

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 \$2,391,000.
- You have liabilities of approximately \$145,000.
- Your net worth is approximately \$2,246,000.
- You now have \$996,000 in working assets and are adding \$49,000 per year.

Your Goals:

- William wants to retire at age 65 and Nancy wants to retire at age 65.
- Monthly after-tax income needed at that time is \$13,750 (in today's dollars).
- You will need the income until the last life expectancy of age 90.
- To meet your education goals you need to save \$40,509 annually (\$3,376 monthly).

Analysis Details:

- Asset Allocation: Type of Investor - Moderate
- Long-term care assets at risk - \$466,264
- Net Estimated Life Insurance Needs Shortage for William: \$3,665,000
- Net Estimated Life Insurance Needs Shortage for Nancy: \$635,000
- William and Nancy do not have Wills.
- William and Nancy do not have Durable Powers of Attorney.
- William and Nancy do not have Living Wills.
- William and Nancy 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 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 \$52,000/year (\$4,333 month).
- Reduce your spending needs.
- Defer your retirement by about 10 years.
- 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

Client Information:		Asset Allocations:	Current	Suggested		
Names :	William and Nancy Sample	Cash & Reserves	2.51%	2.00%		
First Name 1	William	Income	7.83%	14.00%		
First Name 2	Nancy	Income & Growth	2.31%	0.00%		
Birthdate / Age 1	6/30/1962 44	Growth	65.76%	63.00%		
Birthdate / Age 2	9/27/1964 42	Aggressive Growth	21.59%	21.00%		
Retirement Age 1	65	Other	0.00%	0.00%		
Retirement Age 2	65	Rate Assumptions (Before & After Retirement):				
Life Expectancy 1	85	Taxable Returns	8.00%	8.00%		
Life Expectancy 2	90	Tax-Deferred & Roth Returns	8.00%	8.00%		
Alternate life exp. 1	90	Tax-Free Returns	8.00%	5.00%		
Alternate life exp. 2		Return on Annuities	8.00%	8.00%		
Risk Tolerance Level	Moderate	Effective Tax Rates	35.00%	35.00%		
Life Insurance 1	\$200,000	Cost Basis for Taxable Assets		100.00%		
Life Insurance 2		Cost Basis for Annuity Assets		100.00%		
Term Insurance 1	\$1,500,000	Additions Increase Rate: Taxable		3.00%		
Term Insurance 2	\$1,000,000	Additions Increase Rate: Tax-Def 1		3.00%		
Insurance cash value 1	\$25,000	Additions Increase Rate: Tax-Def 2		3.00%		
Insurance cash value 2		Other Incomes After-tax				
Pension & Social Security Data (Annual):		Item	Start	Inc	Number	Amount per
Pension-Indv. 1		Description	Year	Rate	of years	year
Pension start age		2006	2006	0.00%	1	\$800,000
Pension rate (pre ret.)						
Pension rate (ret.)						
Pension survivor %						
Pension-Indv. 2						
Pension start age						
Pension rate (pre ret.)						
Pension rate (ret.)						
Pension survivor %						
Soc Sec 1 Start age	65					
Soc Sec 1 Rate	2.00%					
Earned income 1	\$240,000					
Soc Sec 1 Amt. (if known)						
Soc Sec 2 Start age	65					
Soc Sec 2 Rate	2.00%					
Earned income 2	\$65,000					
Soc Sec 2 Amt. (if known)						
Estimated Education Costs		Other Expenses After-tax:				
Total cost at 6% inf.	\$562,288					
Expenses & Inflation (Annual After-tax):						
Expenses, (pre ret.)	\$165,000					
Expenses, Survivor (pre ret.)	\$165,000					
Expenses at Retirement	\$165,000					
Expenses, Survivor (ret.)	\$165,000					
Inflation, (pre ret.)	3.00%					
Inflation, Survivor (pre ret.)	3.00%					
Inflation at Retirement	3.00%					
Inflation, Survivor (ret.)	3.00%					

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

William and Nancy Sample

March 22, 2007

ASSETS

Savings And Investments

Checking Accounts	\$10,000	
Money Market Accounts/Funds	63,000	
Passbook & Credit Union Savings	15,000	
Government Bonds, T-Bills	15,000	
Common Stocks	540,000	
		\$643,000

Retirement Accounts

Qualified Plans-William	\$110,000	
IRA Assets-William	220,000	
IRA Assets-Nancy	23,000	
		\$353,000

Other Assets

Residence	\$1,200,000	
Personal Property	20,000	
Arizona Condo	150,000	
Life Insurance Cash Values	25,000	
		\$1,395,000

TOTAL ASSETS \$2,391,000

LIABILITIES

Residence Mortgage	\$120,000	
Auto Loans	25,000	
		\$145,000

Net Worth (Assets less Liabilities) \$2,246,000

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

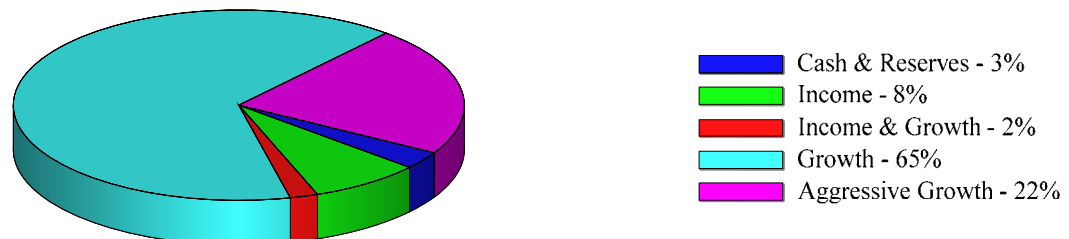
Asset Worksheet

Description	Current Amount	Annual Additions	Addition Period	Asset Class	Account Taxation	Asset Type
Savings Account	15,000			Cash	Taxable(J)	Passbook Savings
Checking	10,000			Cash	Taxable(J)	Checking Account
Money Market	48,000			Income	Taxable(J)	Money Market
Savings Bonds	15,000			Income	Taxable(J)	Govt bonds, T-Bill
Nancy-IRA	23,000			Inc./Gro.	IRA (2)	Stocks
William-IRA	220,000			Growth	IRA (1)	Stocks
Nancy-Taxable	325,000			Growth	Taxable(2)	Stocks
William-401K	110,000	25,000	2006-2006	Growth	Tax-Deferred (1)	Mutual Funds (Stock)
Kids Accounts	15,000	24,000	2006-2010	Income	Taxable(2)	Money Market
Options	140,000			Agg. Gro.	Taxable(1)	Stocks
Stock Option Shares	30,000			Agg. Gro.	Taxable(1)	Stocks
ESPP Shares	45,000			Agg. Gro.	Taxable(1)	Stocks
Totals:	\$996,000					

Your Current Asset Allocation

The information from the previous page was used to create the following chart.

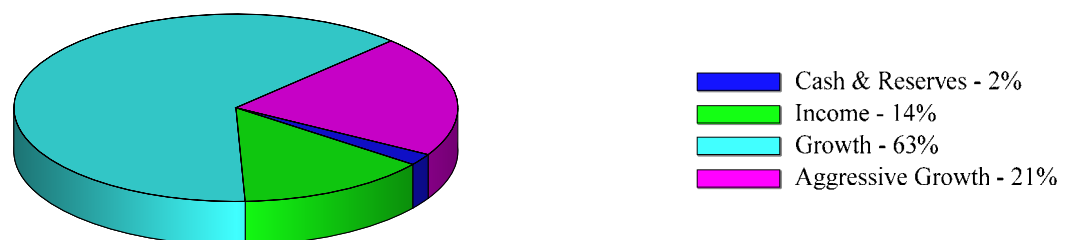
It is important to the success of your planning that your asset allocation is consistent with your goals. You should compare your current allocation to the Suggested Asset Allocation below which may be more appropriate and beneficial to your situation.



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 advisor or insurance agent for analysis.



	Asset Allocation				Change
	Current		Suggested *		
Cash & Reserves	\$25,000	3%	\$19,920 **	2%	(\$5,080)
Income	78,000	8%	139,440	14%	61,440
Income & Growth	23,000	2%	0	0%	(23,000)
Growth	655,000	65%	627,480	63%	(27,520)
Aggressive Growth	215,000	22%	209,160	21%	(5,840)
Other	0	0%	0	0%	0
Total	\$996,000	100%	\$996,000	100%	0

* 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.*

Your Current Retirement Goals

	<u>William</u>	<u>Nancy</u>
Age:	44	42
Retirement Age:	65	65
Years until Retirement:	21	23
Years of Retirement:	25	25
Annual Retirement Spending (After-tax):	\$165,000	<i>(expressed in today's dollars)</i>

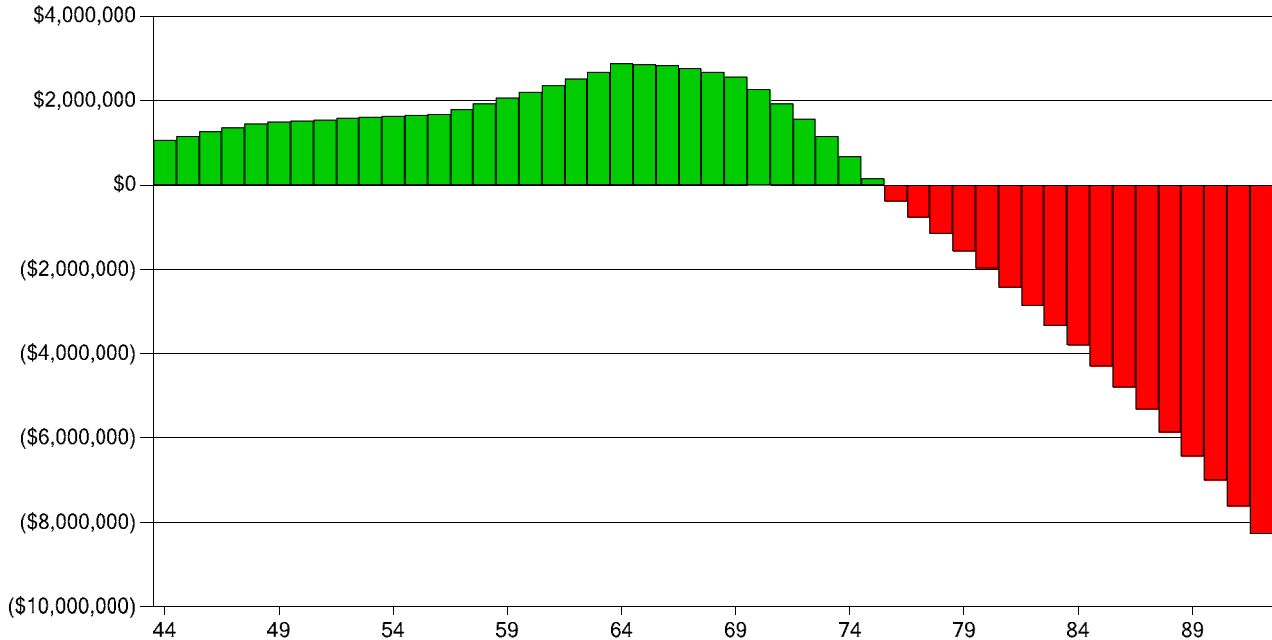
Additional Objectives Please see the attached Education Funding Illustration.
Education Costs have been included in the Retirement Analysis.

Assumptions

	<u>Pre-Retirement</u>	<u>Retirement</u>
Inflation Rate:	3.0%	3.0%
Income Tax Rate (Average):	35.0%	35.0%
Return on Investments (Average):	8.0%	8.0%

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 your capital assets, and in cases of capital shortages shows accumulating deficits.

General Assumptions:

Rates of Return Before and After Retirement Used in Illustration:		
Taxable RORs:	8%	8%
Tax Def. RORs:	8%	8%
Tax Free RORs:	8%	5%
Annuity RORs:	8%	8%

Retirement Spending Needs*	\$165,000
Survivor Spending Needs*	\$165,000
Retirement Age	William - 65
Retirement Age	Nancy - 65
Inflation - Current	3%
Inflation - Retirement	3%
Tax Rate - Current	35%
Tax Rate - Retirement	35%

* 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 \$52,000/year (\$4,333 month).
- Reduce your spending needs.
- Defer your retirement by about 10 years.
- Combine any of the above and lower the requirements for each.

Insurance Summary

Company Name			
Insured	Indv 1	Indv 1	Indv 2
Owner	Other	Indv 1	Indv 2
Beneficiary	Other	Other	Indv 1
Type	Term	Whole	Term
Death Benefit	\$1,500,000	\$200,000	\$1,000,000
Annual Premium		1,734	
Total Premiums Paid			
Current Cash Values		25,000	

Insurance Included in Estate:

William predeceases Nancy

	<u>William</u>	<u>Nancy</u>
Policy 1 -	\$200,000	\$0
Policy 2 -	0	1,000,000
	\$200,000	\$1,000,000

Nancy predeceases William

	<u>Nancy</u>	<u>William</u>
Policy 1 -	\$0	\$200,000
Policy 2 -	1,000,000	0
	\$1,000,000	\$200,000

Disability Income Insurance

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

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

<u>William</u>		<u>Nancy</u>	
Current Income:	\$240,000/Yr.	Current Income:	\$65,000/Yr.
Replacement Ratio*:	65%	Replacement Ratio*:	65%
Suggested Need:	\$156,000/Yr.	Suggested Need:	\$42,000/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 a financial advisor and/or insurance agent 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:

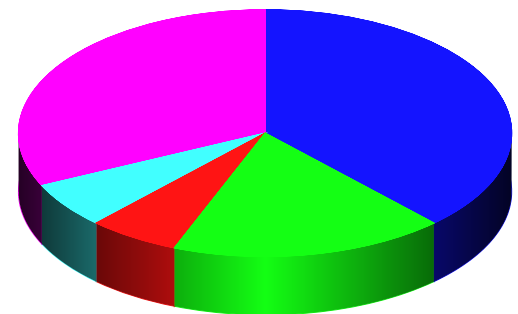
<p>An inability to perform two or more Activities of Daily Living (or ADLs).</p>	<p>Activities of Daily Living (ADLs) are basic functions of daily independent living and includes:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Dressing</td> <td>Toileting</td> </tr> <tr> <td>Bathing</td> <td>Transferring</td> </tr> <tr> <td>Eating</td> <td>Continence</td> </tr> </table>	Dressing	Toileting	Bathing	Transferring	Eating	Continence
Dressing	Toileting						
Bathing	Transferring						
Eating	Continence						
<p>Impaired Cognitive Ability</p>	<p>Loss of mental function can result from stroke, dementia or Alzheimer's Disease. Alzheimer's Disease is a disorder that progressively affects one's ability to carry out daily activities.</p>						

The Cost of Waiting to Plan

- 40% of all long-term care recipients are under the age of 65.
- Over 45% of seniors who reach age 65 will spend some time in a nursing home.
- Over 70% of seniors who reach age 65 will need some form of home health care in their lifetime.
- One out of every four families provides care to an elderly relative or loved one.
- 25% 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 - 38%
- Medicare - 18%
- Private Health Insurance - 6%
- Other - 6%
- Savings / Family - 32%

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.**

Estate Tax Estimate

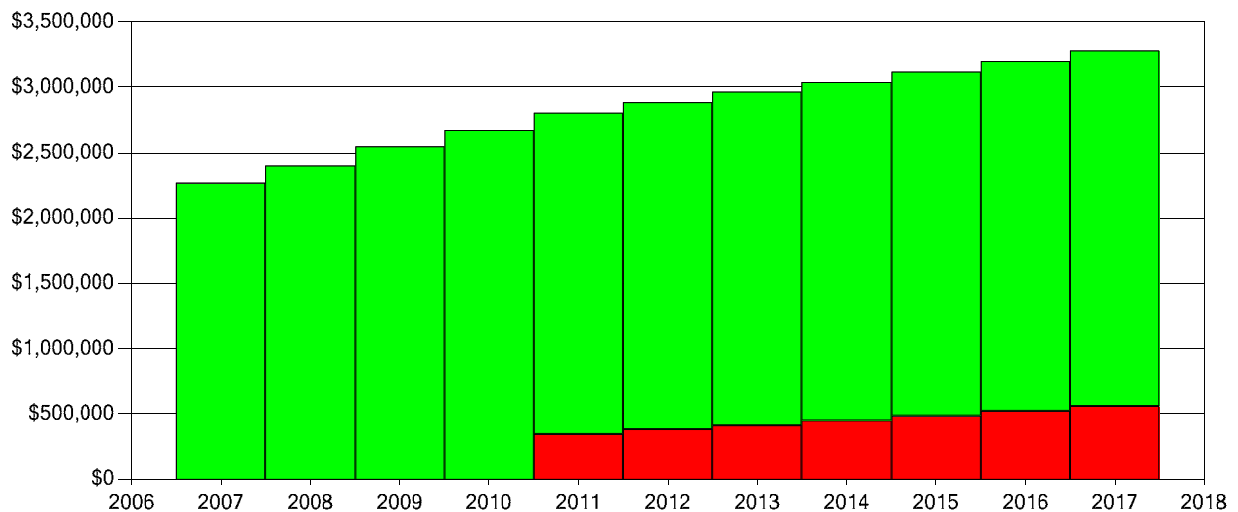
EGTRRA 2001

In June 2001, The Economic Growth and Tax Relief Reconciliation Act of 2001 was signed into law. One feature of the new law is to completely phase out estate taxes by 2010. This will be done by increasing estate tax exemptions and decreasing estate tax rates each year. In 2010, inherited property will no longer receive a step-up in basis as is done now, exposing those assets to potentially large capital gains when sold. In addition, Gift Tax rules have been changed. Congress must decide by 2011 if these changes will be permanent or revert back to previous law. We have shown your estate tax exposure in 2011 in terms of the previous 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 \$2,000,000 per person in 2007). 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 that the status of estate tax law is uncertain beyond year 2010.

Estimated Estate Growth vs. Federal Estate Tax



Year End	Retirement Capital	Other Assets	Debts & Expenses	Adjustments *	Estate Tax Base	Exclusion Amounts	Estimated Estate Tax
2007	\$1,082,300	\$1,370,000	(\$181,432)	\$0	\$2,270,868	\$4,000,000	\$0
2008	1,174,616	1,411,100	(183,531)	0	2,402,185	4,000,000	0
2009	1,273,347	1,453,433	(181,234)	0	2,545,546	7,000,000	0
2010	1,378,918	1,497,036	(204,096)	0	2,671,858	0	0
2011	1,464,067	1,541,947	(198,139)	0	2,807,875	2,000,000	(348,544)
2012	1,496,432	1,588,205	(199,366)	0	2,885,271	2,000,000	(383,372)
2013	1,528,144	1,635,852	(200,604)	0	2,963,392	2,000,000	(418,526)
2014	1,559,053	1,684,927	(201,850)	0	3,042,130	2,000,000	(453,959)
2015	1,588,995	1,735,475	(203,103)	0	3,121,367	2,000,000	(489,615)
2016	1,617,791	1,787,539	(204,359)	0	3,200,971	2,000,000	(525,437)
2017	1,645,251	1,841,165	(205,618)	0	3,280,799	2,000,000	(561,359)

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

Education Funding Illustration

William and Nancy Sample

Assuming an inflation rate of 6%, the total projected cost of education will be \$562,288

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

- Make a single deposit now in the amount of \$359,998
- Make level annual payments in the amount of ... \$40,509
- Make level monthly payments in the amount of ... \$3,376

* 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
William, Jr.	2012	4	\$45,000	\$248,527			\$179,999	\$27,346
Caitlin	2016	4	45,000	313,761			179,999	20,254
\$562,288					\$0		\$359,998	\$47,600**

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%*
2008	\$40,509		\$42,940
2009	40,509		88,456
2010	40,509		136,703
2011	40,509		187,844
2012	40,509	56,811	181,835
2013	40,509	60,220	171,851
2014	40,509	63,833	157,439
2015	40,509	67,663	138,102
2016	40,509	71,723	113,302
2017	40,509	76,027	82,451
2018	40,509	80,588	44,914
2019	40,509	85,423	

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