

About Your 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 'Financial Plan' is offered to help enhance your knowledge of various topics and communicate some of the intricacies of the financial world. The report represents a framework to clarify and structure your financial matters.

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

Retirement Profile

Developing A Retirement Strategy

Developing a retirement strategy 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 program, and estimate the results for your review.*

Your Current Retirement Goals

	<u>John</u>	<u>Jane</u>
Age:	59	58
Retirement Age:	65	65
Years until Retirement:	6	7
Years of Retirement:	20	25
Annual Retirement Spending (After-tax):	\$45,240	<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

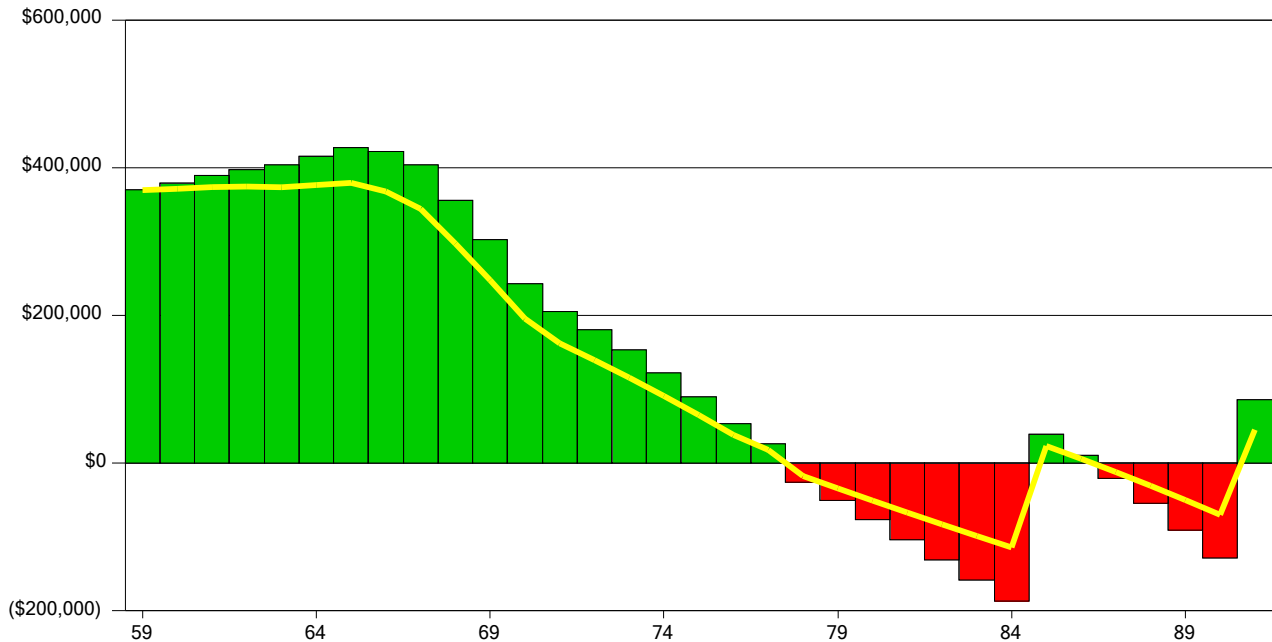
Mortgage:	(\$12,000)/year starting 2008, increase rate of 0%, for 15 years.
Auto payments:	(\$6,000)/year starting 2008, increase rate of 2%, for 20 years.

Assumptions

	<u>Pre-Retirement</u>	<u>Retirement</u>
Inflation Rate:	2.0%	2.0%
Income Tax Rate (Average):	28.0%	20.0%
Return on Investments (Average):	5.4%	5.4%

Current residence(s) will be maintained. Related debt will be paid per existing mortgage(s).

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. The line within the graph illustrates the value of future retirement assets in today's dollars.

General Assumptions:

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

Retirement Spending Needs*	\$45,240
Survivor Spending Needs*	\$40,440
Retirement Age	John - 65
Retirement Age	Jane - 65
Inflation - Current	2%
Inflation - Retirement	2%
Tax Rate - Current	28%
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 90. 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 \$9,500/year (\$792 month).
- Reduce your retirement spending needs by \$4,700 to \$40,540/year (\$3,379/month).
- Defer your retirement by about 2 years.
- Combine any of the above and lower the requirements for each.

Retirement Capital Analysis

Ages*	Retirement Spending Needs	Sources of Annual Income **				Education & Other Inc/Exp***	Net Surplus or (Shortage)	Annual Additions To Assets	Retirement Capital \$350,000
		Social Security Indv. 1	Social Security Indv. 2	Pension Income Indv. 1	Pension Income Indv. 2				
59	58					(6,000)	(6,000)	7,000	370,090
60	59					(18,120)	(18,120)	7,210	379,270
61	60					(18,242)	(18,242)	7,426	389,381
62	61					(18,367)	(18,367)	7,649	397,934
63	62					(18,495)	(18,495)	7,879	404,802
64	63					(18,624)	(18,624)	8,115	416,207
65 R	64	22,843	16,825		4,800	(18,757)	(19,975)	8,358	427,829
66	65 R	51,962	17,161	11,441	4,800	(18,892)	(37,452)	8,609	422,930
67	66	53,001	17,505	11,670	4,800	(20,534)	(39,561)		403,827
68	67	54,061	17,855	11,903	4,800	(36,703)	(56,206)		355,691
69	68	55,142	18,212	12,141	4,800	(37,898)	(57,887)		302,502
70	69	56,244	18,576	12,384	4,800	(39,159)	(59,643)		243,861
71	70	57,368	18,948	12,632	4,800	(19,609)	(40,598)		206,222
72	71	58,515	19,326	12,884	4,800	(7,762)	(29,266)		180,915
73	72	59,685	19,713	13,142	4,800	(7,917)	(29,947)		153,213
74	73	60,878	20,107	13,405	4,800	(8,075)	(30,641)		122,955
75	74	62,095	20,509	13,673	4,800	(8,237)	(31,349)		89,970
76	75	63,336	20,920	13,946	4,800	(8,401)	(32,071)		54,076
77	76	64,602	21,338	14,225	4,800		(24,239)		26,113
78	77	65,894	21,765	14,510	4,800		(24,819)		
79	78	67,211	22,200	14,800	4,800		(25,411)		
80	79	68,555	22,644	15,096	4,800		(26,015)		
81	80	69,926	23,097	15,398	4,800		(26,631)		
82	81	71,324	23,559	15,706	4,800		(27,259)		
83	82	72,750	24,030	16,020	4,800		(27,900)		
84	83	74,205	24,511	16,340	4,800		(28,554)		
85 L	84	75,689	25,001	16,667	4,800	250,000	220,779		226,077
	85	69,009		25,501	4,800		(38,708)		197,291
	86	70,389		26,011	4,800		(39,578)		166,233
	87	71,796		26,531	4,800		(40,465)		132,776
	88	73,231		27,062	4,800		(41,369)		96,787
	89	74,695		27,603	4,800		(42,292)		58,125
	90 L	76,188		28,155	4,800	250,000	206,767		272,644

*R=Retirement age, L=Life expectancy.** Pensions & 85% of S.S. reduced 20.00% for income taxes.*** Includes life insurance and education costs.

Note: This report is based upon assumed inflation rates of 2.00% and 2.00% (before and after retirement). Actual future inflation rates are unknown.

Net Worth Statement

John & Jane

February 3, 2010

ASSETS

Savings And Investments

Annuities	\$100,000	
Municipal Bonds and Funds	50,000	
		\$150,000

Retirement Accounts

Qualified Plans-John	\$200,000	
		\$200,000

Other Assets

Residence	\$295,000	
Personal Property	20,000	
Life Insurance Cash Values	18,000	
		\$333,000

TOTAL ASSETS \$683,000

LIABILITIES

Residence Mortgage	\$90,000	
Credit Card Debt	2,000	
Credit card b	5,000	
credit card c	6,000	
Home equity LOC	15,000	
auto loan	15,000	
		\$133,000

Net Worth (Assets less Liabilities) \$550,000

Note: Potential taxes due on unrealized gains or assets in tax-deferred retirement plans are not accounted for in this Net Worth Statement.

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

Annuities

Municipal Bonds and Funds

Current Balances

\$100,000

50,000

\$150,000

Retirement Plans

Qualified Plans-John

\$200,000

\$200,000

Total Investment Assets

\$350,000

See Asset Worksheet for detailed annual savings information.

Social Security

Starting Age

John

65

Jane

65

Benefit at Starting Age (After-tax)

\$16,825

\$11,441

Pension Plans

Pension Amount

John
\$4,800*

Jane
N/A

Pension Starting Age

65

Increase Rate Pre-Retirement

0.0%

Increase Rate in Retirement

0.0%

Survivor Percentage

100%

*Annual amount, after taxes.

Other Income

Gift from parents:

\$12,000/year starting 2010, increase rate of 0%, for 1 year.

Asset Worksheet

Description	Current Amount	Annual Additions	Addition Period	Asset Class	Account Taxation	Asset Type
John 401k	200,000	7,000	2008-2017	Growth	Tax-Deferred (1)	Mutual Funds (Stock)
Mary Annuity	100,000			Cash	Annuity (2)	Annuities
Municipal bonds	50,000			Cash	Tax-Free (J)	Muni Bonds & Funds
Totals:	\$350,000					

Expense Worksheet		Estimated Monthly Expenses			
Item	Totals:	Now	Retirement	Survivor Now	Survivor Retirement
		\$3,770	\$3,770	\$3,370	\$3,370
Rent or lease payment					
Food and household incidentals		1,000	1,000	600	600
Utilities, telephone		120	120	120	120
Auto operating and maintenance		100	100	100	100
Clothing and personal items		100	100	100	100
Property improvements & upkeep		200	200	200	200
Domestic help, babysitting					
Property taxes		100	100	100	100
Entertainment & vacations		50	50	50	50
Charitable contributions		25	25	25	25
Child care					
Alimony, child support					
Books, papers, subscriptions		25	25	25	25
Home furnishings		50	50	50	50
Gifts, birthdays		25	25	25	25
Medical expenses		25	25	25	25
Other expenses					
Mortgage payment		645	645	645	645
Auto loan payment		450	450	450	450
Boat & RV payments					
Credit card payments		420	420	420	420
Other loan payments		160	160	160	160
Life insurance premiums					
Medical ins premiums		200	200	200	200
Auto ins premiums		50	50	50	50
House ins premiums		25	25	25	25
Other insurance					

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.

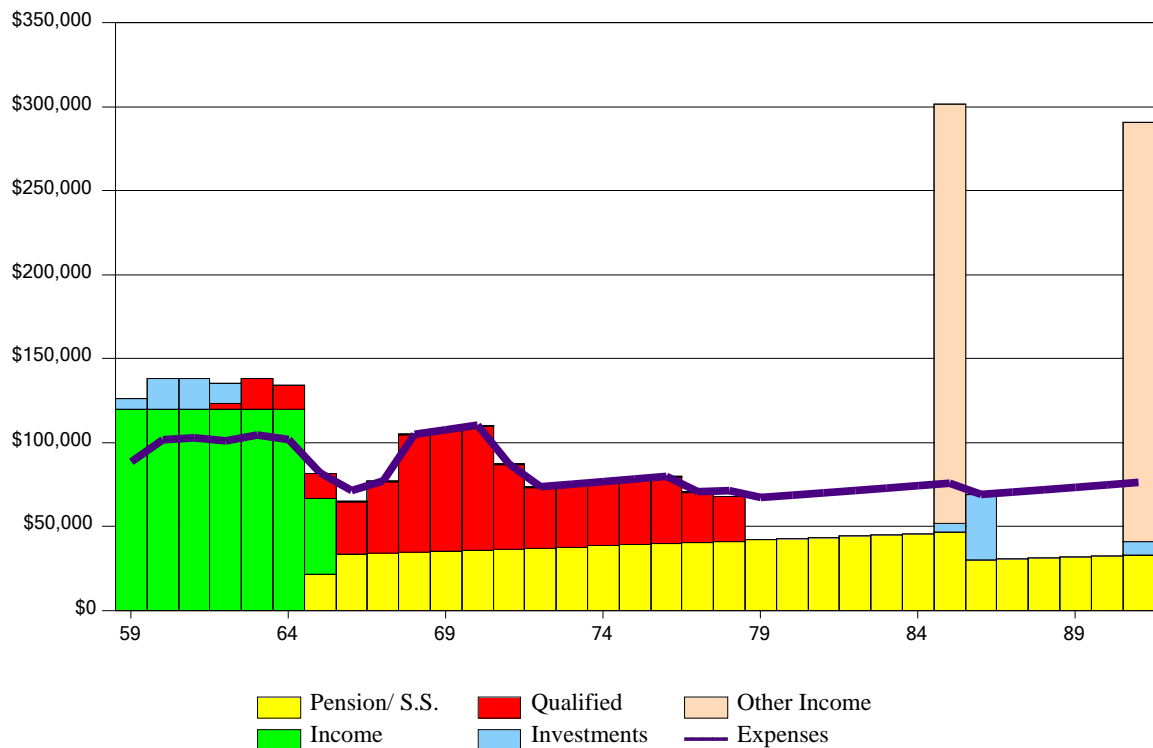
The cash flow numbers page contains the numerical information upon which the graph is based. This page shows the sources and uses of funds. The columns coincide with the bars and lines in the cash flow graph. Red numbers represent a use of cash, black a source.

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.

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

Ages Indv. 1 2		Cash Flow Sources					Total Sources	Less Living Expense & Taxes	Shortage or Surplus
		Earned Income	Retire/Roth Accounts*	Investment Accounts*	Pension/ Soc Sec.	Other Income			
59	58	\$120,000	(\$5,000)	\$6,000		(\$6,000)	\$115,000	(\$77,440)	\$37,560
60	59	120,000	(5,150)	18,120		(18,120)	114,850	(78,302)	36,548
61	60	120,000	(5,305)	18,242		(18,242)	114,695	(79,182)	35,513
62	61	120,000	3,344	12,025		(18,367)	117,002	(82,545)	34,457
63	62	120,000	17,785			(18,495)	119,290	(85,911)	33,380
64	63	120,000	14,008			(18,624)	115,384	(83,105)	32,279
65	R 64	45,000	14,687		21,625	(18,757)	62,555	(63,032)	(477)
66	65 R		31,726		33,402	(18,892)	46,236	(52,385)	(6,149)
67	66		43,061		33,974	(20,534)	56,502	(56,501)	
68	67		70,257		34,558	(36,703)	68,113	(68,112)	
69	68		72,358		35,153	(37,898)	69,614	(69,613)	
70	69		74,554		35,760	(39,159)	71,155	(71,154)	
71	70		50,747		36,379	(19,609)	67,517	(67,517)	
72	71		36,582		37,011	(7,762)	65,832	(65,831)	
73	72		37,433		37,655	(7,917)	67,172	(67,171)	
74	73		38,301		38,312	(8,075)	68,538	(68,538)	
75	74		39,186		38,982	(8,237)	69,932	(69,932)	
76	75		40,089		39,666	(8,401)	71,354	(71,353)	
77	76		30,298		40,363		70,661	(70,661)	
78	77		26,873		41,075		67,948	(71,268)	(3,320)
79	78				41,800		41,800	(67,211)	(25,411)
80	79				42,540		42,540	(68,555)	(26,015)
81	80				43,295		43,295	(69,926)	(26,631)
82	81				44,065		44,065	(71,324)	(27,259)
83	82				44,850		44,850	(72,750)	(27,900)
84	83				45,651		45,651	(74,205)	(28,554)
85	L 84			5,298	46,468	250,000	301,766	(75,689)	226,078
	85			38,709	30,301		69,010	(69,009)	
	86				30,811		30,811	(70,389)	(39,578)
	87				31,331		31,331	(71,796)	(40,465)
	88				31,862		31,862	(73,231)	(41,369)
	89				32,403		32,403	(74,695)	(42,292)
	90 L			7,753	32,955	250,000	290,708	(76,188)	214,520

* Scheduled distributions, interest, or dividends taken in cash or amounts taken to meet the IRS minimum distribution requirements.
 Note: Earned Income is reduced by qualified retirement account contributions in calculating the effect of income taxes. Pension, Social Security, and Other Income cash flow items are net of income taxes. The tax rate used is the average tax rate entered in the input.

Education Funding Illustration

John & Jane

Assuming an inflation rate of 6%, the total projected cost of education will be \$72,355

If you can invest your education funds at 6%* after taxes you may ...

- Make a single deposit now in the amount of ... \$33,999
- Make level annual payments in the amount of ... \$4,067
- Make level monthly payments in the amount of ... \$339

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

Student Name	Starting Year	Number of Years	Per Year in Today's \$	Total Cost at 6% Inf.	Current College Funds Saved	529 Plan	One Time Deposit	Annual Deposits
Susie	2018	4	\$11,000	\$72,355	\$10,000	Yes	\$33,999	\$4,067

\$72,355 \$10,000 \$33,999 \$4,067**

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

Annual Breakdown of Educational Funding

Year	Additions to fund	Paid to school from fund	Ending Balance at 6%*
2011	\$4,067		\$14,911
2012	4,067		20,116
2013	4,067		25,634
2014	4,067		31,483
2015	4,067		37,683
2016	4,067		44,255
2017	4,067		51,221
2018	4,067	16,540	41,073
2019	4,067	17,532	29,264
2020	4,067	18,584	15,632
2021	4,067	19,699	

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

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 \$40,440 per year, inflated at 2% each year until retirement and \$40,440 per year, inflated at 2% each year during retirement.

Life Insurance Basic Needs Estimate on John:

Present Value:	Anticipated Spending Needs	\$994,931	
	Education Expenses	33,999	
	Final Expenses	11,310	
	Other Expenses	216,654	\$1,256,893
	Jane's Employment	(\$202,245)	
	Social Security Benefits	(480,558)	
	Pension Benefits	(77,597)	
	Other Incomes	(12,000)	(\$772,401)
	Net Estimated Survivor Need Shortage		\$484,493
	Currently Existing Liabilities		133,000
	Assets Available to Offset Shortage		(350,000)
	Current Life Insurance Coverage		(250,000)
	Suggested Additional Life Insurance Coverage		\$17,493

Note: Estimated insurance requirements can vary over time due to changes in asset levels, special expenses, education expenses, estate preservation, 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 \$40,440 per year, inflated at 2% each year until retirement and \$40,440 per year, inflated at 2% each year during retirement.

Life Insurance Basic Needs Estimate on Jane:

Present Value:	Anticipated Spending Needs	\$858,024	
	Education Expenses	33,999	
	Final Expenses	11,310	
	Other Expenses	216,654	\$1,119,987
	John's Employment	(\$294,398)	
	Social Security Benefits	(385,539)	
	Pension Benefits	(55,349)	
	Other Incomes	(12,000)	(\$747,286)
	Net Estimated Survivor Need Shortage		\$372,701
	Currently Existing Liabilities		133,000
	Assets Available to Offset Shortage		(350,000)
	Current Life Insurance Coverage		(250,000)
	Suggested Additional Life Insurance Coverage		\$0

Note: Estimated insurance requirements can vary over time due to changes in asset levels, special expenses, education expenses, estate preservation, 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.

Disability Income Insurance

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

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

<u>John</u>		<u>Jane</u>	
Current Income:	\$75,000/Yr.	Current Income:	\$45,000/Yr.
Replacement Ratio*:	65%	Replacement Ratio*:	65%
Suggested Need:	\$49,000/Yr.	Suggested Need:	\$29,000/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.

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 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:

5 Loans

Monthly Payment: \$1,030.00

Total Debt: \$43,000.00

Loans paid off in 9 Years 6 Months

Total Interest Payments: \$9,493.31

Current debt plan: Detail

Creditor Name	Debt Amount	Monthly Interest	Current Monthly Payment	Monthly Minimum Payment	Interest Rate
credit card c	\$6,000.00	\$95.00	\$145.00	\$140.00	19 %
Credit card b	\$5,000.00	\$63.00	\$175.00	\$173.00	15 %
Credit Card Debt	\$2,000.00	\$20.00	\$100.00	\$94.00	12 %
auto loan	\$15,000.00	\$63.00	\$450.00	\$450.00	5 %
Home equity LOC	\$15,000.00	\$50.00	\$160.00	\$152.00	4 %

Part 1: Accelerated Debt Reduction or Elimination

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

5 Loans

Monthly Payment: \$1,030.00 (an increase of \$0.00 over total current loan and mortgage payments)

Total Debt: \$43,000.00

Loans paid off in 4 Years 2 Months

Total Interest Payments:\$7,108.04

Proposed debt plan: Detail			Monthly Minimum Payment	Interest Rate	Debt Freedom Monthly Payment
Creditor Name	Amount	Interest			
credit card c	\$6,000.00	\$95.00	\$140.00	19 %	\$161.00
Credit card b	\$5,000.00	\$63.00	\$173.00	15 %	\$173.00
Credit Card Debt	\$2,000.00	\$20.00	\$94.00	12 %	\$94.00
auto loan	\$15,000.00	\$63.00	\$450.00	5 %	\$450.00
Home equity LOC	\$15,000.00	\$50.00	\$152.00	4 %	\$152.00

Good News

You will...

1. Save \$2,385 in loan interest
2. Reduce debt payoff time by 5 Years 4 Months

Part 1: Accelerated Debt Reduction or Elimination

The analysis shows by implementing this

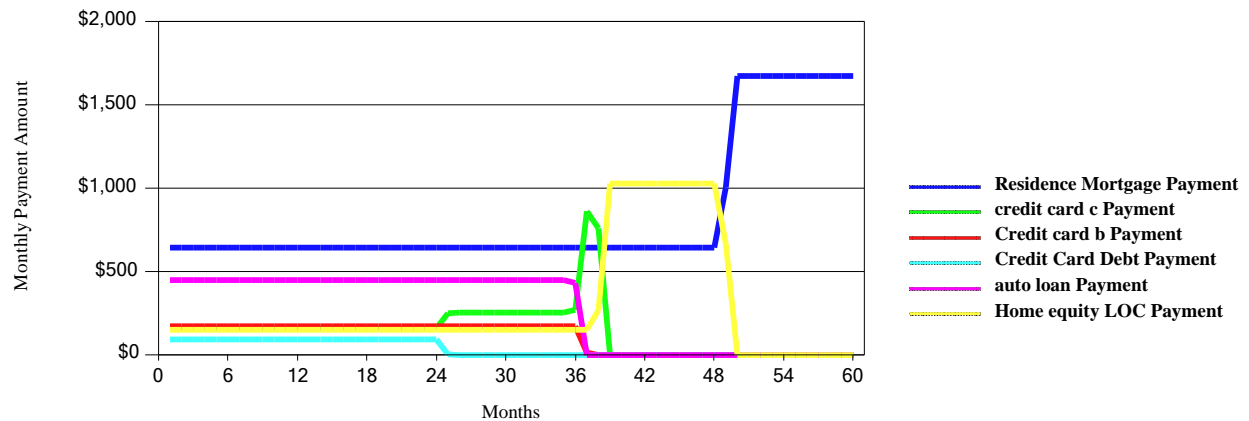
How the Accelerated Debt Repayment Plan works

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.

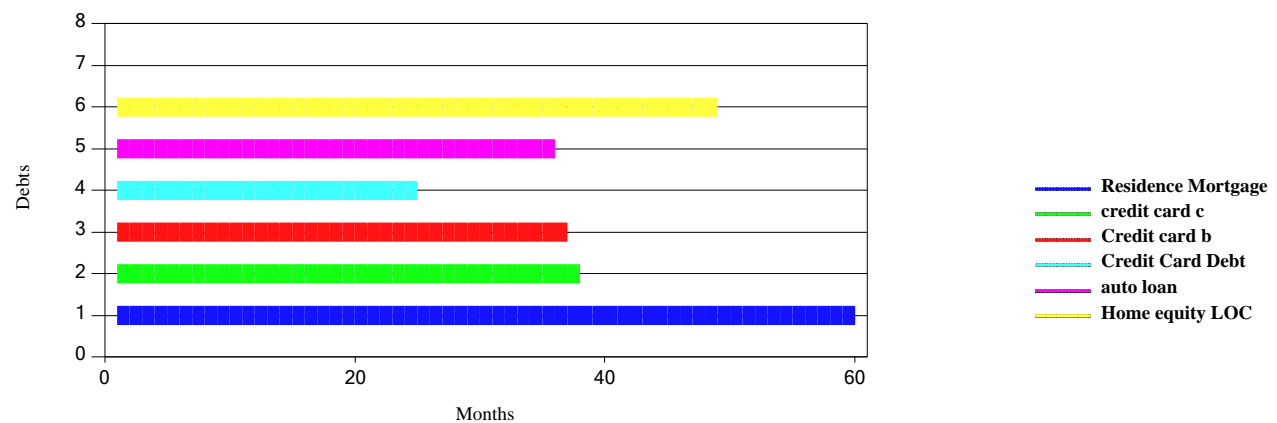
Monthly Payment Schedule

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

Loan Payment Amounts



Loan Payment Term



Part 2: Accelerated Wealth Accumulation

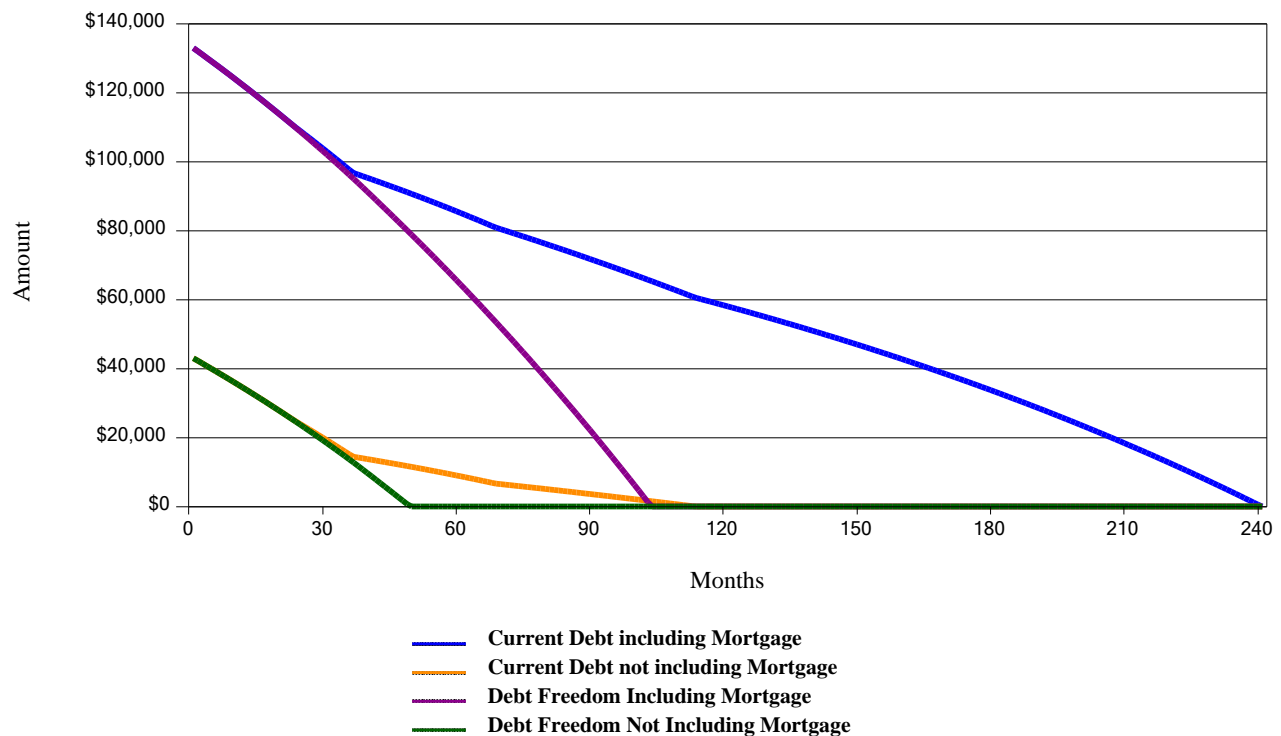
Your Personalized Plan to Get out of Debt and Obtain Financial Goals

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 \$1,030.00
2. Save and invest some or all of the amount that was going to loan re-payment: \$1,030.00 starting in 4 Years 2 Months



Good News !

The Results of Accelerated Debt Repayment and Wealth Accumulation Program

1. If you follow your Debt Acceleration Plan, you will save \$2,385 in loan interest
2. If you follow your Debt Acceleration Plan, you can reduce debt payoff time by 5 Years 4 Months

Part 3: Debt Education

Good Debt versus Bad Debt

Value	Tax Deductible Interest?*	Appreciating Asset?	Description
Good	Yes	Yes	Home Loan Home loans are considered good debt, because homes are appreciating assets and mortgage loan interest is deductible. For many, loans are the only way they could ever buy a home.
Okay	Yes	Yes	Home Equity Loan 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	Margin Loan Margin loans are secured by an investment portfolio to purchase additional investments.
Bad	No	No	Consumer Credit Consumer credit loans are used to purchase items that rapidly decrease in value like furniture, appliances, and automobiles.
Bad	No	No	Credit Card 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	Business Loan This is usually a term loan to invest in your business to increase its value and income

Types of Loans: Basic

Type	Description
Term Loan	A loan with a fixed maturity and an amortization schedule. These types of loans are usually used for autos and homes.
Line of Credit	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.
Secured	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 is rising. 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 a relatively low 3%. 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 Contd...

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 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.

Introduction to Dynamic Behavioral 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 Behavioral 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 “Behavioral” 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 Behavioral 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 Behavioral 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 Behavioral Analysis is a method that factors in reasonable adjustments to retirement age and spending levels in response to investment returns. Dynamic Behavioral 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

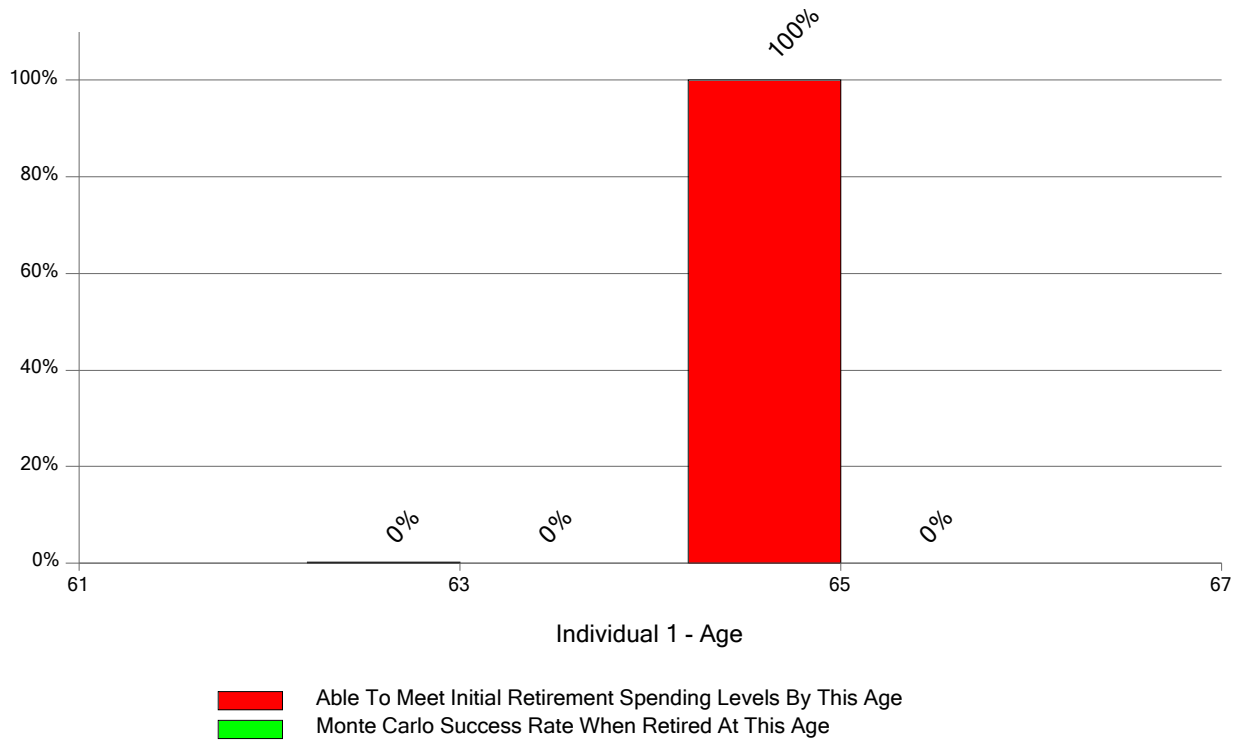
Determining annual retirement spending levels starts with three questions. How much retirement spending is desired? How much is required, that is, what is needed to cover necessities? Finally, what is the maximum percentage of assets that can be withdrawn in a single year?

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.

Behavioral Analysis



Graph Explanation

Dynamic Behavioral Analysis extends the Monte Carlo projection to consider intelligent responses to changing financial conditions. This chart shows the percentage of projections that are successful for given retirement ages.

Each red column on the left shows the probability of having enough funds at retirement to safely make the planned initial withdrawal. Given your planned retirement spending of \$45,240/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 \$1,005,333 in today's dollars.

Each green column on the right shows the probability of having sufficient funds through life expectancy.

Assumptions

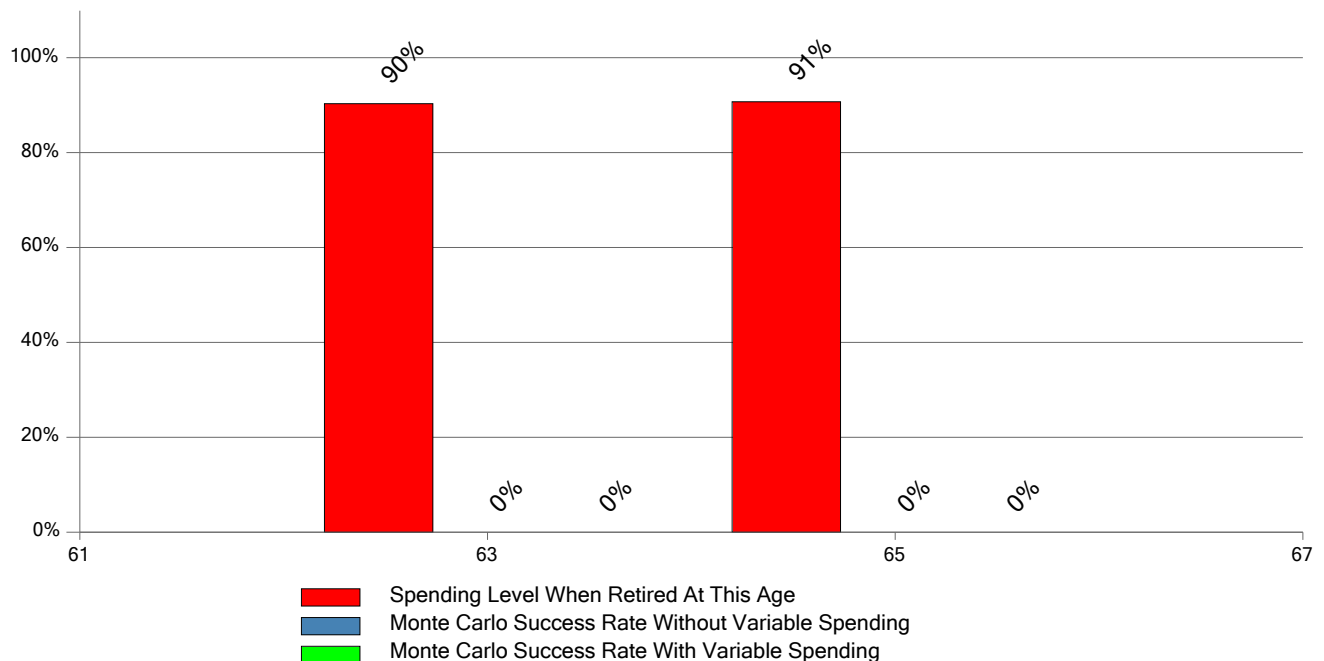
Randomize rate of return	Yes
Randomize inflation rate	No
Allow for a different retirement age	Yes
Early 2 Later	5
Initial withdrawal rate limit	4.5 %
Ending withdrawal rate limit	10.0 %
Variable spending budget floor	90 %
Variable spending budget ceiling	125 %
Variable spending increase ratio	25 %

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 Behavioral 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 Behavioral Analysis graph illustrates the simulation result for each age’s variable spending level as a percentage of budgeted spending (red), the simulation 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 %.