

Personal Financial Plan

For

We R. Prepared

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Prepared by

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Financial Overview, Observations and Recommendations

This presentation provides a general overview of some aspects of your personal financial position. It is designed to provide educational and / or general information and is not intended to provide specific legal, accounting, investment, tax or other professional advice. For specific advice on these aspects of your overall financial plan, consult with your professional advisors. Asset or portfolio earnings and / or returns shown, or used in the presentation, are not intended to predict nor guarantee the actual results of any investment products or particular investment style.

IMPORTANT: The projections or other information generated by Money Tree's Silver regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Additionally, it is important to note that information in this report is based upon financial figures input on the date above; results provided may vary with subsequent uses and over time.

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. 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 \$413,609.
- You have liabilities of approximately \$103,000.
- Your net worth is approximately \$310,609.
- You now have \$175,515 in working assets and are adding \$16,000 per year.

Your Goals:

- Bob wants to retire at age 62 and Janet wants to retire at age 60.
- Monthly after-tax income needed at that time is \$4,583 (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 \$10,641 annually (\$887 monthly).

Analysis Details:

- Asset Allocation: Type of Investor - Moderate
- Long-term care assets at risk: \$757,452
- Net Estimated Life Insurance Needs Shortage for Bob: None
- Net Estimated Life Insurance Needs Shortage for Janet: \$63,000
- Bob and Janet both have Wills.
- Bob and Janet both have Durable Powers of Attorney.
- Bob and Janet both have Living Wills.
- Bob and Janet both 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:

Using current data, estimates show you will have enough money to reach your retirement goals. Since it appears that you will have \$2,338,800 left at your life expectancy (not including insurance proceeds), you may wish to consider: an earlier retirement, increased spending during retirement, or other ways to enhance your retirement years.

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.

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>Bob</u>	<u>Janet</u>
Age:	38	37
Retirement Age:	62	60
Years until Retirement:	24	23
Years of Retirement:	28	30
Annual Retirement Spending (After-tax):	\$55,000	<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):	20.0%	15.0%
Return on Investments (Average):	6.3%	6.3%

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

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

Passbook & Credit Union Savings
Common Stocks
Stock Mutual Funds

Current Balances

\$28,428
18,500
2,358
\$49,286

Retirement Plans

Qualified Plans-Bob

\$126,229
\$126,229

Total Investment Assets

\$175,515

See Asset Worksheet for detailed annual savings information.

Social Security

Starting Age
Benefit at Starting Age (After-tax)

Bob

65
\$11,914

Janet

65
\$10,633

Pension Plans

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

Bob

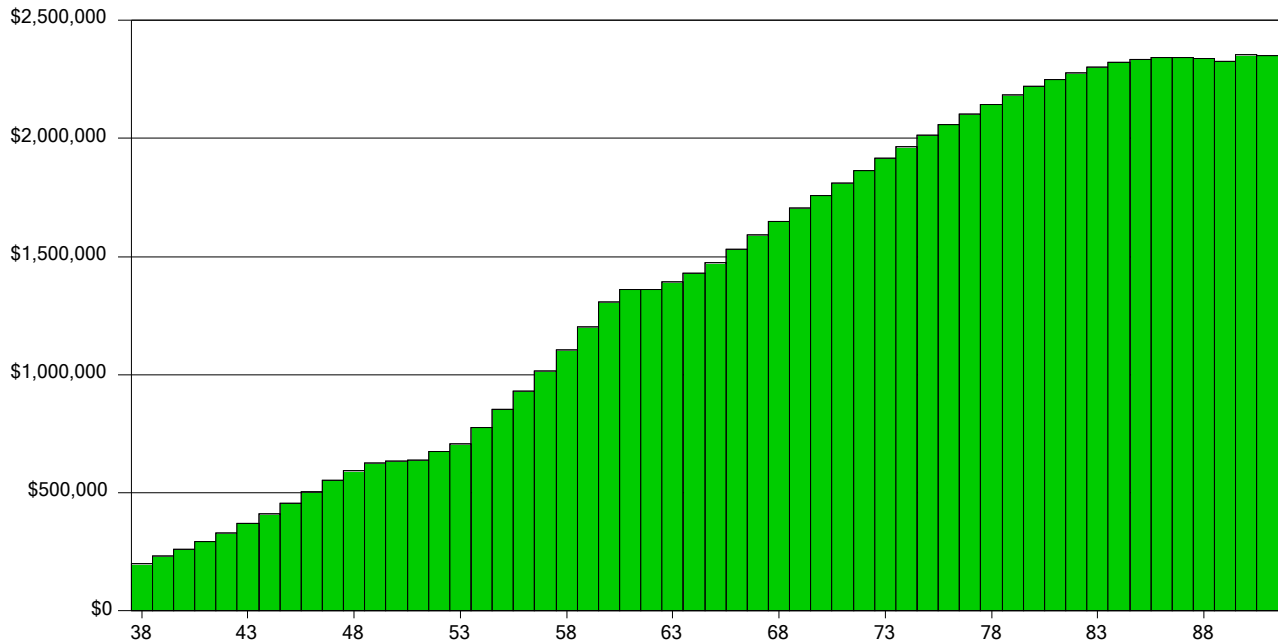
\$42,500*
62
0.0%
0.5%
100%

Janet

\$34,000*
62
0.0%
0.5%
50%

*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 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:	7% 7%
Tax Def. RORs:	6% 6%
Tax Free RORs:	4% 4%
Annuity RORs:	6% 6%

Retirement Spending Needs*	\$55,000
Survivor Spending Needs*	\$50,000
Retirement Age	Bob - 62
Retirement Age	Janet - 60
Inflation - Current	3%
Inflation - Retirement	3%
Tax Rate - Current	20%
Tax Rate - Retirement	15%

* 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:

Using current data, estimates show you will have enough money to reach your retirement goals. Since it appears that you will have \$2,338,800 left at your life expectancy (not including insurance proceeds), you may wish to consider: an earlier retirement, increased spending during retirement, or other ways to enhance your retirement years.

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 (page 3). The bold line represents the values shown in the Retirement Capital Analysis.

Percentage of Monte Carlo Results Above Zero at Selected Ages

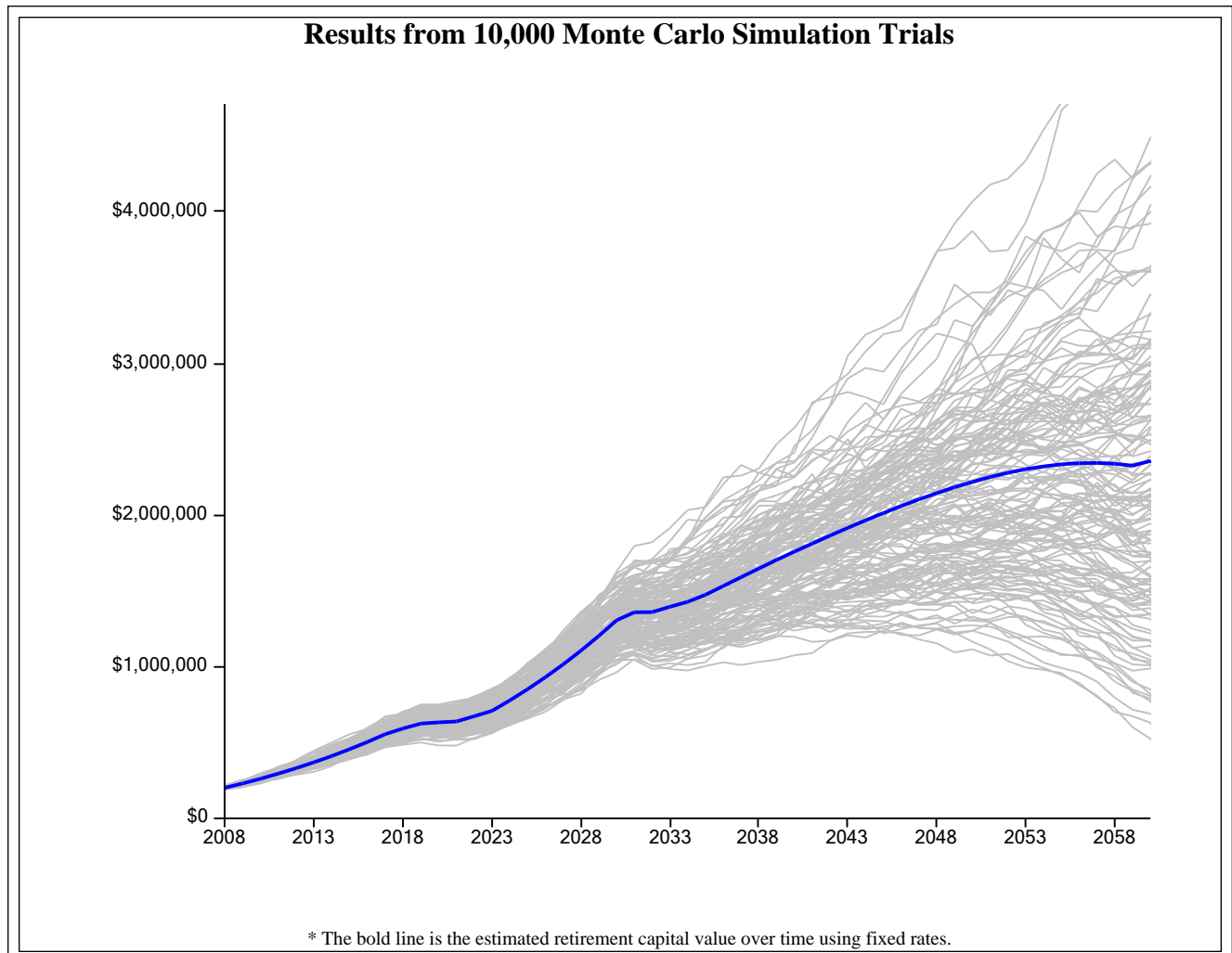
These results represent the percentage of Monte Carlo simulation outcomes that show positive retirement asset value remaining at different ages. A percentage above 70 at last life expectancy is an indication that the underlying retirement plan offers a substantial probability of success even under volatile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



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 returns 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.

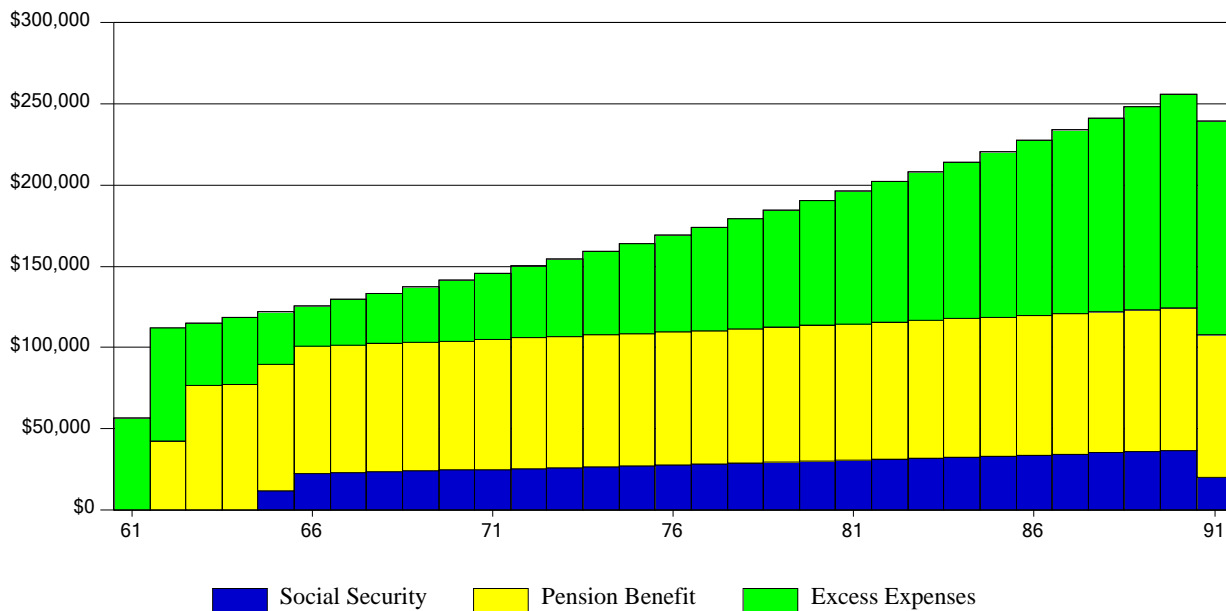
Retirement Capital Analysis Results, at Life Expectancy, of 10,000 Monte Carlo Simulations:

Percent with funds at last life expectancy	100%	Retirement Capital Estimate	\$2,298,756
Percent with funds at age 81	100%	Minimum (Worst Case) result	\$0
Percent with funds at age 71	100%	Average Monte Carlo result	\$2,280,748
Percent with funds at age 61	100%	Maximum Monte Carlo result	\$7,280,838

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 3% (95% of values fall between 0.3% and 12.3%).

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.

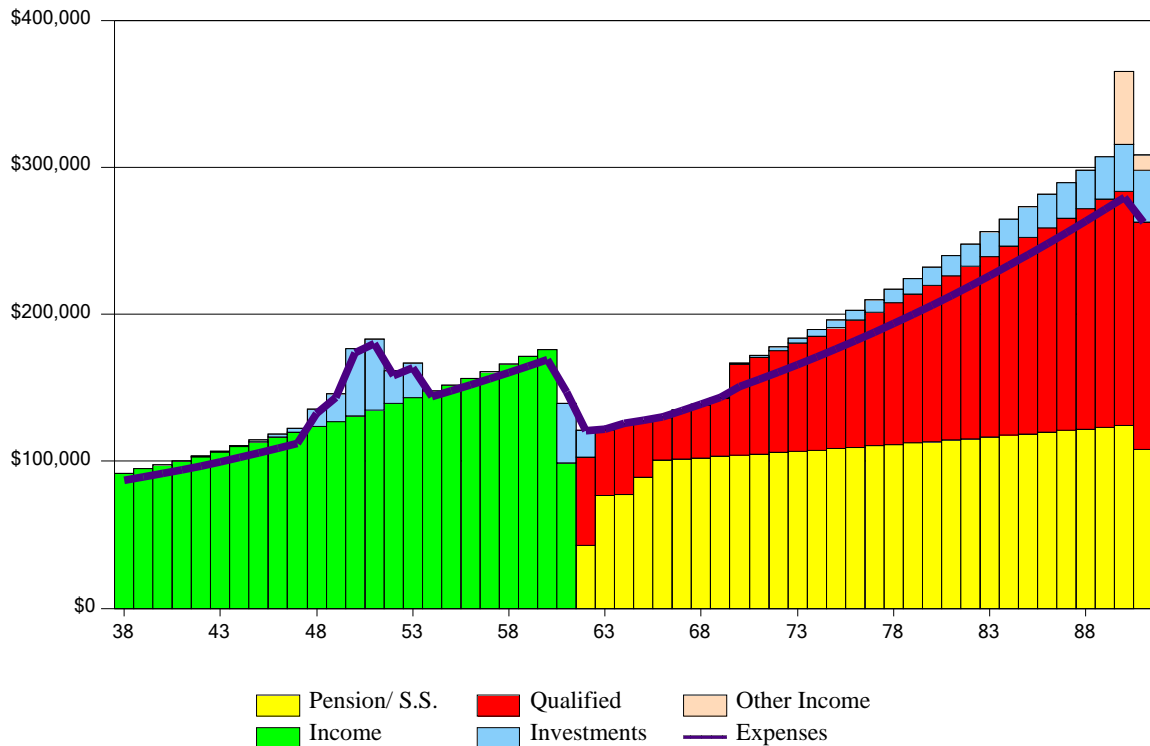
Social Security benefits, and annual adjustments for benefit growth, are estimated and illustrated over the anticipated lifetime. If the starting age selected for Social Security benefits is prior to normal benefit age, only a partial Social Security benefit may be available. Benefit amounts may decrease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

Ages Indv. 1 2	Cash Flow Sources						Less Living Expense & Taxes	Shortage or Surplus
	Earned Income	Retire/Roth Accounts*	Investment Accounts*	Pension/ Soc Sec.	Other Income	Total Sources		
38 37	\$92,000	(\$12,000)	(\$1,128)			\$78,872	(\$74,000)	\$4,872
39 38	94,760	(12,360)	(860)			81,540	(76,220)	5,321
40 39	97,602	(12,730)	(566)			84,306	(78,506)	5,799
41 40	100,530	(13,112)	(247)			87,171	(80,861)	6,310
42 41	103,546	(13,506)	101			90,141	(83,287)	6,854
43 42	106,652	(13,911)	480			93,221	(85,786)	7,435
44 43	109,852	(14,328)	891			96,415	(88,359)	8,055
45 44	113,147	(14,758)	1,337			99,726	(91,010)	8,715
46 45	116,542	(15,201)	1,819			103,160	(93,741)	9,420
47 46	120,038	(15,657)	2,340			106,721	(96,553)	10,169
48 47	123,639	(16,126)	11,643		(17,019)	102,137	(99,449)	2,688
49 48	127,348	(16,610)	18,896		(24,433)	105,201	(102,433)	2,768
50 49	131,169	(17,109)	45,607		(51,310)	108,357	(105,506)	2,851
51 50	135,104	(17,622)	48,002		(53,876)	111,608	(108,671)	2,937
52 51	139,157	(18,151)	22,235		(28,285)	114,956	(111,931)	3,024
53 52	143,332	(18,695)	23,467		(29,699)	118,405	(115,289)	3,116
54 53	147,632	(19,256)	(6,076)			122,300	(118,748)	3,552
55 54	152,061	(19,834)	(5,884)			126,343	(122,310)	4,032
56 55	156,623	(20,429)	(5,666)			130,528	(125,980)	4,548
57 56	161,322	(21,042)	(5,420)			134,860	(129,759)	5,101
58 57	166,161	(21,673)	(5,142)			139,346	(133,652)	5,694
59 58	171,146	(22,323)	(4,831)			143,992	(137,661)	6,331
60 59	176,281	(22,993)	(4,486)			148,802	(141,791)	7,011
61 60 R	98,679	(23,683)	40,658			115,654	(123,548)	(7,894)
62 R 61		60,428	17,941	42,500		120,869	(120,869)	
63 62		45,231		76,712		121,943	(121,943)	
64 63		48,844		77,096		125,940	(125,940)	
65 64		38,560		89,396		127,956	(127,956)	
66 65		29,626		100,655		130,281	(130,280)	
67 66		33,073		101,500		134,573	(134,573)	
68 67		36,640		102,356		138,996	(138,996)	
69 68		40,331		103,223		143,554	(143,554)	
70 69		62,232	457	104,102		166,791	(150,964)	15,827
71 70		65,788	1,389	104,992		172,169	(155,747)	16,423
72 71		69,540	2,358	105,895		177,793	(160,686)	17,108
73 72		73,498	3,369	106,809		183,676	(165,787)	17,889
74 73		77,673	4,429	107,736		189,838	(171,057)	18,781
75 74		82,076	5,543	108,675		196,294	(176,499)	19,795
76 75		86,717	6,719	109,627		203,063	(182,121)	20,942
77 76		91,176	7,956	110,591		209,723	(187,863)	21,860
78 77		96,305	9,260	111,570		217,135	(193,858)	23,277
79 78		101,184	10,638	112,561		224,383	(199,972)	24,411
80 79		106,271	12,084	113,566		231,921	(206,279)	25,642
81 80		111,566	13,603	114,585		239,754	(212,784)	26,971
82 81		117,073	15,203	115,617		247,893	(219,491)	28,403
83 82		122,790	16,889	116,665		256,344	(226,406)	29,938
84 83		128,715	18,666	117,727		265,108	(233,535)	31,573
85 84		133,934	20,517	118,803		273,254	(240,745)	32,509
86 85		139,234	22,421	119,895		281,550	(248,160)	33,390
87 86		144,596	24,373	121,003		289,972	(255,782)	34,191
88 87		149,992	26,369	122,126		298,487	(263,614)	34,872
89 88		155,392	28,399	123,265		307,056	(271,657)	35,399
90 L 89		159,345	31,905	124,420	50,000	365,670	(279,700)	85,970
90 L 90 L		154,509	35,708	108,147	10,000	308,364	(262,695)	45,669

* 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.

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.

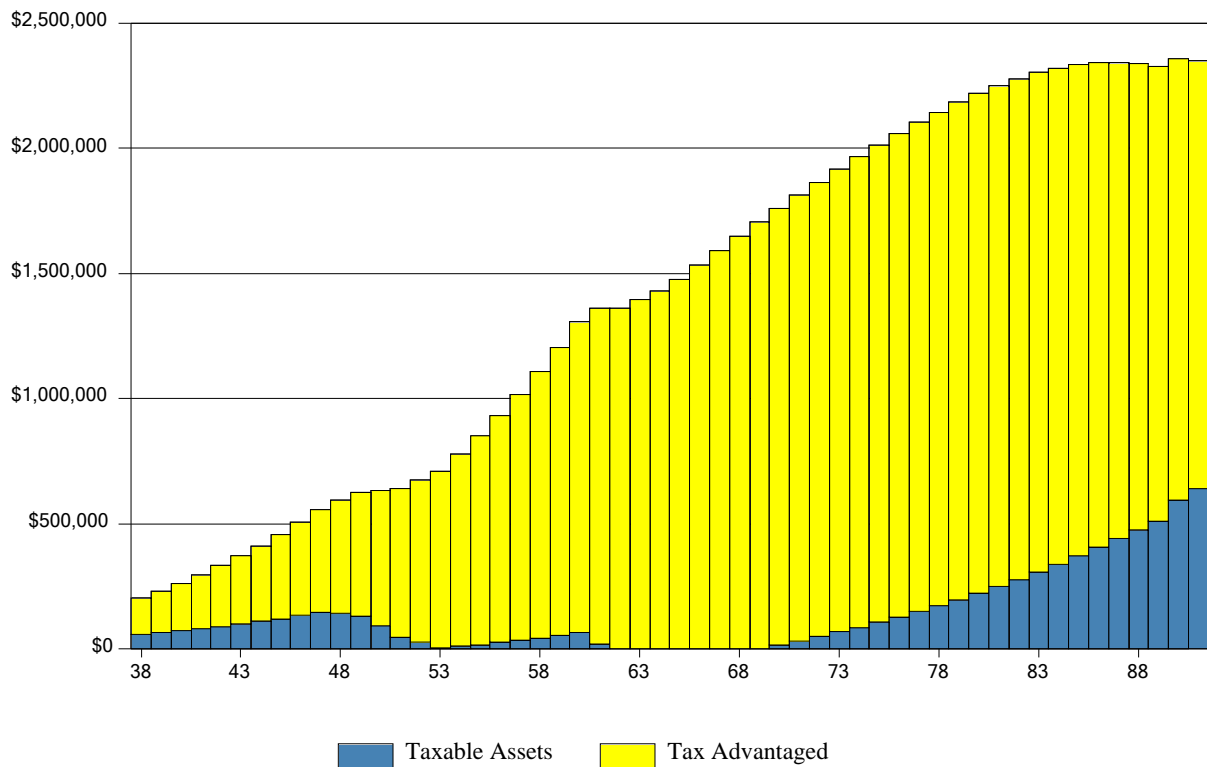
The cash flow numbers page contains the numerical information upon which the graph is based. This page shows the sources and uses of funds. The columns coincide with the bars and lines in the cash flow graph. Red numbers represent a use of cash, black a source.

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

Ages*	Retirement Spending Needs	Sources of Annual Income **				Education & Other Inc/Exp***	Net Surplus or (Shortage)	Annual Additions To Assets	Retirement Capital \$175,515
		Social Security		Pension Income					
		Indv. 1	Indv. 2	Indv. 1	Indv. 2				
38	37							16,000	202,320
39	38							16,480	231,200
40	39							16,974	262,292
41	40							17,484	295,742
42	41							18,008	331,705
43	42							18,548	370,346
44	43							19,105	411,839
45	44							19,678	456,370
46	45							20,268	504,136
47	46							20,876	555,346
48	47					(17,019)	(17,019)	21,503	592,726
49	48					(24,433)	(24,433)	22,148	625,407
50	49					(51,310)	(51,310)	22,812	633,150
51	50					(53,876)	(53,876)	23,497	639,582
52	51					(28,285)	(28,285)	24,201	673,610
53	52					(29,699)	(29,699)	24,927	709,056
54	53							25,675	778,019
55	54							26,446	851,886
56	55							27,239	930,973
57	56							28,056	1,015,614
58	57							28,898	1,106,165
59	58							29,765	1,203,006
60	59							30,658	1,306,536
61	60 R	56,447					(56,447)	31,577	1,359,154
62 R	61	111,805			42,500		(69,305)		1,359,978
63	62	115,159			42,713	34,000	(38,447)		1,394,988
64	63	118,614			42,926	34,170	(41,518)		1,428,377
65	64	122,172	11,914		43,141	34,341	(32,776)		1,474,362
66	65	125,837	12,152	10,633	43,356	34,513	(25,182)		1,532,308
67	66	129,612	12,395	10,846	43,573	34,685	(28,112)		1,590,180
68	67	133,500	12,643	11,063	43,791	34,859	(31,144)		1,647,851
69	68	137,505	12,896	11,284	44,010	35,033	(34,282)		1,705,180
70	69	141,630	13,154	11,510	44,230	35,208	(37,528)		1,759,216
71	70	145,879	13,417	11,740	44,451	35,384	(40,887)		1,812,479
72	71	150,255	13,686	11,975	44,673	35,561	(44,360)		1,864,772
73	72	154,763	13,959	12,214	44,897	35,739	(47,954)		1,915,882
74	73	159,406	14,238	12,459	45,121	35,917	(51,670)		1,965,576
75	74	164,188	14,523	12,708	45,347	36,097	(55,513)		2,013,604
76	75	169,114	14,814	12,962	45,574	36,278	(59,487)		2,059,693
77	76	174,187	15,110	13,221	45,801	36,459	(63,596)		2,103,616
78	77	179,413	15,412	13,486	46,031	36,641	(67,843)		2,144,996
79	78	184,795	15,720	13,755	46,261	36,824	(72,234)		2,183,571
80	79	190,339	16,035	14,030	46,492	37,009	(76,773)		2,218,987
81	80	196,049	16,355	14,311	46,724	37,194	(81,464)		2,250,865
82	81	201,930	16,683	14,597	46,958	37,380	(86,313)		2,278,798
83	82	207,988	17,016	14,889	47,193	37,567	(91,323)		2,302,349
84	83	214,228	17,357	15,187	47,429	37,754	(96,501)		2,321,049
85	84	220,655	17,704	15,491	47,666	37,943	(101,852)		2,334,538
86	85	227,275	18,058	15,801	47,904	38,133	(107,380)		2,342,307
87	86	234,093	18,419	16,117	48,144	38,323	(113,090)		2,343,817
88	87	241,116	18,787	16,439	48,385	38,515	(118,990)		2,338,489
89	88	248,349	19,163	16,768	48,626	38,708	(125,084)		2,325,714
90 L	89	255,799	19,546	17,103	48,870	38,901	(81,379)		2,356,549
	90 L	239,519		19,937	49,114	39,096	(121,372)		2,348,756

*R=Retirement age, L=Life expectancy.** Pensions & 85% of S.S. reduced 15.00% for income taxes.*** Includes life insurance and education costs.

Note: This report is based upon assumed inflation rates of 3.00% and 3.00% (before and after retirement). Actual future inflation rates are unknown.

This report, and its hypothetical illustrations, are intended to form a basis for further discussion with your legal, accounting, and financial advisors.

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.

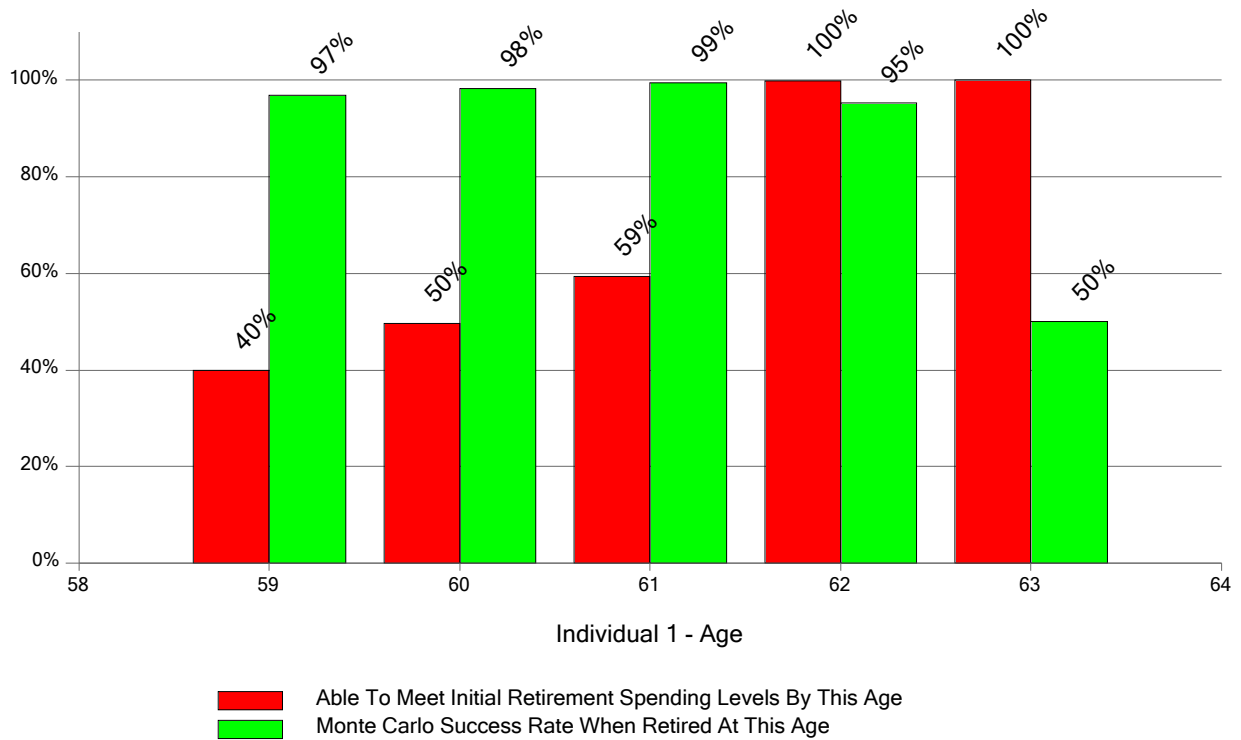
Traditional retirement illustrations are static – that is, they assume inflation rates and investment returns are constant throughout the calculations. Static illustrations offer a good picture of general retirement concepts, and are representative if every year is close to average. Of course, in real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

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 \$55,000/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 \$1,222,222 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	Yes
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 %

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.

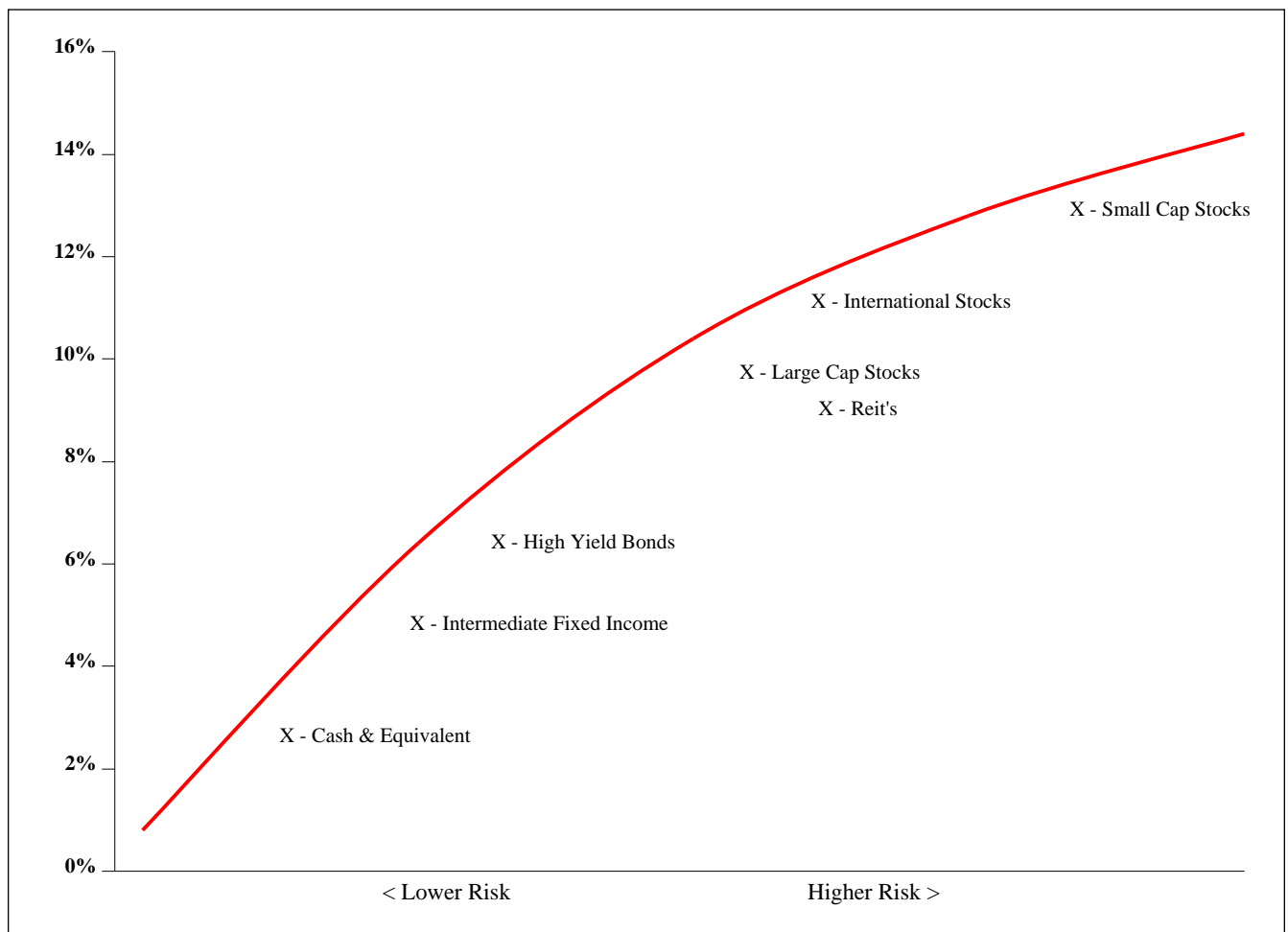
Investment Planning

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.

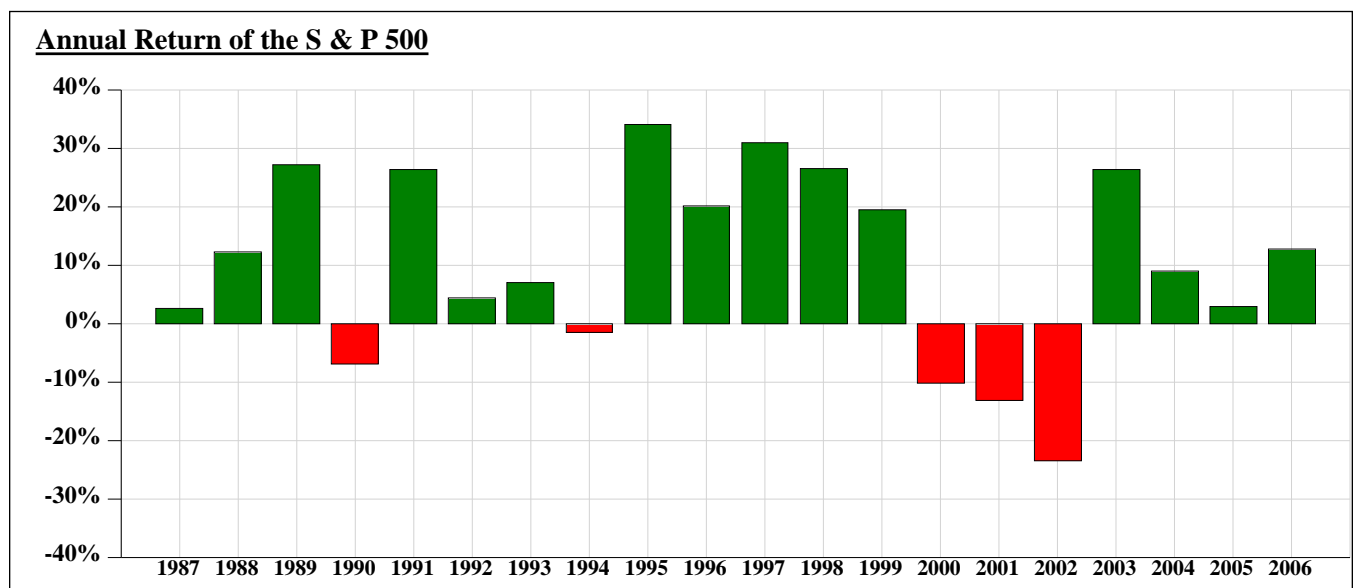
Diversification is an aid in reducing market risk. Diversification may be approached several ways. The first approach is diversification across asset classes. There are distinctions between large, mid, and small cap stocks based on the market capitalization of the companies. There are distinctions between 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.



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.

