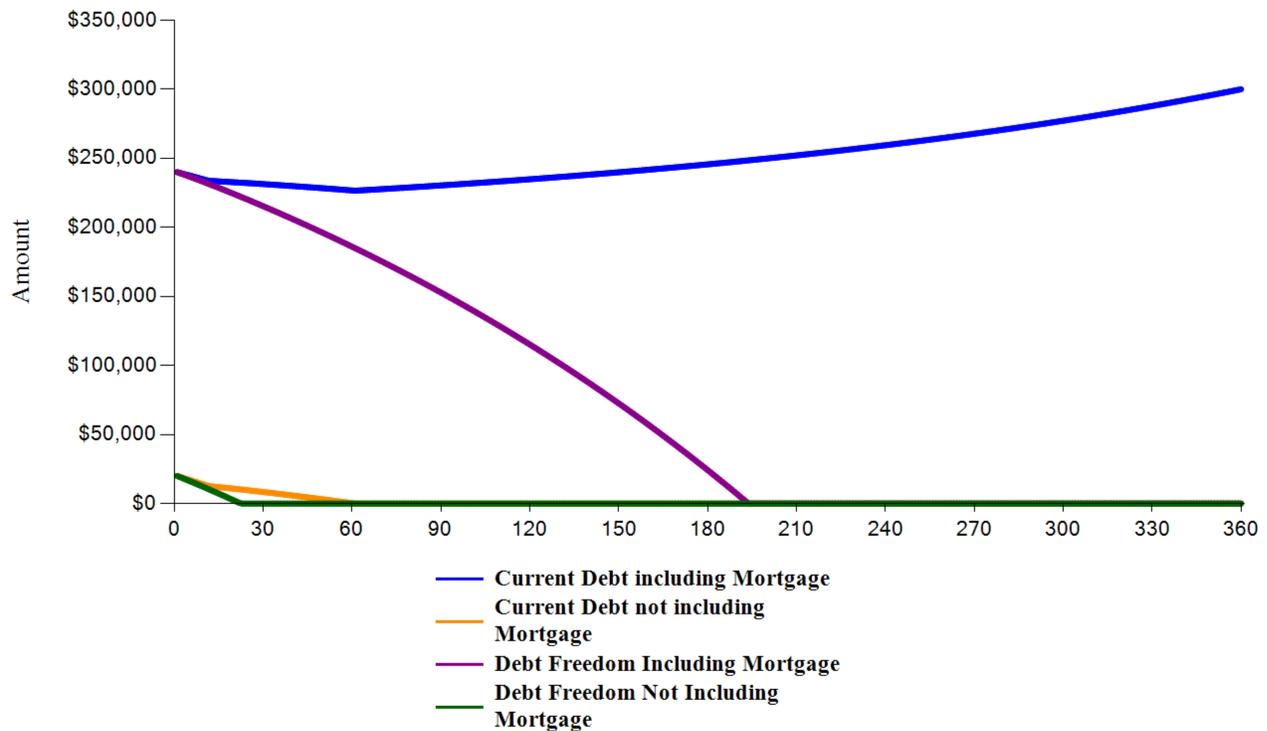
### Your Personalized Plan to Get out of Debt and Obtain Financial Goals

Enhance your present life style with increased cash flow.

Invest more money for future needs such as college education or retirement so that you can retire as planned or earlier.

### How does the Accelerated Debt Repayment & Wealth Accumulation Plan Work

1. Eliminate debt as outlined in the proposed Accelerated Debt Repayment section by making a monthly loan payment of \$997.00
2. Save and invest some or all of the amount that was going to loan re-payment: \$997.00 starting in 1 years 11 months



## Good News !

### The Results of Accelerated Debt Repayment and Wealth Accumulation Program

1. If you follow your Debt Acceleration Plan, you will save \$1,678 in loan interest
2. If you follow your Debt Acceleration Plan, you can reduce debt payoff time by 3 Years 3 Months

## Part 3: Debt Education

### Good Debt versus Bad Debt

Value	Tax Deductible Interest?*	Appreciating Asset?	Description
Good	Yes	Yes	<b>Home Loan</b> Home loans are considered good debt, because homes tend to be appreciating assets** and mortgage loan interest is deductible. For many, loans are the only way they could ever buy a home.
Okay	Yes	Yes	<b>Home Equity Loan</b> Home equity loans are considered acceptable debt, because they may be deductible. They make sense for home improvements, but probably not for consumer or luxury purchases.
Risky	Yes	Yes	<b>Margin Loan</b> Margin loans are secured by an investment portfolio to purchase additional investments.
Bad	No	No	<b>Consumer Credit</b> Consumer credit loans are used to purchase items that rapidly decrease in value like furniture, appliances, and automobiles.
Bad	No	No	<b>Credit Card</b> If not paid off each month, credit card obligations can lead to serious debt problems and increase the real cost of purchases
Good	Yes	Yes	<b>Business Loan</b> This is usually a term loan to invest in your business to increase its value and income

### Types of Loans: Basic

Type	Description
<b>Term Loan</b>	A loan with a fixed maturity and an amortization schedule. These types of loans are usually used for autos and homes.
<b>Line of Credit</b>	When a lender extends an amount to a borrower, usually without a fixed maturity. Examples of these types of loans are credit cards and home equity.
<b>Secured</b>	When a lender loans money secured by some form of collateral, such as a home.

\* Tax deductibility subject to many conditions and limitations, discuss with your tax advisor.

\*\*Appreciation is a general assumption, market conditions and property condition will affect your actual outcome.

## Part 3: Debt Education

### Reasons for Growing Debt Levels

People owe more and are saving less than at any other time in modern history. There are many reasons, some of which include:

**1. Lack of Knowledge:**

Limited money skills and a poor understanding of credit's true costs lead to ballooning debts.

**2. Instant Gratification:**

Saving up for large purchases is more difficult than using credit.

**3. Loss of Employment:**

Unemployment disrupts income. Credit is a stop gap measure between jobs.

**4. Health Bills:**

Health care and insurance are a large percentage of budgets. Unexpected costs can lead to big debts.

**5. Student Loans:**

Many people come out of college with large student loans that compound other credit problems.

**6. Inflation:**

In recent years, average inflation has been relatively low. However, increases in health care, fuel, and suburban real estate taxes have taken a heavy toll on the middle class.

**7. Wages:**

Many salaries have not kept pace with inflation. Easy credit is a tempting way to increase buying.

**8. Inflexible Lifestyle:**

When financial times are tough, some people save less and borrow more to maintain their lifestyle.

**9. Lack of a Plan:**

Too many people fail to make an overall financial plan that includes goals for saving and spending.

## Part 3: Debt Education Continued

### Tips for Borrowing

The following recommendations may help to improve your financial outlook regarding debt and borrowing:

**1. Credit Cards:**

Pay off balances monthly. If you carry a balance, switch to a lower interest card for new purchases and work to transfer balances to the lowest rate cards.

**2. Depreciating Asset Loans:**

**a. Automobile:**

Avoid large automobile loans. Instead of buying new, purchase used cars with money you have saved. If you must borrow, try to keep your car for 10 years or more.

**b. Automobile Leasing:**

Don't lease so you can afford more car. For example if you could only really afford to buy a \$25,000 car, don't lease a \$40,000 vehicle. Look for lease "deals". Nearly all manufacturers offer low down payment lease plans from time-to-time with very low payments. Just remember that you have to obtain a new car at the end of the lease.

**c. Furniture, Department Store, and Appliance:**

These loans often have the highest interest rates. If at all possible, avoid these loans.

**3. Home Loans:**

Recently, mortgage rates have been at historically low levels. These rates have allowed buyers to spend more on their homes. One way to improve your financial outlook is to buy a lower-cost home and save and invest more. In addition to the purchase cost, larger homes cost more over the long run in taxes, insurance, furnishings, maintenance, utilities and real estate taxes.

**4. Home Equity Loans:**

These can be attractive for the purchase of automobiles, home improvement and business financing because the interest can be deductible (consult a tax advisor). However, as with all loans, consider your overall financial plan.

**5. Debt Consolidation Loans:**

Home Equity loans are often marketed to consolidate credit cards and depreciating asset loans. These are attractive, because of the possibility of tax deductible interest and lower payments. However, many people use the lower payment to go out and buy/borrow more, and then later consolidate again. This never-ending cycle increases debt and eats away at the equity in the home from appreciation.