- *CONFIDENTIAL REPORT* -

Prepared Especially For:

John & Mary Sample

June 2015

Prepared By:

Smart T. Advisor

TOOLS FOR MONEY DOT COM

55 Gotbucks Avenue
Suite 33
Bel Air, CA 90077

(734) 369-0580
(800) 555-1333
FAX (734) 555-3355

Email: support@toolsformoney.com

- *CONFIDENTIAL REPORT* -

FINANCIAL PLAN INTRODUCTION

These confidential reports were created for your personal use and future reference only. Each section is designed to give you a better understanding of your financial circumstances, and what's projected for the future. These reports reflect your financial standing today and where you are likely to be in the event of your disability, death, or retirement. It will provide valuable information for years to come.

The goal of this financial plan is to make the greatest possible use of your present and expected financial resources. The plan assumes your expressed willingness, and ability, to take on an appropriate level of risk; and also to make the cash and investment commitments required.

Your report coordinates all of your assets, liabilities, sources of incomes; and then puts them into perspective when compared to your stated financial goals and objectives. Needs or deficiencies are identified, and recommendations are included to illustrate how you may improve on all of your arrangements.

Supplementary information is also included to help clarify some issues.

Periodic review will be necessary to keep your reports up to date and pertinent to your life. If, after a thorough review of the plan, you feel you'd like to make different assumptions, we'll be happy to make adjustments based on whatever assumptions you may wish to adopt.

The value of this financial plan lies in its implementation. Once your plan accurately reflects what you both are personally trying to accomplish, and the more rapidly these changes are made, the more likely your desired results can be achieved.

No financial plan is of any value unless it is implemented promptly. Our services are available to assist you in these endeavors.

About the *Cost Benefit Ratio* report: The total fee for constructing your financial plan was $2,500. According to our projections, the difference in your net worth in ten years between the current version (assuming you continued going down the road you're currently on), and the proposed version (following all of our recommendations) is roughly $456,000.

This number divided by the total fee is 182. So for every dollar you spent on our fee, the value of our plan returns $182 to you. The cost benefit ratio in 20 years is 569.

- *CONFIDENTIAL REPORT* -

FINANCIAL PLAN DISCLAIMER

Your financial plan was designed from the personal information and documents furnished to us by you, and it is based on your expression of the personal objectives and your attitudes. It is essential that the tax and legal planning steps be considered only with the advice of your attorney, CPA, and your other financial advisors; which we will be happy to coordinate with. This plan is not to be construed as offering legal or accounting advice. You are encouraged to discuss this plan and its findings with your attorney and accountant.

These reports show ballpark estimates of your future financial situation, and are intended only as a basis for discussion with your professional advisors. The estimates shown in this report are based on many assumptions that may or may not occur. Both principal value and investment returns will fluctuate over time. No warranty as to correctness is given and no liability is accepted for any error, or omission, or any loss, which may arise from relying on this data.

Every effort has been made to assure the highest reasonable degree of accuracy in your financial plan. However, due to the dynamic nature of our economic and tax environments, no guarantees or assurances can be given regarding the profitability or tax benefits of any investment. The only assurance is that over time, every investment program is likely to produce some losses on the road to achieving long-term gains. Also, taxes and inflation could be much higher than projected, which will seriously impede your progress.

This plan is only as accurate as the information on which it was based. If the data originally supplied to us is incorrect, the plan will reflect these inaccuracies, and these errors will project into the future at a magnified rate. Certain assumptions made by us, or you, may also limit the accuracy of the data. Please review your data carefully. Also, the further into the future this plan projects, the more inaccurate it becomes. As a result, your plan should be updated at least annually to ensure its continued accuracy.

Where rates of return, taxes, and inflation estimates are used to simulate investment results, they should not be construed as guarantees or warranties of profitability. Computerized performance projections of assets, portfolios, and markets are to be considered as statistical models based on past performance only. Past performance is no guarantee of any future results. No warranty as to correctness is given and no liability is accepted for any error, or omission, or any loss, which may arise from relying on this data. No investment, strategy, or recommendations in this report is insured by the FDIC, any governmental agency, or other corporation.

Where tax benefits are illustrated they are based on the best information currently available. Various proposals are made from time to time to change the tax laws, and it seems probable that many of our current tax laws will undergo changes during the years illustrated in this financial plan. Some of these proposals, if enacted, might have a serious adverse effect on tax consequences of some of the investment strategies proposed. On the other hand, some proposals may significantly enhance your position if enacted.

ABOUT THE RESULTING NUMBER TO THE RIGHT OF: *PROBABILITY OF SUCCESS GIVEN ALL ASSUMPTIONS*

In the retirement plan, and college savings plan reports, there is (usually) a percentage number shown. This is the result of the Monte Carlo simulation. This is also known as "stress testing" your financial plan.

Your financial plan was created using actual real "cash-flow based" money software, and not "fake goal- or goals-based software."

The point is that using real financial planning software makes it so your financial plan has several more degrees of magnitude more validity, when it comes to projecting your financial life into the future.

Fake investment software is just not capable of projecting accurate numbers more than a few years into the future, simply because it totally ignores the very heart of financial planning – which pumps the life blood into the future of your financial plan.

The heart of your financial plan, is your budget and cash flow; or earned and other incomes compared to your actual real-world expenses. The difference between these two factors - annual surpluses and deficits, and replacement costs, are usually what will end up determining your ability to reach your long-term goals (unless you have a large pool of financial assets, or interest-free credit, that you can freely tap at any time, when there are annual cash flow deficits).

Numbers more than 70% mean that your retirement plan has a good chance of succeeding, by weathering storms.

With numbers less than 70%, and there is significant risk that more money will be needed than what was input into the retirement plan, in order to remain in retirement without running out of money.

Numbers under 50% mean much more money will probably need to spent and invested than what's showing. This is because what was input was a "rosy scenario," meaning your investment returns will probably be lower than what was input, fees and expenses will be higher, and/or total costs will end up being much more than anticipated.

- CONFIDENTIAL REPORT -

Interview Notes, Assumptions, Concerns, and Goals

- JOHN & MARY SAMPLE -

FINANCIAL PLANNING INTERVIEW NOTES

In 2015, John is 45 and Mary is 40 years of age.

Your answers to our investment questionnaire scored 190 out of a possible 340 points (a score of 340 would indicate maximum tolerance for investment risk). This determines that you have a Moderate risk tolerance (the five risk categories are Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive). This gauges your ability to assume risk. Your willingness to assume risk has also been determined to be about the same as your ability to assume risk.

There are two time frames for the investment portfolio. Both are considered to be long-term. Because your health is excellent for your ages, your combined life expectancy is over 25 years. The second time frame occurs when the remains of the portfolio will pass to your heirs.

The purpose of your investment accounts are to provide retirement income for John and Mary Sample.

Other than providing for your children's education, you indicated that you foresee several future needs for significant withdrawals from the portfolio, so your liquidity needs are high. These long-term financial goals begin after retirement, and include purchasing a high-end RV, boat, expensive trips and vacations annually, a cabin in Montana, and new vehicles every seven years.

Your current income needs from the portfolio are minimal, calling for a total-return approach that focuses more on long-term capital gains than on the generation of current income.

There are no particular preferences, constraints, legal, regulatory, or unique needs noted for either your personal or qualified portfolios.

Your liquid assets are currently sufficient to provide the cash reserves needed for emergencies.

FINANCIAL PLANNING GOALS

John wishes to retire in 15 years and Mary wishes to continue working part time while John is retired.

Your main financial goal is to maintain a balanced portfolio to provide adequate retirement income, starting at age 60 for both of you. Your stated initial annual retirement income goal is $125,000 of net, after-tax, spendable dollars. This income stream will be constructed to attempt to increase at an average annual inflation rate of around 3% over your life expectancy. This income stream will also be constructed to attempt to continue through John's age of 100.

You should maintain adequate disability and survivor income (via level term life insurance) to maintain current living standards without depleting capital if one or both parents were to pass away. Currently, both of you are underinsured, so there are recommendations for buying more life insurance and disability insurance for both of you.

Buy new nursing care insurance policies to create a safety net for long-term care.

John indicated that he's willing to quit smoking and refinance the mortgage in 2016.

Restructure income and assets to achieve current tax liabilities.

Completely fund college educations for all three children, but only while living at home at local public colleges.

Increase the average rate of return on investments using asset allocation techniques.

FINANCIAL PLANNING CONCERNS

Being insured for major property, casualty, or investment losses is a concern.

Assure proper estate distribution according to your wishes and maintain sufficient liquidity to cover estate settlement expenses.

Managing your cash flow to eliminate unneeded expenditures is a concern.

Have the mortgage paid off in twenty years, vehicles in two, and rental in ten years.

Obstacles you feel will impede your goals are poor health, taxes, possible changes in employment, disability, inflation, premature death, and long-term nursing home needs.

John is concerned about the performance and stability of his life insurance company.

Jane expressed concern about how their rental real estate was performing and didn't understand if they were making money on it or not.

FINANCIAL PLAN ASSUMPTIONS

Your current marginal tax bracket:	28%	Investment risk tolerance:	Moderate
Your average tax bracket:	20%	Personal residence growth rate:	2%
Average annual inflation rate:	3%	Personal property growth rate:	-5%
Bonds:	4%	Rental real estate growth rate:	7%
Bond mutual funds:	5%	Inflation rate of college expenses:	8.0%
Equities:	6% - 8%	Children to fund college for:	3
Annuities:	2%		
Cash / Money markets:	0.5%		
Social Security tax inclusion rate:	50%		
Social Security COLA rate:	1%		
John's age to collect Social Security:	62		
Mary's age to collect Social Security:	62		
John's calculated life expectancy:	84		
John's inputted life expectancy:	100		
Mary's calculated life expectancy:	84		
John's retirement age:	60		
Mary's retirement age:	60		

Cost Benefit Ratio

June 6, 2015

The estimated amount of money we returned to you in net worth over three time frames, for every dollar of fee paid

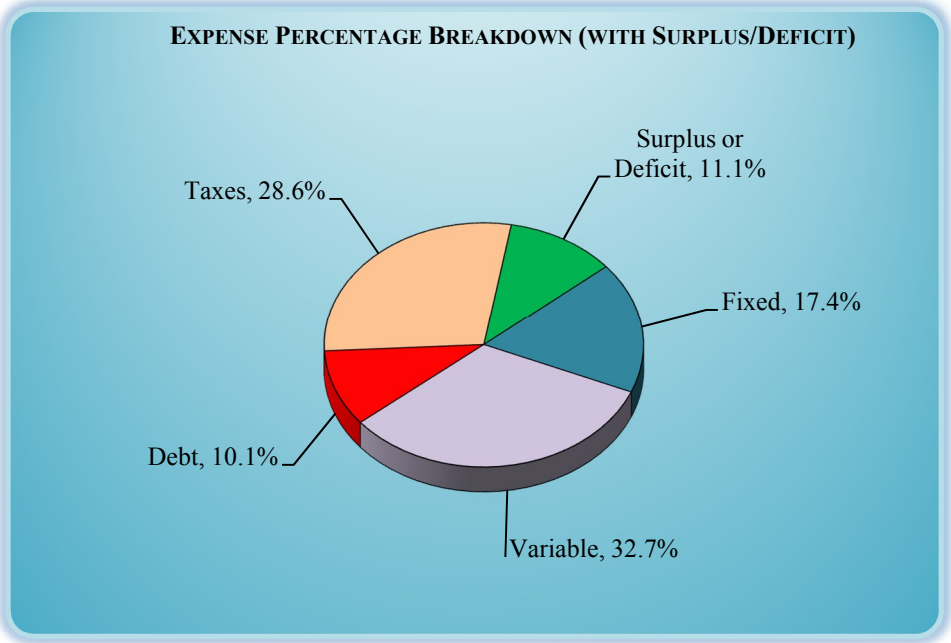
Financial Planning Fee:	$2,500	Change in Net Worth	Cost Benefit Ratio
Current Projected Net Worth at the End of Year 5:	$1,450,451	$146,417	58.6
Proposed Projected Net Worth at the End of Year 5:	$1,596,867	10.1% Increase	
Current Projected Net Worth at the End of Year 10:	$1,757,861	$455,610	182.2
Proposed Projected Net Worth at the End of Year 10:	$2,213,471	25.9% Increase	
Current Projected Net Worth at the End of Year 20:	$1,152,318	$1,421,128	568.5
Proposed Projected Net Worth at the End of Year 20:	$2,573,447	123.3% Increase	

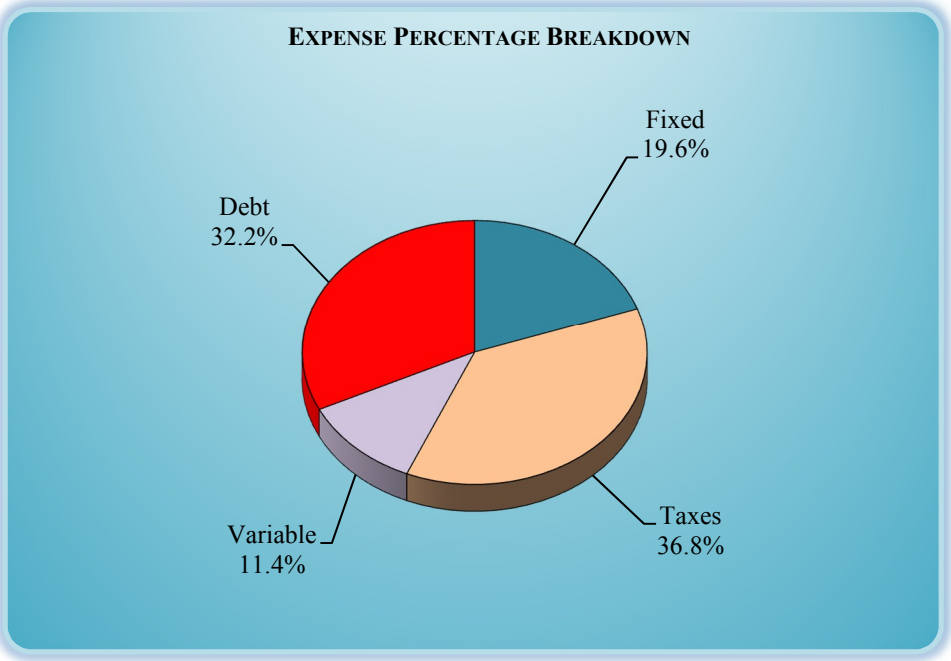
Current Budget and Cash Flow Results

Budget Totals With Debt	
Hourly Totals (net average based on 40 hour work week):	$59.89
Daily Budget Totals (net average daily income needed):	$344.50
Weekly Budget Totals (net weekly cash needed):	$2,396
Monthly Budget Totals (net monthly cash needed):	$10,421
Annual Budget Totals (net annual cash income needed):	$125,054
Hourly Totals (gross average based on 40 hour work week):	$59.89
Daily Budget Totals (gross average daily income needed):	$344.50
Weekly Budget Totals (gross weekly cash needed):	$2,396
Monthly Budget Totals (gross monthly cash needed):	$10,421
Annual Budget Totals (gross annual cash income needed):	$125,054

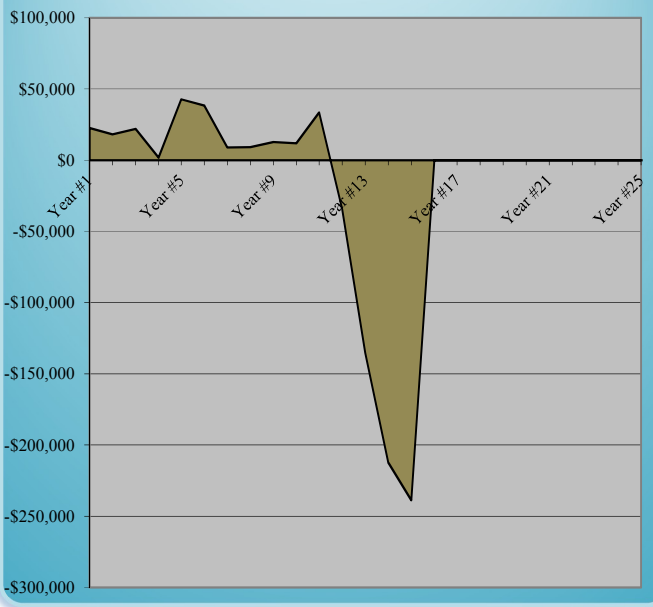
Budget Totals Without Debt	
Hourly Totals (net average based on 40 hour work week):	$49.83
Daily Budget Totals (net average daily income needed):	$286.65
Weekly Budget Totals (net weekly cash needed):	$1,993
Monthly Budget Totals (net monthly cash needed):	$8,671
Annual Budget Totals (net annual cash income needed):	$104,054
Hourly Totals (gross average based on 40 hour work week):	$49.83
Daily Budget Totals (gross average daily income needed):	$286.65
Weekly Budget Totals (gross weekly cash needed):	$1,993
Monthly Budget Totals (gross monthly cash needed):	$8,671
Annual Budget Totals (gross annual cash income needed):	$104,054

Budget Category Percentages	
Percent of Total Gross Budget Spent on Fixed Expenses:	28.9%
Percent Total Gross Budget Spent on Variable Expenses:	54.3%
Percent of Total Gross Budget Spent on Debt Repayment:	16.8%
Percent of Total Gross Budget Spent on Federal Taxes:	0.0%
Percent of Total Gross Budget Spent on State Taxes:	0.0%
Percent of Total Gross Budget Spent on FICA Taxes:	0.0%
Percent of Total Gross Budget Spent on Local Taxes:	0.0%
Percent of Total Gross Budget Spent on All Taxes:	0.0%
Average/Effective Tax Rate (% gross income spent on taxes):	0.0%
Percent of Total Net Income Spent on Taxes:	0.0%

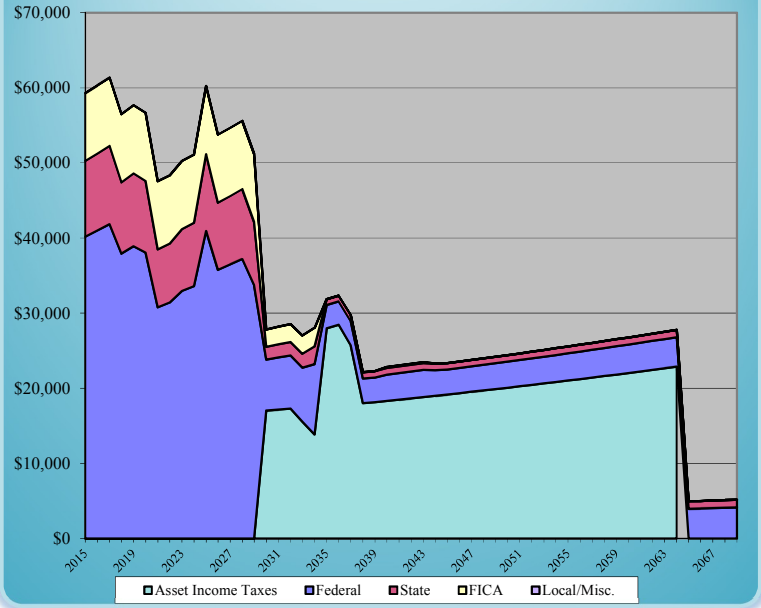




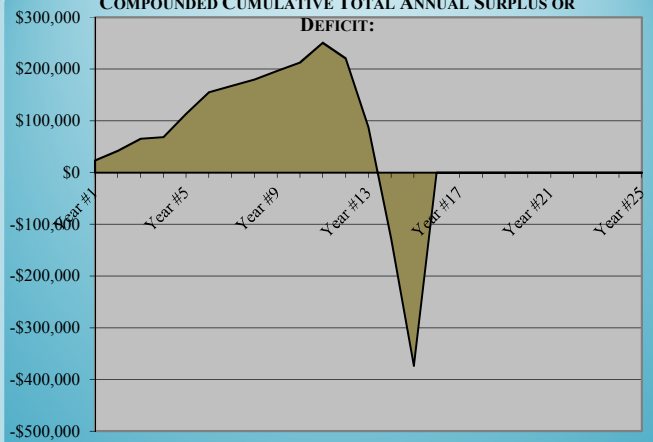
Annual Cash Flow Surplus or (-) Deficit:



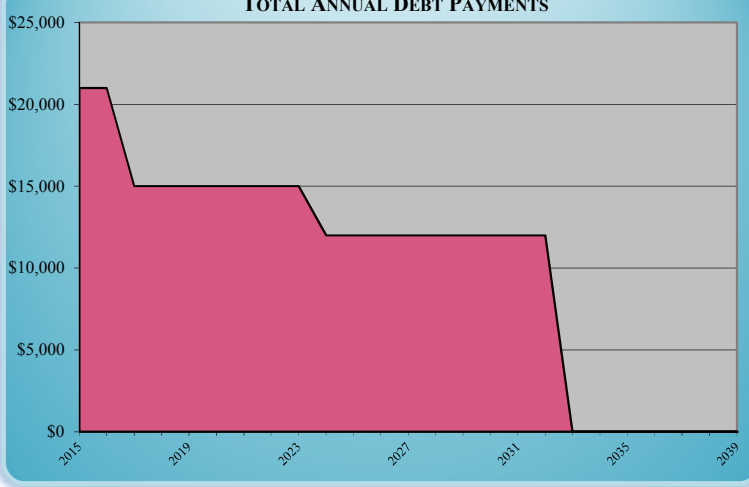
Taxes



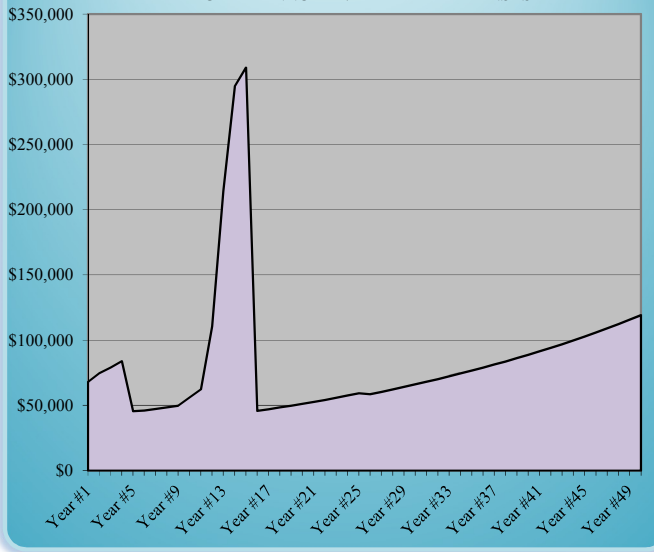
Compounded Cumulative Total Annual Surplus or Deficit:



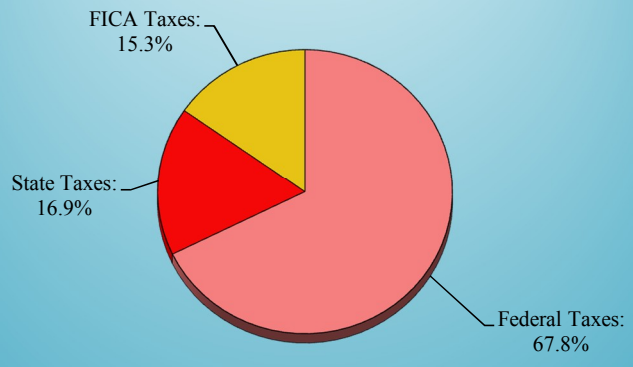
Total Annual Debt Payments



Total Annual Variable Expenses

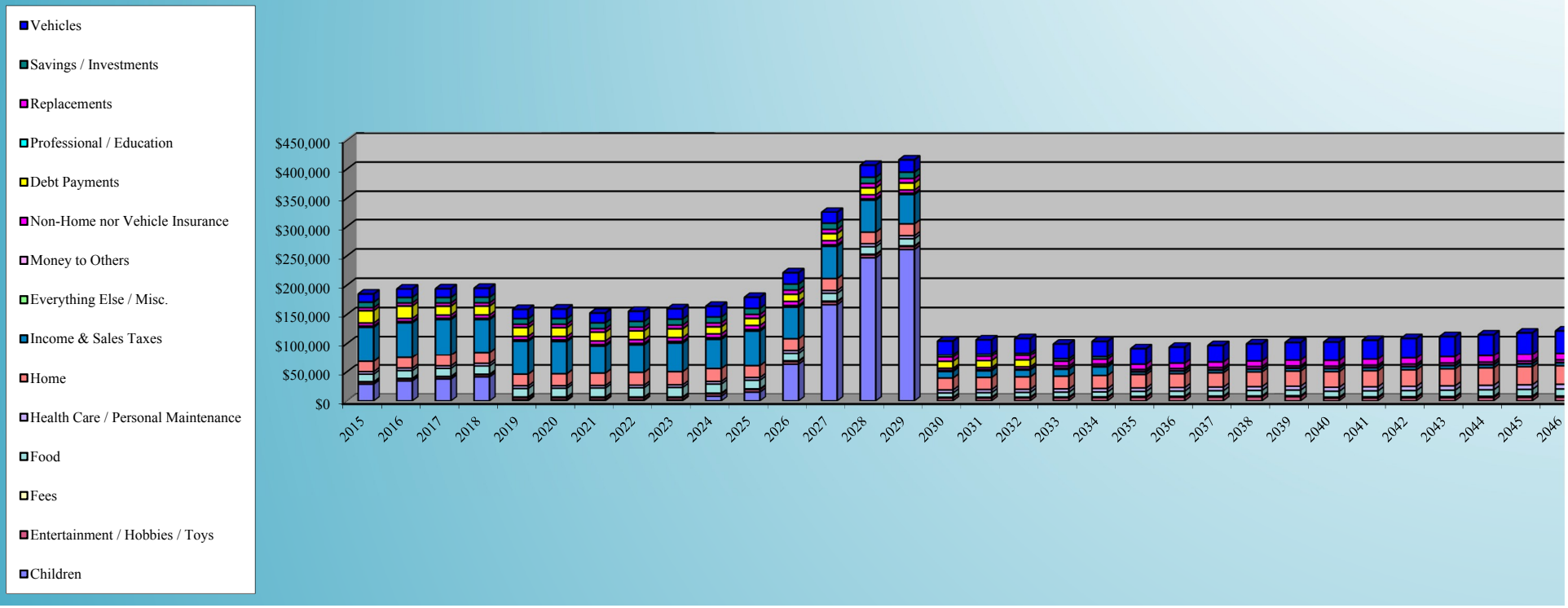


Taxes as a Percentage of Year #1's Income Taxes



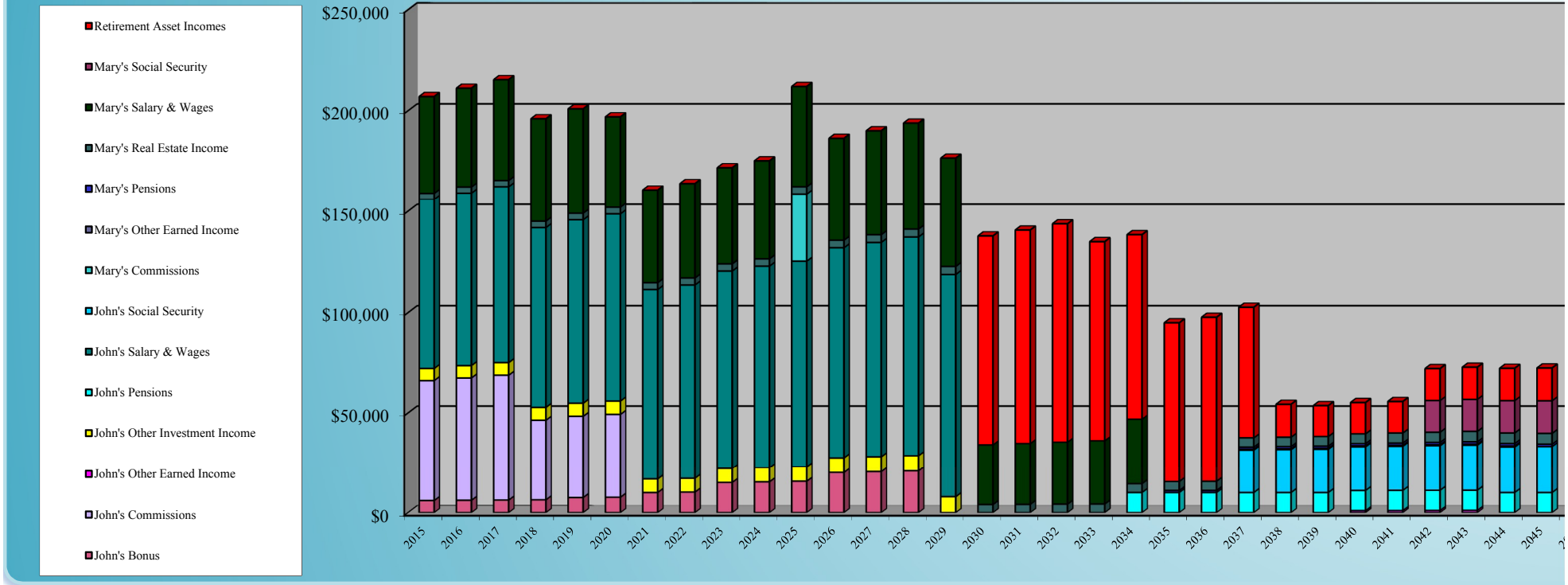
Annual Expenses	45 / 40 2015	46 / 41 2016	47 / 42 2017	48 / 43 2018	49 / 44 2019	50 / 45 2020	51 / 46 2021	52 / 47 2022	53 / 48 2023	54 / 49 2024	55 / 50 2025
Children	$28,983	$34,618	$37,944	$41,597	$2,129	$1,964	$1,816	$1,685	$1,569	$8,049	$15,241
Entertainment / Hobbies / Toys	$3,274	$3,372	$3,473	$3,578	$3,685	$3,796	$3,909	$4,027	$4,147	$4,272	$4,400
Fees	$882	$908	$935	$964	$992	$1,022	$1,053	$1,084	$1,117	$1,150	$1,185
Food	$13,044	$13,435	$13,838	$14,254	$14,681	$15,122	$15,575	$16,042	$16,524	$15,698	$14,913
Health Care / Personal Maintenance	$4,487	$4,517	$4,554	$4,596	$4,645	$4,221	$4,305	$4,394	$4,487	$4,585	$4,688
Home	$17,987	$18,527	$19,083	$19,655	$20,245	$20,852	$21,478	$22,122	$22,786	$22,200	$20,622
Income & Sales Taxes	$59,576	$60,589	$61,622	$56,758	$57,966	$56,948	$47,846	$48,625	$50,568	$51,401	$60,585
Everything Else / Misc.	$1,739	$1,791	$1,845	$1,900	$1,957	$2,016	$2,077	$2,139	$2,203	$2,269	$2,156
Money to Others	$522	$537	$554	$570	$587	$605	$623	$642	$661	$681	$701
Non-Home nor Vehicle Insurance	$5,100	$5,253	$5,411	$5,573	$5,740	$5,912	$6,090	$6,272	$6,461	$6,654	$6,854
Debt Payments	$21,000	$21,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$12,000	$12,000
Professional / Education	$300	$309	$318	$328	$338	$348	$358	$369	$380	$391	$403
Replacements	$4,901	$5,048	$5,199	$5,355	$5,516	$5,681	$5,851	$6,027	$6,208	$6,394	$6,586
Savings / Investments	$9,300	$9,393	$9,487	$9,582	$9,678	$9,774	$9,872	$9,971	$10,071	$10,171	$10,273
Vehicles	$14,035	$14,456	$14,890	$15,337	$15,797	$16,271	$16,759	$17,262	$17,779	$18,313	$18,862
Total Expenses	**$185,130**	**$193,755**	**$194,153**	**$195,046**	**$158,955**	**$159,531**	**$152,612**	**$155,661**	**$159,960**	**$164,229**	**$179,469**

CASH FLOW PROJECTIONS



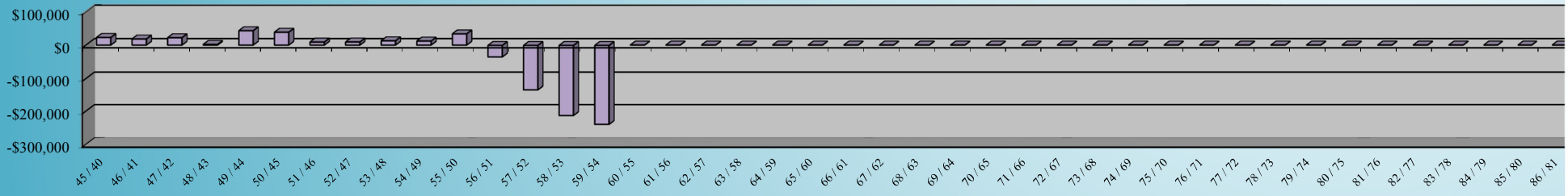
Annual	45 / 40	46 / 41	47 / 42	48 / 43	49 / 44	50 / 45	51 / 46	52 / 47	53 / 48	54 / 49	55 / 50
Non-Asset Incomes	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
John's Bonus	$6,000	$6,120	$6,242	$6,367	$7,500	$7,650	$10,000	$10,200	$15,000	$15,300	$15,606
John's Commissions	$60,000	$61,200	$62,424	$40,000	$40,800	$41,616	$0	$0	$0	$0	$0
John's Other Earned Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
John's Other Investment Income	$6,000	$6,120	$6,242	$6,367	$6,495	$6,624	$6,757	$6,892	$7,030	$7,171	$7,314
John's Pensions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
John's Salary & Wages	$84,000	$85,680	$87,394	$89,141	$90,924	$92,743	$94,598	$96,490	$98,419	$100,388	$102,396
John's Social Security	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Mary's Commissions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$33,333
Mary's Other Earned Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Mary's Pensions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Mary's Real Estate Income	$3,000	$3,060	$3,121	$3,184	$3,247	$3,312	$3,378	$3,446	$3,515	$3,585	$3,657
Mary's Salary & Wages	$48,000	$48,960	$49,939	$50,938	$51,957	$45,000	$45,900	$46,818	$47,754	$48,709	$49,684
Mary's Social Security	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Retirement Asset Incomes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Incomes	**$207,000**	**$211,140**	**$215,363**	**$195,998**	**$200,923**	**$196,946**	**$160,633**	**$163,846**	**$171,719**	**$175,153**	**$211,989**

ALL INCOME PROJECTIONS

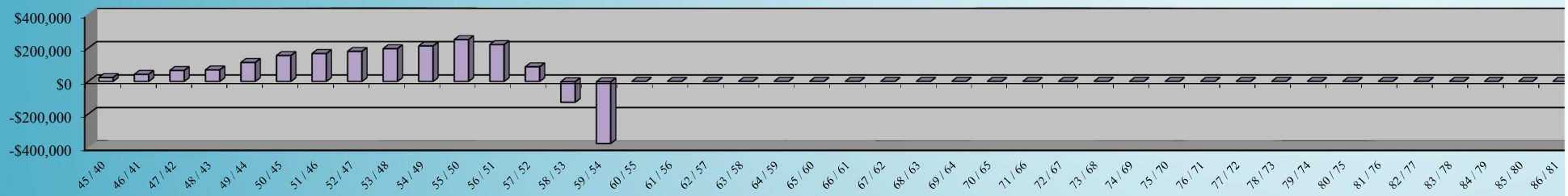


	45 / 40 2015	46 / 41 46 / 41	47 / 42 47 / 42	48 / 43 48 / 43	49 / 44 49 / 44	50 / 45 50 / 45	51 / 46 51 / 46	52 / 47 52 / 47	53 / 48 53 / 48	54 / 49 54 / 49	55 / 50 55 / 50
Annual Surplus / Deficit	$22,631	$18,169	$22,017	$1,783	$42,824	$38,297	$8,929	$9,121	$12,722	$11,917	$33,463
Compounded Cumulative Total Annual Surplus or Deficit:	$23,084	$42,078	$65,377	$68,503	$113,554	$154,888	$167,094	$179,739	$196,310	$212,391	$250,772
Percentage Change in Annual Surplus / Deficit from Previous Year:		-19.7%	21.2%	-91.9%	2301.9%	-10.6%	-76.7%	2.1%	39.5%	-6.3%	180.8%
% Change in Cumulative Surplus / Deficit from Previous Year:		82.3%	55.4%	4.8%	65.8%	36.4%	7.9%	7.6%	9.2%	8.2%	18.1%

Annual Surplus or Deficit



Cumulative Surplus or Deficit



Current Net Worth Statement

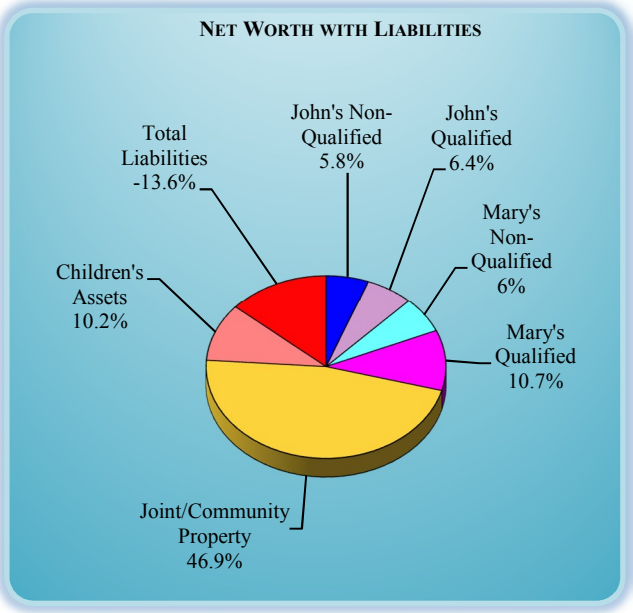
June 6, 2015

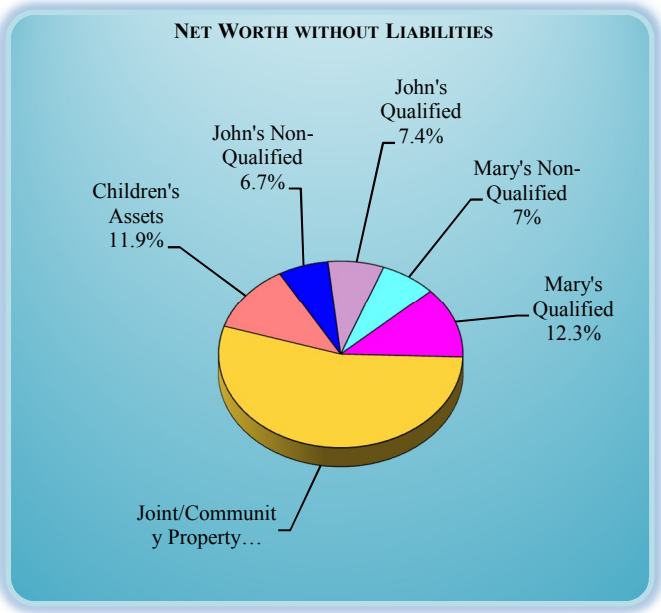
Prepared Especially for:

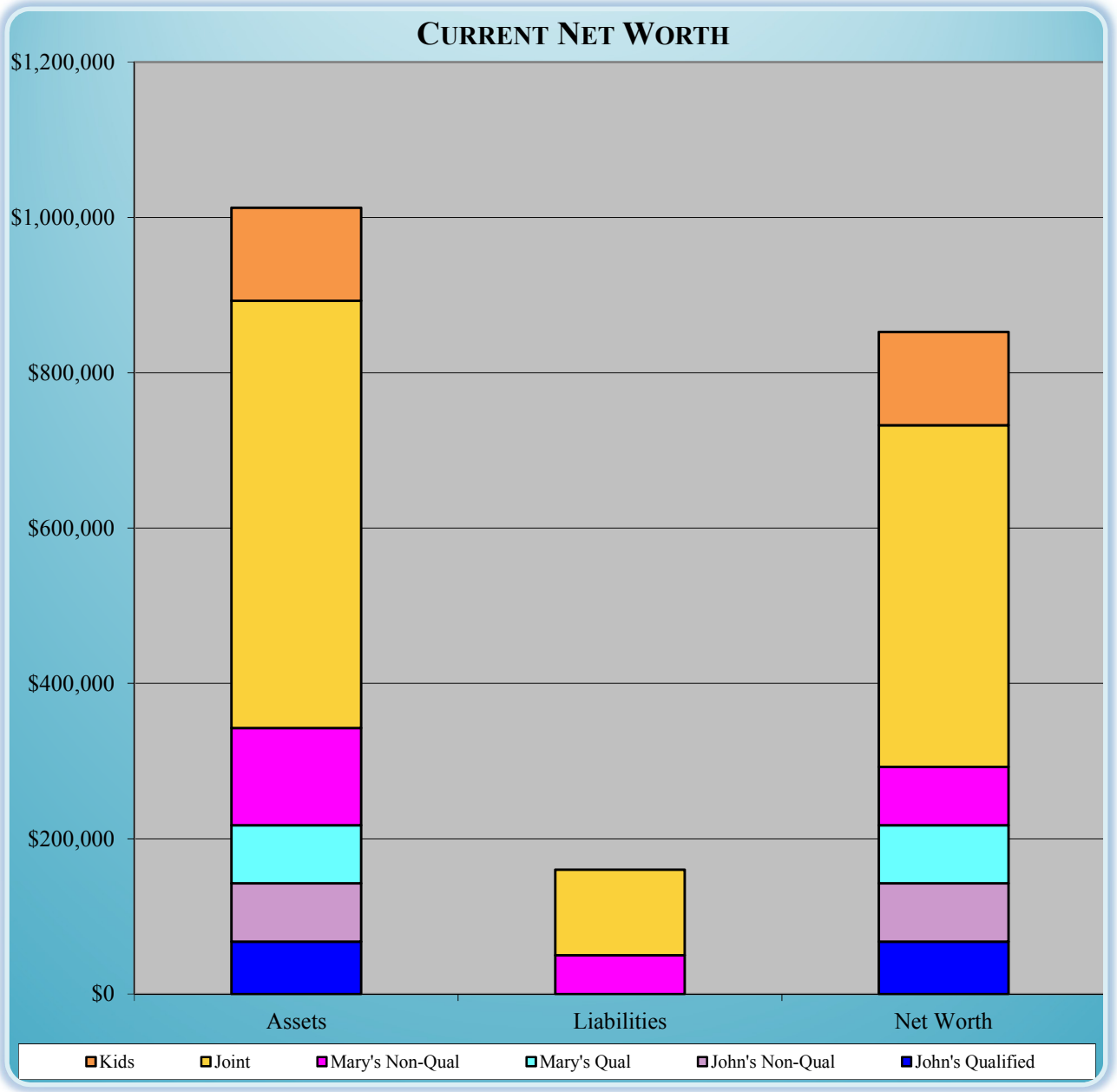
John & Mary Sample

Assets & Liabilities

John's Qualified Assets:	**$67,500**
John's Non-Qualified Assets:	**$75,000**
Mary's Qualified Assets:	**$75,000**
Mary's Non-Qualified Assets:	**$125,000**
Joint / Community Property Assets:	**$550,000**
Children's Assets:	**$120,000**
Total Assets	**$1,012,500**
John's Liabilities:	**$0**
Mary's Liabilities:	**$50,000**
Joint / Community Property Liabilities:	**$110,000**
Children's Liabilities:	**$0**
Total Liabilities	**-$160,000**
Net Worth	**$852,500**







	John's Qualified	John's Non-Qual	Mary's Qual	Mary's Non-Qual	Joint	Kids
Assets:	$67,500	$75,000	$75,000	$125,000	$550,000	$120,000
Liabilities:	$0	$0	$0	$50,000	$110,000	$0
Net Worth:	$67,500	$75,000	$75,000	$75,000	$440,000	$120,000

Current Liabilities

For Current Plan

June 6, 2015

Prepared Especially for:

John & Mary Sample

John's Liabilities

401(k):	**$0**
TD IRA:	**$0**
Merrill IRA:	**$0**
Schwab:	**$0**
Bank Savings:	**$0**
John's Total:	**$0**

Mary's Liabilities

403(b):	**$0**
TIAA CREF IRA:	**$0**
American Funds:	**$0**
Credit Union:	**$0**
Rental Property:	**$50,000**
Mary's Total:	**$50,000**

Joint & Community Liabilities

House:	**$100,000**
Vechicles & Stuff:	**$10,000**
Credit Union:	**$0**
	$0
Joint Total:	**$110,000**

Children's Liabilities

Junior:	**$0**
Sallie Mea:	**$0**
	$0
Children's Total:	**$0**

Sample's Total Liabilities: $160,000

Current Projected Net Worth for John & Mary Sample

Using End of Year Values

John's Assets	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Age: 45	Age: 46	Age: 47	Age: 48	Age: 49	Age: 50	Age: 51	Age: 52	Age: 53	Age: 54	Age: 55
401(k) (@ 4%)	$30,472	$33,582	$36,834	$40,237	$43,794	$47,513	$51,401	$55,464	$59,710	$64,146	$68,779
TD IRA (@ 5%)	$27,825	$30,807	$33,954	$37,274	$40,777	$44,471	$48,367	$52,474	$56,803	$61,366	$66,174
Merrill IRA (@ 5%)	$17,010	$19,133	$21,375	$23,742	$26,240	$28,877	$31,658	$34,592	$37,686	$40,948	$44,387
Schwab (@ 5%)	$27,510	$30,158	$32,951	$35,897	$39,003	$42,278	$45,729	$49,366	$53,199	$57,237	$61,491
Bank Savings (@ 2%)	$51,000	$52,020	$53,060	$54,122	$55,204	$56,308	$57,434	$58,583	$59,755	$60,950	$62,169
End of Year Values of All John's Assets:	**$153,817**	**$165,700**	**$178,175**	**$191,272**	**$205,019**	**$219,447**	**$234,589**	**$250,479**	**$267,152**	**$284,646**	**$302,999**
John's Total Liabilities	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
End of Year Values of All John's Assets, Minus Liabilities:	**$153,817**	**$165,700**	**$178,175**	**$191,272**	**$205,019**	**$219,447**	**$234,589**	**$250,479**	**$267,152**	**$284,646**	**$302,999**
End of Year Values of All Client's Qualified Assets:	$75,307	$83,522	$92,164	$101,253	$110,811	$120,861	$131,426	$142,530	$154,198	$166,459	$179,340
End of Year Values of All Client's Personal Assets:	$78,510	$82,178	$86,012	$90,019	$94,207	$98,586	$103,163	$107,949	$112,954	$118,187	$123,659

Mary's Assets	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Age: 40	Age: 41	Age: 42	Age: 43	Age: 44	Age: 45	Age: 46	Age: 47	Age: 48	Age: 49	Age: 50
403(b) (@ 4%)	$38,896	$42,973	$47,238	$51,699	$56,364	$61,242	$66,341	$71,671	$77,241	$83,060	$89,140
TIAA CREF IRA (@ 4%)	$27,248	$29,598	$32,055	$34,623	$37,307	$40,111	$43,040	$46,100	$49,295	$52,632	$56,116
American Funds (@ 5%)	$15,750	$16,538	$17,364	$18,233	$19,144	$20,101	$21,107	$22,162	$23,270	$24,433	$25,655
Credit Union (@ 2%)	$25,500	$26,010	$26,530	$27,061	$27,602	$28,154	$28,717	$29,291	$29,877	$30,475	$31,084
Rental Property (@ 6%)	$106,000	$112,360	$119,102	$126,248	$133,823	$141,852	$150,363	$159,385	$168,948	$179,085	$189,830
End of Year Values of All Spouse's Assets:	**$213,394**	**$227,479**	**$242,289**	**$257,864**	**$274,240**	**$291,461**	**$309,568**	**$328,609**	**$348,631**	**$369,685**	**$391,825**
Mary's Total Liabilities	**$45,976**	**$41,671**	**$37,064**	**$32,134**	**$26,860**	**$21,216**	**$15,178**	**$8,716**	**$1,803**	**$0**	**$0**
End of Year Values of All Mary's Assets, Minus Liabilities:	**$167,418**	**$185,808**	**$205,226**	**$225,729**	**$247,380**	**$270,244**	**$294,391**	**$319,893**	**$346,828**	**$369,685**	**$391,825**
End of Year Values of All Spouse's Qualified Assets:	$81,894	$89,109	$96,658	$104,555	$112,816	$121,455	$130,488	$139,933	$149,806	$160,126	$170,911
End of Year Values of All Spouse's Personal Assets:	$131,500	$138,370	$145,632	$153,309	$161,425	$170,006	$179,080	$188,676	$198,825	$209,560	$220,914

Jointly Held / Community Assets	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
House (@ 5%)	$210,000	$220,500	$231,525	$243,101	$255,256	$268,019	$281,420	$295,491	$310,266	$325,779	$342,068
Vechicles & Stuff (@ -5%)	$85,500	$81,225	$77,164	$73,306	$69,640	$66,158	$62,850	$59,708	$56,722	$53,886	$51,192
Credit Union (@ 2%)	$265,200	$293,588	$317,992	$346,810	$355,564	$406,356	$453,546	$471,725	$490,463	$513,249	$535,669
End of Year Values of All Joint Assets:	**$560,700**	**$595,313**	**$626,681**	**$663,216**	**$680,461**	**$740,534**	**$797,817**	**$826,924**	**$857,451**	**$892,914**	**$928,929**
Joint & Community Total Liabilities	**$106,543**	**$102,394**	**$97,415**	**$96,188**	**$94,716**	**$92,949**	**$90,828**	**$88,284**	**$85,230**	**$81,566**	**$77,169**
EOY Values of All Joint Assets, Minus Liabilities:	**$454,157**	**$492,919**	**$529,266**	**$567,028**	**$585,745**	**$647,585**	**$706,988**	**$738,640**	**$772,221**	**$811,348**	**$851,759**

Children's Assets	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Junior's College Funds (6%)	$39,463	$52,212	$66,670	$83,031	$87,133	$91,437	$95,954	$100,694	$105,669	$110,889	$116,366
Sallie Mea's College Stocks (6%)	$49,642	$62,894	$77,880	$94,794	$99,477	$104,392	$109,548	$114,960	$120,639	$126,599	$70,299
Doogy's College CDs (6%)	$59,821	$73,576	$89,090	$106,558	$111,822	$117,346	$123,143	$129,226	$135,610	$83,062	$24,612
End of Year Values of All Children's Assets:	**$148,926**	**$188,681**	**$233,640**	**$284,383**	**$298,432**	**$313,175**	**$328,645**	**$344,880**	**$361,918**	**$320,549**	**$211,277**
Children's Total Liabilities	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
EOY Values of All Children's Assets, Minus Liabilities:	**$148,926**	**$188,681**	**$233,640**	**$284,383**	**$298,432**	**$313,175**	**$328,645**	**$344,880**	**$361,918**	**$320,549**	**$211,277**

All Assets:	**$1,076,837**	**$1,177,172**	**$1,280,785**	**$1,396,735**	**$1,458,152**	**$1,564,616**	**$1,670,619**	**$1,750,892**	**$1,835,152**	**$1,867,794**	**$1,835,030**

Liabilities	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
John's Total Liabilities	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Mary's Rental Property	$45,976	$41,671	$37,064	$32,134	$26,860	$21,216	$15,178	$8,716	$1,803	$0	$0
Mary's Total Liabilities	**$45,976**	**$41,671**	**$37,064**	**$32,134**	**$26,860**	**$21,216**	**$15,178**	**$8,716**	**$1,803**	**$0**	**$0**
Joint: House	$99,290	$98,438	$97,415	$96,188	$94,716	$92,949	$90,828	$88,284	$85,230	$81,566	$77,169
Joint: Vechicles & Stuff	$7,253	$3,956	$0	$0	$0	$0	$0	$0	$0	$0	$0
Joint & Community Total Liabilities	**$106,543**	**$102,394**	**$97,415**	**$96,188**	**$94,716**	**$92,949**	**$90,828**	**$88,284**	**$85,230**	**$81,566**	**$77,169**
Children's Total Liabilities	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
All Liabilities:	**$152,519**	**$144,064**	**$134,479**	**$128,323**	**$121,576**	**$114,165**	**$106,006**	**$97,000**	**$87,033**	**$81,566**	**$77,169**

All Assets Minus All Liabilities:	**$924,318**	**$1,033,108**	**$1,146,306**	**$1,268,413**	**$1,336,576**	**$1,450,451**	**$1,564,613**	**$1,653,892**	**$1,748,119**	**$1,786,228**	**$1,757,861**

Proposed Projected Net Worth for John & Mary Sample

Using End of Year Values

John's Assets	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Age: 45	Age: 46	Age: 47	Age: 48	Age: 49	Age: 50	Age: 51	Age: 52	Age: 53	Age: 54	Age: 55
401(k) (@ 5%)	$30,765	$34,212	$37,851	$41,691	$45,742	$50,015	$54,522	$59,275	$64,285	$69,566	$75,133
TD IRA (@ 7%)	$28,355	$31,961	$35,835	$39,998	$44,468	$49,267	$54,420	$59,950	$65,884	$72,251	$79,082
Scottrade IRA (@ 7%)	$17,334	$22,688	$27,140	$32,847	$33,452	$44,985	$56,020	$59,874	$63,948	$69,165	$75,385
Schwab (@ 7%)	$28,034	$31,293	$34,794	$38,552	$42,587	$46,917	$51,565	$56,551	$61,900	$67,637	$73,790
Mutual Funds (@ 7%)	$53,500	$57,245	$61,252	$65,540	$70,128	$75,037	$80,289	$85,909	$91,923	$98,358	$105,243
End of Year Values of All John's Assets:	**$157,988**	**$177,399**	**$196,872**	**$218,627**	**$236,375**	**$266,222**	**$296,816**	**$321,559**	**$347,939**	**$376,977**	**$408,632**
John's Total Liabilities	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
End of Year Values of All John's Assets, Minus Liabilities:	**$157,988**	**$177,399**	**$196,872**	**$218,627**	**$236,375**	**$266,222**	**$296,816**	**$321,559**	**$347,939**	**$376,977**	**$408,632**
End of Year Values of All Client's Qualified Assets:	$76,454	$88,861	$100,826	$114,535	$123,661	$144,268	$164,962	$179,099	$194,117	$210,983	$229,600
End of Year Values of All Client's Personal Assets:	$81,534	$88,538	$96,046	$104,092	$112,714	$121,954	$131,854	$142,460	$153,823	$165,994	$179,032

Mary's Assets	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Age: 40	Age: 41	Age: 42	Age: 43	Age: 44	Age: 45	Age: 46	Age: 47	Age: 48	Age: 49	Age: 50
403(b) (@ 5%)	$39,270	$43,779	$48,538	$53,562	$58,862	$64,454	$70,351	$76,571	$83,128	$90,040	$97,326
TIAA CREF IRA (@ 5%)	$27,510	$30,158	$32,951	$35,897	$39,003	$42,278	$45,729	$49,366	$53,199	$57,237	$61,491
Scottrade (@ 7%)	$16,050	$20,017	$22,972	$27,065	$25,929	$35,586	$44,600	$46,278	$48,009	$50,707	$54,217
TD Ameritrade (@ 7%)	$26,750	$28,623	$30,626	$32,770	$35,064	$37,518	$40,145	$42,955	$45,961	$49,179	$52,621
Rental Property (@ 6%)	$106,000	$112,360	$119,102	$126,248	$133,823	$141,852	$150,363	$159,385	$168,948	$179,085	$189,830
End of Year Values of All Spouse's Assets:	**$215,580**	**$234,937**	**$254,190**	**$275,541**	**$292,680**	**$321,687**	**$351,188**	**$374,554**	**$399,246**	**$426,248**	**$455,485**
Mary's Total Liabilities	**$45,976**	**$41,671**	**$37,064**	**$32,134**	**$26,860**	**$21,216**	**$15,178**	**$8,716**	**$1,803**	**$0**	**$0**
End of Year Values of All Mary's Assets, Minus Liabilities:	**$169,604**	**$193,266**	**$217,126**	**$243,406**	**$265,820**	**$300,471**	**$336,010**	**$365,838**	**$397,443**	**$426,248**	**$455,485**
End of Year Values of All Spouse's Qualified Assets:	$82,830	$93,954	$104,462	$116,523	$123,794	$142,317	$160,680	$172,215	$184,336	$197,984	$213,034
End of Year Values of All Spouse's Personal Assets:	$132,750	$140,983	$149,728	$159,018	$168,886	$179,370	$190,508	$202,339	$214,909	$228,264	$242,451

Jointly Held / Community Assets	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
House (@ 5%)	$210,000	$220,500	$231,525	$243,101	$255,256	$268,019	$281,420	$295,491	$310,266	$325,779	$342,068
Vechicles & Stuff (@ -5%)	$85,500	$81,225	$77,164	$73,306	$69,640	$66,158	$62,850	$59,708	$56,722	$53,886	$51,192
Joint Scottrade (@ 7%)	$278,200	$303,362	$327,705	$355,613	$374,444	$416,340	$458,530	$487,739	$518,864	$553,859	$592,550
End of Year Values of All Joint Assets:	**$573,700**	**$605,087**	**$636,394**	**$672,019**	**$699,341**	**$750,518**	**$802,801**	**$842,938**	**$885,852**	**$933,524**	**$985,810**
Joint & Community Total Liabilities	**$104,158**	**$97,581**	**$90,147**	**$86,461**	**$82,554**	**$78,413**	**$74,023**	**$69,369**	**$64,436**	**$59,208**	**$53,665**
EOY Values of All Joint Assets, Minus Liabilities:	**$469,542**	**$507,506**	**$546,246**	**$585,558**	**$616,786**	**$672,105**	**$728,778**	**$773,569**	**$821,416**	**$874,316**	**$932,144**

Children's Assets	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Junior's College Funds (8%)	$41,395	$55,659	$72,141	$91,122	$97,354	$104,044	$111,226	$118,938	$127,217	$136,105	$145,647
Sallie Mea's College Funds (8%)	$52,131	$67,185	$84,515	$104,407	$111,617	$119,357	$127,666	$136,588	$146,165	$156,448	$139,171
Doogy's College Funds (8%)	$62,867	$78,711	$96,890	$117,693	$125,880	$134,669	$144,106	$154,237	$165,114	$149,881	$132,391
End of Year Values of All Children's Assets:	**$156,394**	**$201,554**	**$253,546**	**$313,222**	**$334,850**	**$358,070**	**$382,999**	**$409,763**	**$438,496**	**$442,434**	**$417,210**
Children's Total Liabilities	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
EOY Values of All Children's Assets, Minus Liabilities:	**$156,394**	**$201,554**	**$253,546**	**$313,222**	**$334,850**	**$358,070**	**$382,999**	**$409,763**	**$438,496**	**$442,434**	**$417,210**

All Assets:	**$1,103,662**	**$1,218,977**	**$1,341,001**	**$1,479,409**	**$1,563,246**	**$1,696,497**	**$1,833,803**	**$1,948,813**	**$2,071,534**	**$2,179,183**	**$2,267,136**

Liabilities	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
John's Total Liabilities	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Mary's Rental Property	$45,976	$41,671	$37,064	$32,134	$26,860	$21,216	$15,178	$8,716	$1,803	$0	$0
Mary's Total Liabilities	**$45,976**	**$41,671**	**$37,064**	**$32,134**	**$26,860**	**$21,216**	**$15,178**	**$8,716**	**$1,803**	**$0**	**$0**
Joint: House	$96,905	$93,625	$90,147	$86,461	$82,554	$78,413	$74,023	$69,369	$64,436	$59,208	$53,665
Joint: Vechicles & Stuff	$7,253	$3,956	$0	$0	$0	$0	$0	$0	$0	$0	$0
Joint & Community Total Liabilities	**$104,158**	**$97,581**	**$90,147**	**$86,461**	**$82,554**	**$78,413**	**$74,023**	**$69,369**	**$64,436**	**$59,208**	**$53,665**
Children's Total Liabilities	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
All Liabilities:	**$150,134**	**$139,251**	**$127,211**	**$118,596**	**$109,414**	**$99,629**	**$89,200**	**$78,086**	**$66,239**	**$59,208**	**$53,665**

All Assets Minus All Liabilities:	**$953,528**	**$1,079,726**	**$1,213,790**	**$1,360,813**	**$1,453,831**	**$1,596,867**	**$1,744,603**	**$1,870,728**	**$2,005,295**	**$2,119,975**	**$2,213,471**

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Age: 56	**Age: 57**	**Age: 58**	**Age: 59**	**Age: 60**	**Age: 61**	**Age: 62**	**Age: 63**	**Age: 64**	**Age: 65**	**Age: 66**	**Age: 67**	**Age: 68**	**Age: 69**	**Age: 70**
$80,998	$87,177	$93,687	$84,456	$78,101	$71,552	$65,948	$61,163	$60,826	$60,422	$59,929	$59,856	$59,705	$59,504	$59,366
$86,408	$94,265	$102,691	$94,336	$88,899	$82,996	$77,952	$73,673	$74,664	$75,580	$76,392	$77,752	$79,032	$80,267	$81,607
$88,790	$96,951	$106,216	$100,113	$96,361	$92,037	$88,345	$85,237	$87,104	$88,925	$90,669	$92,991	$95,267	$97,531	$99,936
$80,388	$87,462	$95,045	$89,584	$86,227	$82,358	$79,053	$76,273	$77,944	$79,573	$81,133	$83,211	$85,248	$87,274	$89,426
$112,610	$120,492	$128,927	$118,438	$111,612	$104,200	$97,868	$92,496	$93,739	$94,889	$95,908	$97,616	$99,224	$100,774	$102,456
$449,194	**$486,348**	**$526,566**	**$486,927**	**$461,200**	**$433,144**	**$409,166**	**$388,841**	**$394,278**	**$399,388**	**$404,031**	**$411,427**	**$418,477**	**$425,351**	**$432,792**
$0	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
$449,194	**$486,348**	**$526,566**	**$486,927**	**$461,200**	**$433,144**	**$409,166**	**$388,841**	**$394,278**	**$399,388**	**$404,031**	**$411,427**	**$418,477**	**$425,351**	**$432,792**
$256,196	$278,394	$302,594	$278,905	$263,361	$246,586	$232,245	$220,073	$222,595	$224,926	$226,990	$230,599	$234,005	$237,302	$240,910
$192,997	$207,954	$223,972	$208,022	$197,838	$186,558	$176,922	$168,768	$171,683	$174,462	$177,042	$180,828	$184,472	$188,048	$191,882

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Age: 51	**Age: 52**	**Age: 53**	**Age: 54**	**Age: 55**	**Age: 56**	**Age: 57**	**Age: 58**	**Age: 59**	**Age: 60**	**Age: 61**	**Age: 62**	**Age: 63**	**Age: 64**	**Age: 65**
$105,004	$113,094	$121,616	$130,594	$140,049	$150,007	$160,491	$171,530	$170,588	$169,452	$168,071	$167,867	$167,442	$166,879	$166,493
$65,971	$70,689	$75,658	$80,889	$86,396	$92,193	$98,295	$104,717	$104,142	$103,449	$102,606	$102,481	$102,221	$101,878	$101,642
$64,707	$69,736	$75,634	$83,082	$88,898	$95,121	$101,779	$108,904	$111,290	$113,616	$115,844	$118,811	$121,719	$124,611	$127,685
$56,305	$60,246	$64,463	$68,976	$73,804	$78,970	$84,498	$90,413	$92,394	$94,325	$96,175	$98,638	$101,053	$103,454	$106,005
$201,220	$213,293	$226,090	$239,656	$254,035	$269,277	$285,434	$302,560	$305,586	$308,641	$311,728	$314,845	$317,994	$321,173	$324,385
$493,207	**$527,058**	**$563,462**	**$603,197**	**$643,183**	**$685,569**	**$730,498**	**$778,125**	**$783,999**	**$789,484**	**$794,423**	**$802,642**	**$810,429**	**$817,996**	**$826,210**
$0	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
$493,207	**$527,058**	**$563,462**	**$603,197**	**$643,183**	**$685,569**	**$730,498**	**$778,125**	**$783,999**	**$789,484**	**$794,423**	**$802,642**	**$810,429**	**$817,996**	**$826,210**
$235,682	$253,519	$272,908	$294,565	$315,344	$337,321	$360,566	$385,151	$386,019	$386,517	$386,521	$389,158	$391,383	$393,369	$395,820
$257,524	$273,539	$290,554	$308,632	$327,839	$348,248	$369,932	$392,973	$397,979	$402,967	$407,903	$413,483	$419,046	$424,627	$430,390

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
$359,171	$377,130	$395,986	$415,786	$436,575	$458,404	$481,324	$505,390	$530,660	$557,193	$585,052	$614,305	$645,020	$677,271	$711,135
$48,632	$46,201	$43,891	$41,696	$39,611	$37,631	$35,749	$33,962	$32,264	$30,651	$29,118	$27,662	$26,279	$24,965	$23,717
$647,419	$693,736	$744,331	$701,563	$675,269	$644,971	$619,094	$597,317	$610,403	$623,162	$635,381	$651,656	$667,607	$683,470	$700,326
$1,055,223	**$1,117,067**	**$1,184,208**	**$1,159,045**	**$1,151,455**	**$1,141,006**	**$1,136,167**	**$1,136,669**	**$1,173,326**	**$1,211,005**	**$1,249,551**	**$1,293,623**	**$1,338,906**	**$1,385,706**	**$1,435,178**
$47,791	**$41,563**	**$34,962**	**$27,965**	**$20,548**	**$12,686**	**$4,352**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
$1,007,432	**$1,075,503**	**$1,149,246**	**$1,131,080**	**$1,130,907**	**$1,128,320**	**$1,131,814**	**$1,136,669**	**$1,173,326**	**$1,211,005**	**$1,249,551**	**$1,293,623**	**$1,338,906**	**$1,385,706**	**$1,435,178**

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
$126,082	$103,718	$77,983	$48,516	$51,700	$55,123	$58,804	$62,763	$67,020	$71,598	$76,522	$81,817	$87,511	$93,634	$100,219
$119,381	$96,511	$70,233	$40,182	$42,737	$45,484	$48,438	$51,616	$55,032	$58,707	$62,658	$66,908	$71,478	$76,392	$81,677
$112,089	$88,670	$61,800	$30,198	$32,000	$33,938	$36,022	$38,263	$40,673	$43,264	$46,051	$49,049	$52,272	$55,738	$59,466
$357,552	**$288,900**	**$210,016**	**$118,896**	**$126,436**	**$134,544**	**$143,264**	**$152,641**	**$162,725**	**$173,570**	**$185,232**	**$197,773**	**$211,260**	**$225,764**	**$241,362**
$0	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
$357,552	**$288,900**	**$210,016**	**$118,896**	**$126,436**	**$134,544**	**$143,264**	**$152,641**	**$162,725**	**$173,570**	**$185,232**	**$197,773**	**$211,260**	**$225,764**	**$241,362**
$2,355,175	**$2,419,372**	**$2,484,251**	**$2,368,065**	**$2,382,274**	**$2,394,263**	**$2,419,096**	**$2,456,276**	**$2,514,328**	**$2,573,447**	**$2,633,238**	**$2,705,465**	**$2,779,072**	**$2,854,817**	**$2,935,542**

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
$0	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
$47,791	$41,563	$34,962	$27,965	$20,548	$12,686	$4,352	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$47,791	**$41,563**	**$34,962**	**$27,965**	**$20,548**	**$12,686**	**$4,352**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
$0	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
$47,791	**$41,563**	**$34,962**	**$27,965**	**$20,548**	**$12,686**	**$4,352**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
$2,307,384	**$2,377,809**	**$2,449,289**	**$2,340,100**	**$2,361,726**	**$2,381,576**	**$2,414,743**	**$2,456,276**	**$2,514,328**	**$2,573,447**	**$2,633,238**	**$2,705,465**	**$2,779,072**	**$2,854,817**	**$2,935,542**

RETIREMENT PLANNING TUTORIAL

REAL WORLD PERSONAL FINANCE SOFTWARE

(734) 369-0580 support@toolsformoney.com http://www.toolsformoney.com/

This text is to help you understand the technical details of the retirement plan that follows.

Some people don't like the word "retirement," so the retirement plan is titled *Financial Independence Analysis*. Other terms are used that mean pretty much the same thing, such as going into an alternate lifestyle, stopping work full time, freedom from an occupational schedule, etc. It will just be referred to as "retirement" from now on because it's the industry's standard way of saying things.

This retirement plan is basically a year-by-year comparison of estimated money being spent versus estimated money being generated from all sources. You tell us, by filling out our *Retirement Fact Finder* questionnaire, how much you'd like to spend annually. This is then compared to how much money your investments, and other sources of income, can generate.

If you spend less than your investments are making, your balance of capital will increase over time. This means you can usually spend more than originally thought, thereby being able to increase your standard of living, having your nest egg last longer, passing more to heirs, and/or gifting more than projected.

If you spend more money than your investments are making, then you'll be spending investment principal (selling shares), and your balance of capital will decline. If the decline is serious enough, you will run out of money before you pass away. This is called *superannuitization*, and is the most common scenario we want to help you avoid.

Both scenarios (not spending enough and running out of money) are usually undesirable, so this plan will help find the middle ground you can be comfortable with. This middle ground is always changing, so it's important to run these retirement reports at least annually.

Your "current retirement plan" (or "old" or "before" plan) just forecasts what your financial future probably would have looked like if you didn't hire us, and just kept going as is. An old saying in the financial planning business is, "If you keep going down the road you're on, you'll probably end up where you're headed."

The "proposed retirement plan" (AKA your "new" or "after" or "recommended" plan) is a forecast of what your financial future would probably look like after implementing all of our retirement planning recommendations.

Other important uses for the retirement plan are to show you:

- When you can retire, and the effects of waiting, or retiring a few years earlier.

- How much you can spend every year, assuming taxes and various cost of living inflation rates.

- How much more you'll need to save / invest if you're short in reaching your retirement goals.

• What average investment rate of return is needed to reach your retirement goals. This sets the tone for how much risk you can, or need to take, to reach your goals. If you can reach your goals with a portfolio of bonds paying 4%, then you would sleep very well knowing you are not taking much risk.

• How major expenditures (e.g., college for children, nursing home stays, expensive vacations, vehicle and other replacement costs, etc.) in addition to your basic income goal, may affect your retirement plans over time.

• How home downsizing, inheritances, or other significant future cash flows may affect your plans.

• The effects of IRS qualified plan required minimum distributions that you may have to start taking at age 70½. If you have a goal of keeping a certain amount of money left over when you're a certain age, this may make a difference.

• An estimate of how much money you'll have at the end of every year.

• How investment portfolio construction and rebalancing may affect your plans over time.

ABOUT PRECISION

Since we are using economic assumptions and computers to estimate the future, we need to point out some limitations of the retirement plan:

• No one knows what the future holds. Most of what financial advisors do and say are just educated guesses. Economics is both a dismal and an inexact science (it's more of an art form really).

• Nobody knows what your expenses will actually be.

• Inflation, taxes, and investment rates of return can't be predicted nor guaranteed, and won't be constant.

• Computer generated numbers are just extrapolations, not predictions.

• Social Security and Medicare generic health insurance benefits may be changed.

• Anything that's not taken into account in the retirement plan may affect the results drastically.

• Anything could happen to other people in your life, greatly increasing your expenses.

In short, we're just guessing with current economic guesstimates using the best financial tools available.

The main goal in retirement planning is to spot trends based on various data input. If the trend is bad, then it's best to know as soon as possible rather than to find out after you commit to retirement (AKA quitting your day job and/or annuitizing an annuity or starting the payout of a defined benefit pension plan).

Because of the "time value of money," the sooner you can get an idea of what your retirement may look like, the better your chances are of avoiding unpleasant surprises will be. This is because the more time you have to prepare, and/or change course, the better the chances are of reaching your retirement goals. This is due mostly to the fact that one's ability, and willingness, to work to earn money usually significantly diminishes over time due to failing health, pain, or lack of cognitive abilities.

INCOME GOALS, TAXES, INFLATION, AND ADDITIONAL FUNDING NEEDS

Let's start with the first page of the report.

Annual Income Goals are what you (and your spouse) wrote on the questionnaire where it asked how much money you want to spend. Or, if a detailed budget and cash flow report was generated, then your retirement income goals would just be whatever your annual forecasted total living expenses are projected to be. This is the bulk of your normal living expenses when you retire.

They are called goals because they're in the future and not everyone can spend as much money as they want to. These income goal amounts are after taxes, so it's net, spendable money.

If there is only one income goal, or if both you and your spouse retire in the same year, then both of your goals are combined and the text under *Annual Income Goals* will say *Combined Goal.* If you and your spouse retire in different years, then there will be two separate income goals (if you want and listed two).

These amounts increase with inflation at the rate(s) you also specified on the questionnaire. If you didn't specify any inflation rates, we most likely did it for you because we feel there will always be some cost of living inflation. These rates can be found on the top right of the first page of the plan where it says *Income Goal Inflation.* This number is the average over the next 30 years.

Note that if the plan used the results of the Family Budget and Cash Flow Projector, then these income goals and inflation rates could be totally, or partially, overridden. In this case, inflation rates used may be different.

Retirement ages are when you told us you wanted to retire. Husband and wife do not have to retire in the same year. "Retirement" starts in the year your income goals start to be funded by investment assets and sources other than earned income. You can still earn money after you are retired, and these numbers are found on another page. Most projections in the plan start in the first year someone retires.

The two notes under the *Income Goal Inflation* section are the tax rates used. The first tax rate is our estimate of your average tax bracket. Because we are taking all of your income into account, marginal rates are not used. Average (AKA the effective tax rate) tax rates are always lower than marginal rates. Nobody pays marginal tax rates on all of their income. So if you see marginal rates used in other retirement plans, it's very incorrect, and should not be used. Average tax rates are found just by dividing the total amount of tax due by your gross incomes (not your Adjusted Gross Incomes).

The other tax rate shown is the amount of your Social Security we estimate will be included in your taxable income. Currently, most people collecting Social Security pay ordinary income tax on 50% of their Social Security if they have other retirement income over a certain amount.

The *Average Percent of Annual Income Goal Being Met* number in the middle of the page is important. You want 100% of your income needs to be met every year. If there are years when you won't be getting as much money as you need, then this will lower the average number. The year-by-year numbers are on the *Annual Summary Numbers* page. There's no magic number that can be viewed as good or bad, but anything less than 90% means your retirement probably won't go as well as planned.

The bottom section shows how much more needs to be saved / invested to reach your retirement goals. If the lump sum and monthly need numbers are both zero, then the plan is saying that you can probably reach your goals given the data that was input. Please note that this is before any "stress testing" performed by the Monte

Carlo simulation (more about this can be found in the disclaimer section of your financial plan). If you need to accumulate more money to reach your goals, then there will be numbers displaying here.

The left number shows how much more you would need to invest all at once today to reach your goals. The number in the middle shows how much you would need to invest every month until your retirement (if you would rather invest monthly than lump sum).

Please note that these numbers are mutually exclusive - doing one or the other will be sufficient to reach your goals. In other words, you don't need to do both lump sum and the monthly investing. Both the lump sum and monthly numbers will grow to be about the same value by the year you retire. Both of these amounts will grow at the assumed discount of return shown at the right. The lower this discount rate, the more money is needed, and vice versa.

About the *Basic Retirement Planning Information* table(s): Hopefully this basic information is self-explanatory.

Life expectancy was calculated using standard IRS unisex mortality tables, and is just a guess based on your current age and the age the average American passes. *Inputted life expectancy* is what we input into the retirement software. People are living longer and longer, so a very high age was input just to account for the "best-case scenario" (which is actually the worst-case scenario from your capital's point of view, because every year longer you live, the more it needs to generate income for your living expenses).

Number of Years of Retirement with Sufficient Capital: You need this number to be the same as the number of years of your retirement. If it's less, then the difference is how many years you did not have enough money to pay for your living expenses.

The next two lines show the percentage of years that you'll have enough money to pay your expenses. You need these to display 100% for your retirement plan to be a success.

The next two lines show how many years of your retirement are projected to be in a situation where you have run out of money. So you need these to be zero for your retirement plan to be a success.

The next two lines show the same thing as above, but in percentages. So you need them to be 0% too.

ASSET AND NON-ASSET INCOME SUMMARY

The top section lists all of your assets (retirement investment accounts) input into the program. The asset's name appears first. If neither you nor your spouse's name appears, then it's assumed to be a jointly-owned investment (you both own it together). Asset is just the commonly-used term for an investment (account).

The next column to the right shows each investment's current value. In the next column, if there is an age here other than your current age, then this means the investment does not come into play until you reach that age. For example, if you expect a $50,000 inheritance at age 70 (and you're 50 now), then the program ignores that asset until you are 70. In this case, the inputted growth rate becomes a discount rate. This means that if you have a $10,000 asset coming into the picture in five years, and its discount rate is 10%, then it's only worth $6,209 today. So roughly $6,200 will be the amount displayed here.

The *Percentage of Assets* column just shows what percent that one asset is, compared to the total shown.

The next five columns apply only to an investment when you plan to add more money to it. For example, if you have an IRA that you contribute $2,000 annually to, then $2,000 will show up under the *Annual Additions to*

Asset column. Then if the rate of growth shown next is 10%, the value of this IRA at the end of the next year will be $2,200.

The next two columns show the years you plan to make the contributions to the retirement investment account. The program doesn't go back in time, so it will just account for the current year and future years.

The column, *Inflation Rate of Annual Contributions,* shows increases in contributions over time. For example, if you have a company 401(k) plan, and you put x% of your income into it, and your income goes up 5% every year, then this 5% will show up here because your contributions will also increase by 5% annually (unless you're maxed out already).

The program will account for any amount and/or frequency of additions to investments. In other words, you can put $1,000 per year in this year, $2,000 the next, none the next, and so on. So whatever you told us to model, we did that, because the retirement software we use is one of the few that is able to do that.

The next column, *Age when Payout Begins*, shows your age when each investment starts to pay out income needed to fund your retirement income goals. Investment assets normally start to pay you when you retire, but you can start them at any year after retirement (but not before).

Using the inheritance example above, if you get it when you're 70, you can let it grow until you're 80, and then start taking retirement income from it. Just about anything that happens in the real world can be modeled, if you tell us in that level of detail. Income from investments paying out before the age of the first person's retirement is ignored (in stand-alone retirement plans).

The next column is more complex. This shows which of the ten most commonly-used methods was used to model paying retirement income from each investment account. There are various restrictions on how some investment assets can pay out income for you to spend. We chose one of the ten methods based on the type of investment it is, and other factors in your life.

THE TEN RETIREMENT INVESTMENT ASSET PAYOUT METHODS

All of the cell reference numbers in this section refer to the ten asset sheets of the retirement planner.

1) <u>Lump Sum</u>: 100% of the investment asset's balance is paid out as a lump sum at any year specified (whether retired or not, or way past the age retirement has already started). You can still use the manual withdrawal column to withdraw partial amounts before the 100% lump sum year. You can also control how much is taxed, and tax rates can be different in these two payout phases (manual withdrawals and then the final lump sum).

2) <u>Yield Only:</u> The biggest use for this retirement withdrawal method is when you want to keep principal intact forever, but it also has more uses. For example, to account for CDs or individual bonds in the Real World, you can account for just the income, and then use the manual withdrawal column to lump sum the maturity proceeds. You can also simulate any number of individual CDs or bonds maturing in different years by using the withdrawal manual override column in conjunction with the rate of return manual override column. You can also account for some maturing while others are reinvested.

Another practical use of this withdrawal method is modeling investments like bond mutual funds. You can assume a total return of 7%, taking out 6% interest income, and having the principal grow by some small amount (1% in this case). Or slowly deplete it by 1% by taking out 7% and growing it at 6%.

Taxes on municipal bonds, or mutual funds, can be simulated correctly too by setting the amount taxable input field (cell A10) to 0%. If there are capital gains to pay when it's sold or matured, enter that tax inclusion rate into cell A11. Or the tax rate on any mix of state and federally taxable scenarios can be modeled too.

With this payout option, you'll have control over every bond, CD, or fixed-income strategy where a fixed or variable percentage of the investment's balance is paid out as retirement income.

3) Inflation Adjusted Income Stream Generator: This unique retirement withdrawal method automatically answers the question, "What's the most retirement withdrawal I can take out of this investment account every year, account for taxes, have it keep up with inflation, and have it last until I'm 100 years old?"

You'd just input the year it starts to pay out, a life expectancy age, a rate of return, a tax rate, and it automatically figures out the rest. You can still use the manual income withdrawal column before payout starts.

This retirement income distribution method is also known as calculating a systematic withdrawal plan, or in IRS language, "substantially equal periodic payments over life expectancy."

4) IRS Age 70½ Minimum Required Distributions (MRD, or AKA MDIB and RMD): The retirement program will estimate the annual minimum distribution amounts that need to be withdrawn from traditional IRAs and 401(k)s. You can still use the income withdrawal manual override column at any age, so you can tap into it more when needed, and then have it go back to paying just the required minimum distributions.

5) Specific Annual Withdrawal Amounts: This withdrawal method disables the other nine payout methods, so only amounts input into the withdrawal manual override column inject income into the retirement plan.

In short, you'd manually input how much of an investment's balance you want to withdraw, and to be spent as retirement income, in every year. Then the retirement calculator forces that much net income into the picture. If there's a surplus over what's needed, then it is added back to active Flexible assets (discussed next).

6) Flexible Asset: This payment method pays out retirement income in a manner that does not have a structured payout option (methods 1 - 4, or 7 - 10). It's an easy way to just let it figure everything out based on what's needed every year.

A Flexible Asset is different because it frees the retirement account to pay out retirement income needs that remain after all non-asset income from the Summing & Input sheet, and assets with structured payout methods, have paid out. It basically funds whatever is needed to reach annual income goals after everything else has paid out (e.g., Social Security, pensions, earned income, and all non-flexible asset buckets).

If there is more than one Flexible Asset, then withdrawals are calculated on a pro-rata basis, according to size. For example, if there are only four investment buckets with values of $500,000, $250,000, $150,000, and $100,000, and the income need was $100,000 in that year; then $50,000 would come out of the $500k fund, $25,000 out of the $250k fund, $15,000 out of the $150k, and $10,000 out of the $100k fund. So all investments will run out at the same time.

Flexible Assets also accept income surpluses when there's a forced surplus (there's more money coming in than being spent). These surpluses get added back to their market value, so it can grow until needed in the future.

7) Single Life Fixed Annuity: This method of paying out retirement income trades in the investment's market value for a permanent income stream. This income stream most resembles a single life fixed annuity (or old-style defined benefit pension plan).

It wipes out the investment's market value when it starts to pay out, it pays until death, and cannot be altered once it begins. It basically allows you to simulate what will happen in the real world if you were to annuitize a fixed-rate annuity, without an inflation rider benefit. If you want to model a fixed annuity with an inflation rider, then you can use one of the income generators discussed below.

8) Inherited IRA or IRS Rule 72(t) Governing Pre-Age-59½ Tax-Qualified Plan Distributions: To sum this long story up, if you have a tax-qualified plan (e.g., Traditional IRA), the IRS has rules to make sure people repay the taxes that they saved during the accumulation phase.

There are also rules saying that if you take money out of an IRA before you turn age 59½, then you have to pay a 10% premature distribution tax (in addition to ordinary income tax). In 2002, the IRS realized the error of its ways, and made exceptions to these rules in section 72 of the code. Part "t" makes exceptions to getting these premature distributions, because many people are already retired at ages well before 59. Also, people that have inherited IRAs may need the money now.

There are three ways to avoid the 10% penalty tax in section 72(t). The three methods are not the only ways to qualify for these exceptions. All the IRS cares about is that you're receiving "substantially equal periodic payments" from the IRA, and thus are paying taxes on this income. Payout method #3 is also a way to do this (but don't use it before getting advice from a tax pro).

Payout method #8 uses the same calculations used for Inherited IRA distributions and the 72(t) method called Life Expectancy. Basically the end of the last year's balance is divided by the life expectancy of the owner. These life expectancy numbers go down every year, so the required payments escalate to the point that all of the IRA is distributed over the person's lifetime (assuming that they live until life expectancy, recently adjusted to age 115). Of the three methods of doing 72(t), this method will result in the lowest annual required minimum distributions from the IRA.

9) IRS Rule 72(t) Governing Pre-Age-59½ Tax-Qualified Plan Distributions Using the Fixed Amortization Method: The same story applies as above, but the formula is different. A time value of money formula is used, using life expectancy numbers, end of the last year's balance, and an assumed interest rate. This method will result in the highest annual distributions.

10) IRS Rule 72(t) Governing Pre-Age-59½ Tax-Qualified Plan Distributions Using the Annuitization Method: The same story as above applies here too. This method uses an actuarially determined annuity factor, so be careful. This method produces about the same annual distributions as payout method #9, but are just a little less. This method is the least used of the three.

That was the end of explaining payouts, now continuing on with the last two columns of the same section:

The next column indicates what rate of return was used for each investment. These are just guesses, and if you feel they will be something else in a certain year, it can be changed. For example if you have a limited partnership, or something that has different rates of returns in different years, it can be estimated.

The next column is the percent of the asset's income, not its growth, that is subject to the average tax rate described earlier. The pre-retirement earnings / growth / profit of each investment is not taxed in the stand-alone retirement planner. But when the asset produces income that you'll spend, then this part is taxed. It turns out that taxes on non-qualified pre-retirement distributions is much less significant than most people think, once the math is performed properly.

For example, suppose you have a mutual fund that is producing $10,000 of your retirement paycheck. The fund grows by $20,000 in the same year; and your average tax bracket was set to 25%. If we used 50% as the percent of the generated income that's subject to taxes, then $1,250 ($10,000 * 0.5 * 0.25) just disappeared in taxes and the rest went to fund your income goal in that year. The growth on the mutual fund was not taxed. Using 50% is common because when you sell mutual fund shares to get money to spend, on average about half is taxable capital gains and about half is the return of the initial investment (AKA basis), which is not taxable. We guesstimate on these numbers because nobody knows what will really happen.

The bottom section (*Primary Non-Asset Retirement Income Summary*) is the summary of the sources of your retirement income that did not come from "investment assets." In this program, a retirement investment asset is something that has value, and you could sell it and get this whole value. Social Security can be considered an asset, but you can't sell it and get the money. The same applies to any earned income, old-style defined benefit pensions, annuities that have been annuitized, income from trusts when you cannot get at the principal, etc. Not everything in this category is shown here. Only the usual primary sources (from the Cash Flow Projector program) are listed, like Social Security, pensions, and earned incomes during retirement.

All dollar amounts shown are before taxes are taken out. The amounts after taxes are shown on the tax report. The beginning and ending age columns are just that - when these incomes start and stop. Social Security pays until you pass away, so that's why it says "n/a." Earned income, and other things, may also stop at a certain age.

The next column shows the annual inflation rate - or how much these incomes are estimated to increase every year. As usual, we're just guessing. The last column shows whether the income is taxable or not. Some income streams are not taxable. If you have income high enough to make your Social Security taxable, then it will show up here (and on the first page).

The next page or two (*Annual Summary Numbers*) shows all of your miscellaneous income and expenses, and summarizes all of the items year-by-year.

The first five columns show what age you will be in future years, and the average tax rate used.

The next column, *Combined Income Goal*, shows your regular income goal going up annually with inflation. Combined just means that you and your spouse's incomes were added together. If you wanted to downsize a house, or otherwise reduce your income goal in future years, then you can see this here.

The next column, *Combined Annual Social Security*, shows these income amounts after taxes.

The next column, *Combined Annual After-Tax Miscellaneous Income and/or Expense (*or *Combined Annual Non-asset Income)*, is just the next page or two's numbers all added together every year. In other words, all of the amounts shown on the next page or two, *Miscellaneous Annual Expense and Non-Asset Income Details*, are summed up here.

Miscellaneous income is money that you plan to get from sources other than your assets after you have retired. Some examples are earned incomes from hobby businesses, selling real estate, rental property income, inheritances, trusts, winning lawsuits, etc.

Any significant amount of money you plan to spend in addition to your normal income goals will show up here as a miscellaneous expense. Miscellaneous expense examples are putting children through college, replacing expensive vehicles every few years, buying a vacation home, etc.

These amounts are all "inflated," so if you put down that you want to buy a $35,000 vehicle five years after you have retired, then this could show up as a $45,000 expense on this page in that year if we used a 5% inflation rate (if you retired this year).

The next column (in the stand-alone version), *Combined Annual Earned Income*, displays all of your post-retirement earned incomes after taxes.

The next column (in the stand-alone version), *Combined Annual Pension Income*, are all of your incomes from old-style defined benefit pension plans, annuities that have been annuitized, etc., after taxes.

The next column, *Combined Annual Asset Income*, display all of the combined after-tax asset incomes.

The next column, *Combined Annual Income Surplus or Deficit*, is a little tricky because it depends on how all of your assets are structured to pay out income. Basically, if your income goals and miscellaneous expenses are more than what can be generated from your assets and miscellaneous sources of income, then you'll be spending more money than what's coming in that year. For example, if your income goal has inflated to be $100,000, and all of your sources of income only total up to $75,000 after taxes, then a deficit, of -$25,000 will show up here. Deficits are very bad, and are to be minimized and/or avoided.

The next column, *Percent of Income Goal Being Met:* If one had enough assets, and set them up right so that they'd pay out income that always met expenses perfectly, then these numbers will always be 100%. Numbers below 100% indicate problems with your retirement plan that need to be addressed ASAP.

The next column, *End of Year Balance of Capital*, shows how much money, in marketable assets, the program estimates you will have left over at the end of each year. These amounts are after taxes, withdrawals, and the rate of return growth rates are applied. If you consistently spend more money than these assets generate, then your balance of capital will decline over time, and eventually run out. If you spend less, then your balance of capital will continue to grow, sometimes astronomically.

If, however, there is not enough income to meet expenses, this number will be lower. For example, if the income goal is $50,000 and only $25,000 was available, then this number will be 50%. It's possible to see numbers more than 100% is there is a surplus in that year, and less than zero if the annual deficit is larger than the current year's income goal. Numbers under 90% indicate trouble ahead. The average over the life of the retirement plan is shown in the text of the column title.

The next column, *Average Weighted Rate of Return on Assets:* This estimates the average rate of return on all of your investment accounts combined. Since some investments pay out more than others every year, they do not all grow or shrink at the same rate. So the program just calculates the average.

For example, if you have two investments both about equal in size, and one gets a higher rate of return than the other, and a lot more money comes out of the higher return asset in the form of income in a certain year; then at the end of that year, you will have less money left over in this investment than in the other investment. So the average weighted return on your overall portfolio will decline a little bit because you have less money in the investment with the higher rate of return.

The next column, *Percent Change in Asset Balance from Previous Year*: This shows just how much all of your investments combined have grown or shrunk by the end of each year. It simply compares the *End of Year Balance of Capital* from one year to the next, and calculates the percentage change.

The next column, *Present Value of Additional Capital Needed Now vs. at Retirement:* These numbers are the additional year-by-year amounts needed now to make up for shortfalls. If one wanted to only fund retirement up until a certain year, then the number shown in that year shows how much is needed as a lump sum today. These numbers increase every year because every year's amount is just added to the running totals.

For example, if in the tenth year after retirement has begun, there is $10,000 in the *Present Value of Additional Capital Needed at Retirement* column: This means that, because of any number of retirement plan deficiencies, you'll need another $10,000 to pay your expenses in that year. The column to the right display how much more you'd need to invest today, to have that $10,000 ten years from now.

In general, you want these two columns to always be $0 in order to have a successful retirement plan.

THE TAX REPORT

If there is a tax report, then each column just shows the estimated amount of taxes paid in every year from that source of income. The middle section is for non-asset incomes, and the right section shows taxes from asset income withdrawals. Then they're all totaled up at the right.

GRAPHS

The first graph summarizes the whole picture with two numbers from the previous two pages. The sixth column on the previous page, *Combined Income Goal,* is in blue; and the; *End of Year Balance of Capital* (fifth column from the right on the previous page) is in maroon.

This shows how much money we estimate you'll be spending in each year, compared to how much money you have. This is the bottom line shown graphically. This is an easy way to see the financial dips and bumps in your future and what cause them.

We hope all of the other graphs are self-explanatory, as they say what they're about.

INPUT SUMMARIES

If this was printed, then it just displays what input data was used to generate your retirement plan.

WHAT YOU CAN DO IF THE REPORT SHOWS YOU'LL RUN OUT OF MONEY

Look on the first page of the retirement plan at the bottom where it shows *Additional Funding Needed to Reach Your Income Goals.* If there are any numbers (other than zeros), then the program has figured that you will run out of money before you pass away. The ending age is usually set at 100, but this can be changed. The sooner one passes away, the less money it takes to fund the retirement plan.

If this is the case in your retirement plans, then you're probably curious what it would take to solve this problem. Here is a list of the most common techniques used:

• Invest more money now, or over time. First, check to see that all of your investments are listed. Clients sometimes "forget" to tell their financial advisers about all of their investment accounts.

• Get a higher rate of return on the investments, both now and throughout retirement. If you have investments earning bank interest rates, then that's a major problem. Fortunately, we also specialize in investment management, using sophisticated asset allocation techniques, so we can help here too.

• Lower your income goal (the amount of money you'll be spending when retired). Take a good look at your budget and see if you really need to spend all of the money you put down as your income goal. If you don't have a budget, then we can help with that too by using the Family Budget and Cash Flow Projection software. Since the amount of money you have now probably can't be changed, and the rate of return you'll get cannot be predicted, lowering your income goal is the most effective option.

• You can retire in a later year. Every year you wait, the more money will accumulate (assuming your investments are well managed and don't go down, and/or assuming you will be saving money for a longer period of time). Also, every year less spent in retirement means a year where there's no withdrawals from your assets. No withdrawals in one year means there's more money available in future years.

• Lower the age that you will assume you'll pass away. Every year you're alive depletes your capital base, especially the later years. If you're pretty sure you won't make it past a certain age, then we should show that in the report (or make an additional report).

• Lower the cost of living inflation rates on your income goals. These numbers should reflect the current environment to some extent, but should also err on the high side, but not by too much. Make sure it's realistic.

• Find out what you will have in Social Security by getting the updated data directly from the source. You can download Social Security's free *AnyPIA* calculator from their website and get accurate numbers: http://www.ssa.gov/

• Lower the age when you will collect Social Security. If you plan on being retired at age 62, then you should definitely take it at age 62. There are no benefits to waiting (because actuaries ensure the same amount of money will be paid to you both ways if you make to age 100) and there are good benefits by taking it ASAP. Namely, you may pass away soon after you turn 62, in which case you'll never collected on your benefits.

• Take all pensions as soon as you can, for the same reasons as above.

• Ensure all of your investment assets are structured with paying out retirement income in mind. For example, if you have a portfolio of individual bank CDs or bonds, then instead of just spending the coupon interest, you should sell some of them, or don't roll them over when they mature.

• Think hard before annuitizing annuities. Most of the time, you're much better off by not doing that (by waiting until you're 60, and then liquidating it, and then investing the money in a do-it-yourself brokerage account).

There are other minor things that can be done, but these are the top things people do in the real world.

Please contact us if you have any questions or would like more information.

Additional reading:

http://www.toolsformoney.com/social_security.htm

http://www.toolsformoney.com/fixed_annuities.htm

http://www.toolsformoney.com/variable_annuities.htm

John & Mary Sample
Financial Independence Analysis

Illustration for Current Plan (before recommendations)

June 6, 2015

Annual Income Goals*		Current Age	Retirement Age	Income Goal Inflation
Combined Goal: $64646	John:	45	60	3.0%
		Life Expectancy:	83	
	Mary:	40	60	Overall Tax Rate: 20% **
		Life Expectancy:	83	SS Inclusion Rate: 50%***

* In today's dollars. Net, spendable dollars.

** If tax rate is 0%, income goals are gross (before taxes). If a tax rate is used, goals are net spendable dollars or after-tax goals.

*** The Social Security inclusion rate is how much of your SS is assumed to be includable in your taxable income.

Average Percentage of Annual Income Goal Being Met: 55.7%

Additional Funding Needed to Reach Your Income Goals*

Additional Lump Sum Needed Today	-or-	Additional Monthly Payments Needed until John's Year of Retirement	Assumed Rate of Return on Additional Funding
$734,000		$4030	3.0%

Probability of Success Given All Assumptions: 13%

* Additional funding means funding in addition to the assets that are entered into this analysis. It also assumes available capital needed to produce retirement income is not depleted until John's age of 100.

This report is designed to show a rough ballpark idea of your future financial situation, and is intended only as a basis for discussion with your professional advisors. The estimates shown in this report are based on many assumptions that may or may not occur. Both principal value and investment returns will fluctuate over time. No warranty as to correctness is given and no liability is accepted for any error, or omission, or any loss which may arise from relying on this data.

Basic Current Retirement Planning Information

John Sample's Current Age:	**45**
Calculated Life Expectancy:	**83**
Inputted Life Expectancy:	**100**
Difference Between Calculated and Inputted Life Expectancy in Years:	**17**
Number of Years Until Retirement:	**15**
Number of Years Until Calculated Life Expectancy:	**38**
Number of Years Until Inputted Life Expectancy:	**55**
Number of Years of Retirement to Calculated Life Expectancy:	**23**
Number of Years of Retirement to Inputted Life Expectancy:	**41**
Number of Years of Retirement with Sufficient Capital:	**7**
Percentage of Years in Retirement with Sufficient Capital Using Calculated Life Expectancy:	**30.8%**
Percentage of Years in Retirement with Sufficient Capital Using Inputted Life Expectancy:	**17.1%**
Number of Years Until Depletion of Capital:	**22**
Number of Years of Retirement Until Depletion of Capital:	**7**
Number of Years of Retirement without Capital Using Calculated Life Expectancy:	**16**
Number of Years of Retirement without Capital Using Inputted Life Expectancy:	**34**
Percentage of Years in Retirement without Capital Using Calculated Life Expectancy:	**69.2%**
Percentage of Years in Retirement without Capital Using Inputted Life Expectancy:	**82.9%**

Financial Independence Analysis: Asset Summary*

Illustration for Current Plan (before recommendations)

Asset Name	Current (or present) Asset Value	Percentage of Assets	Age when Asset Becomes Effective	Annual Additions to Asset	Age when Additions Begins	Age when Additions Ends	Inflation Rate on Annual Contributions	Age when Payout Begins	Payout Method	Total Return Assumed	% Income Subject to Taxes
John's 401(k)	$27,500	4.6%	45	$1,800	45	59	1.0%	60	Flexible Asset**	4.0%	100.0%
Mary's 403(b)	$35,000	5.8%	40	$2,400	40	59	1.0%	60	Flexible Asset**	4.0%	100.0%
John's TD IRA	$25,000	4.1%	45	$1,500	45	59	1.0%	60	Flexible Asset**	5.0%	100.0%
Mary's TIAA CREF IRA	$25,000	4.1%	40	$1,200	40	59	1.0%	60	Flexible Asset**	4.0%	100.0%
John's Merrill IRA	$15,000	2.5%	45	$1,200	45	59	1.0%	60	Flexible Asset**	5.0%	25.0%
Mary's American Funds	$15,000	2.5%	40	$0	n/a	n/a	n/a	60	Flexible Asset**	5.0%	25.0%
John's Schwab	$25,000	4.1%	45	$1,200	45	59	1.0%	60	Flexible Asset**	5.0%	25.0%
Mary's Credit Union	$25,000	4.1%	40	$0	n/a	n/a	n/a	60	Yield Only @ 2%	2.0%	100.0%
John's Bank Savings	$50,000	8.3%	45	$0	n/a	n/a	n/a	60	Yield Only @ 2%	2.0%	100.0%
Mary's Rental Property	$100,000	16.6%	40	$0	n/a	n/a	n/a	60	Yield Only @ 5%	6.0%	100.0%
Credit Union	$260,000	43.2%	45	$0	n/a	n/a	n/a	60	Flexible Asset**	2.0%	100.0%
Total:	**$602,500**			**$9,300**							

Notes: If an asset above has $0 in current value, and $0 in annual additions, please refer to the separately printed asset page.
** A "Flexible Asset" is an asset that does not have a structured method of paying out income. Instead, cash is withdrawn, or added back to this asset as needed to fund income withdrawals in that year.

Primary Non-Asset Retirement Income Summary*

Source of Incomes	Annual Pretax Incomes	Beginning Age	Assumed Annual Inflation	Tax Inclusion Rate
John's Social Security	$17,220	67	1.0%	50%
Mary's Social Security	$12,000	67	1.0%	
Mary's Other Earned Income During Retirement	$10,000			
Mary's Self-employment Income During Retirement	$531			
Mary's Defined Benefit Pension	$1,104			

* Social Security amounts are in today's dollars (meaning no adjustment for inflation was made on this page). Incomes other than Social Security are five years after retirement.

Financial Independence Analysis

Annual Summary Numbers

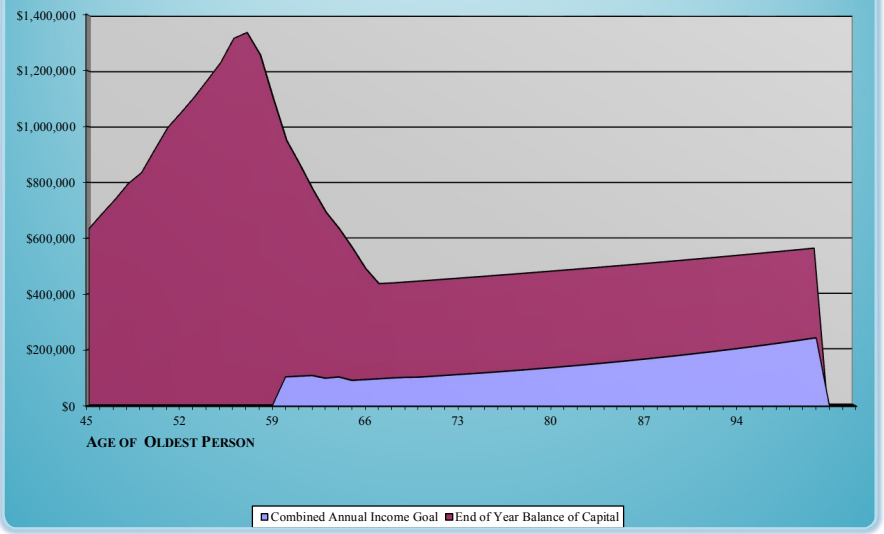
Illustration for Current Plan (before recommendations)

John's Age	Mary's Age	Tax Rate	Year #	Year	Combined Annual Income Goal	Combined Annual Social Security	Combined Annual Non-asset Income	Combined Annual Asset Income	Combined Annual Income Surplus or Deficit (-)	Percent of Annual Income Goal Being Met (55.7%)	End of Year Balance of Capital	Average Weighted Rate of Return on Assets	Percent Change in Asset Balance from Previous Year	Present Value of Additional Capital Needed at Retirement	Present Value of Additional Capital Needed Now
45	40	20.0%	1	2015	$0	$0	$0	$0	$0	N/A	$632,400	3.4%	n/a	$0	$0
46	41	20.0%	2	2016	$0	$0	$0	$0	$0	N/A	$686,700	3.4%	8.6%	$0	$0
47	42	20.0%	3	2017	$0	$0	$0	$0	$0	N/A	$738,400	3.4%	7.5%	$0	$0
48	43	20.0%	4	2018	$0	$0	$0	$0	$0	N/A	$795,900	3.4%	7.8%	$0	$0
49	44	20.0%	5	2019	$0	$0	$0	$0	$0	N/A	$834,800	3.4%	4.9%	$0	$0
50	45	20.0%	6	2020	$0	$0	$0	$0	$0	N/A	$917,200	3.4%	9.9%	$0	$0
51	46	20.0%	7	2021	$0	$0	$0	$0	$0	N/A	$997,700	3.4%	8.8%	$0	$0
52	47	20.0%	8	2022	$0	$0	$0	$0	$0	N/A	$1,050,800	3.4%	5.3%	$0	$0
53	48	20.0%	9	2023	$0	$0	$0	$0	$0	N/A	$1,106,200	3.4%	5.3%	$0	$0
54	49	20.0%	10	2024	$0	$0	$0	$0	$0	N/A	$1,167,500	3.4%	5.5%	$0	$0
55	50	20.0%	11	2025	$0	$0	$0	$0	$0	N/A	$1,230,400	3.4%	5.4%	$0	$0
56	51	20.0%	12	2026	$0	$0	$0	$0	$0	N/A	$1,317,800	3.4%	7.1%	$0	$0
57	52	20.0%	13	2027	$0	$0	$0	$0	$0	N/A	$1,339,100	3.5%	1.6%	$0	$0
58	53	20.0%	14	2028	$0	$0	$0	$0	$0	N/A	$1,259,300	3.7%	-6.0%	$0	$0
59	54	20.0%	15	2029	$0	$0	$0	$0	$0	N/A	$1,100,700	4.1%	-12.6%	$0	$0
60	55	19.0%	16	2030	$103,700	$0	$0	$103,700	$0	100.0%	$950,900	4.2%	-13.6%	$0	$0
61	56	19.0%	17	2031	$105,900	$0	$0	$105,900	$0	100.0%	$865,000	4.3%	-9.0%	$0	$0
62	57	19.0%	18	2032	$108,300	$0	$0	$108,300	$0	100.0%	$774,000	4.4%	-10.5%	$0	$0
63	58	19.0%	19	2033	$98,800	$0	$0	$98,800	$0	100.0%	$692,200	4.6%	-10.6%	$0	$0
64	59	19.0%	20	2034	$103,200	$0	$7,500	$91,500	-$4,200	95.9%	$633,200	4.7%	-8.5%	$4,200	$2,300
65	60	18.0%	21	2035	$91,100	$0	$11,500	$79,500	$0	100.0%	$564,400	4.8%	-10.9%	$4,200	$2,300
66	61	18.0%	22	2036	$93,700	$0	$11,600	$82,100	$0	100.0%	$489,800	4.9%	-13.2%	$4,200	$2,300
67	62	18.0%	23	2037	$96,600	$21,400	$10,200	$65,000	$0	100.0%	$435,900	5.0%	-11.0%	$4,200	$2,300
68	63	18.0%	24	2038	$99,500	$21,600	$10,300	$16,300	-$51,200	48.4%	$438,100	5.0%	0.5%	$49,700	$27,500
69	64	18.0%	25	2039	$101,800	$21,800	$10,400	$15,300	-$54,100	46.7%	$441,500	5.1%	0.8%	$96,400	$53,400
70	65	18.0%	26	2040	$102,400	$22,000	$11,200	$15,500	-$53,700	47.6%	$444,800	5.1%	0.7%	$141,400	$78,300
71	66	18.0%	27	2041	$105,500	$22,300	$11,300	$15,600	-$56,200	46.6%	$448,200	5.1%	0.8%	$187,200	$103,600
72	67	18.0%	28	2042	$108,600	$38,200	$10,000	$15,800	-$44,600	58.9%	$451,700	5.1%	0.8%	$222,400	$123,100
73	68	18.0%	29	2043	$111,900	$38,600	$10,100	$15,900	-$47,200	57.7%	$455,200	5.1%	0.8%	$258,600	$143,200
74	69	18.0%	30	2044	$114,800	$38,900	$9,400	$16,000	-$50,400	56.0%	$458,700	5.1%	0.8%	$296,200	$164,000
75	70	18.0%	31	2045	$118,100	$39,300	$9,000	$16,200	-$53,500	54.6%	$462,200	5.1%	0.8%	$334,900	$185,400
76	71	18.0%	32	2046	$121,500	$39,700	$9,000	$16,300	-$56,300	53.5%	$465,800	5.1%	0.8%	$374,400	$207,300
77	72	18.0%	33	2047	$125,100	$40,100	$9,100	$16,500	-$59,300	52.5%	$469,400	5.1%	0.8%	$414,800	$229,600

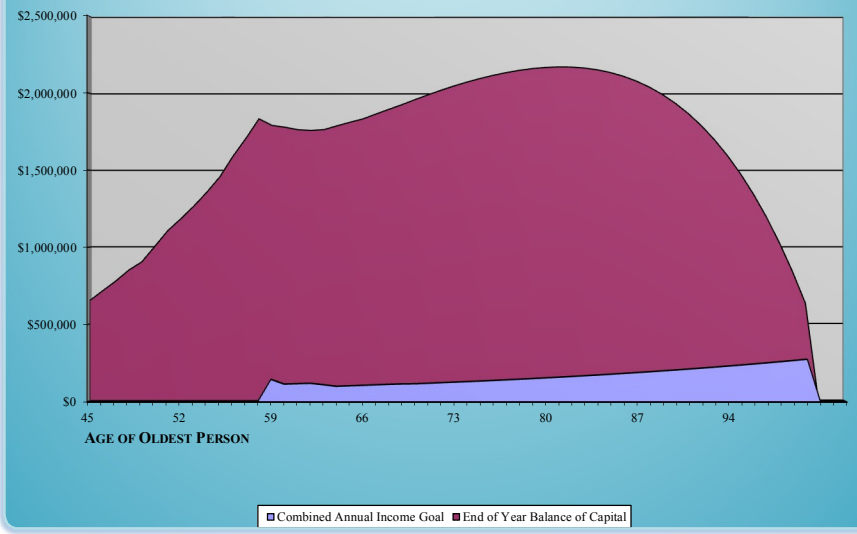
Financial Independence Analysis
Annual Summary Numbers, continued

John's Age	Mary's Age	Tax Rate	Year #	Year	Combined Annual Income Goal	Combined Annual Social Security	Combined Annual Non-asset Income	Combined Annual Asset Income	Combined Annual Income Surplus or Deficit (-)	Percent of Annual Income Goal Being Met (55.7%)	End of Year Balance of Capital	Average Weighted Rate of Return on Assets	Percent Change in Asset Balance from Previous Year	Present Value of Additional Capital Needed at Retirement	Present Value of Additional Capital Needed Now
78	73	18.0%	34	2048	$128,700	$40,500	$9,200	$16,600	-$62,300	51.5%	$473,000	5.1%	0.8%	$414,800	$229,600
79	74	18.0%	35	2049	$132,400	$40,900	$9,200	$16,800	-$65,400	50.5%	$476,700	5.1%	0.8%	$414,800	$229,600
80	75	18.0%	36	2050	$136,300	$41,300	$9,300	$16,900	-$68,600	49.5%	$480,500	5.1%	0.8%	$414,800	$229,600
81	76	18.0%	37	2051	$140,300	$41,800	$9,300	$17,100	-$72,000	48.6%	$484,200	5.1%	0.8%	$414,800	$229,600
82	77	18.0%	38	2052	$144,400	$42,200	$9,400	$17,200	-$75,400	47.6%	$488,000	5.1%	0.8%	$459,100	$254,200
83	78	18.0%	39	2053	$148,600	$42,600	$9,500	$17,400	-$79,000	46.8%	$491,800	5.2%	0.8%	$459,100	$254,200
84	79	18.0%	40	2054	$153,000	$43,000	$9,600	$17,500	-$82,700	45.8%	$495,700	5.2%	0.8%	$505,000	$279,600
85	80	18.0%	41	2055	$157,400	$43,500	$9,600	$17,700	-$86,500	45.0%	$499,600	5.2%	0.8%	$551,500	$305,300
86	81	18.0%	42	2056	$162,000	$43,900	$9,700	$17,900	-$90,400	44.1%	$503,600	5.2%	0.8%	$598,700	$331,500
87	82	18.0%	43	2057	$166,800	$44,300	$9,900	$18,000	-$94,500	43.3%	$507,600	5.2%	0.8%	$646,600	$358,000
88	83	18.0%	44	2058	$171,700	$44,800	$9,900	$18,200	-$98,700	42.5%	$511,600	5.2%	0.8%	$695,200	$384,900
89	84	18.0%	45	2059	$176,700	$45,200	$10,000	$18,400	-$103,000	41.7%	$515,700	5.2%	0.8%	$744,400	$412,100
90	85	18.0%	46	2060	$181,900	$45,700	$10,100	$18,500	-$107,500	40.8%	$519,800	5.2%	0.8%	$794,300	$439,800
91	86	18.0%	47	2061	$187,300	$46,100	$10,200	$18,700	-$112,200	40.0%	$524,000	5.2%	0.8%	$844,800	$467,700
92	87	18.0%	48	2062	$192,800	$46,600	$10,300	$18,900	-$116,900	39.3%	$528,100	5.2%	0.8%	$895,900	$496,000
93	88	18.0%	49	2063	$198,500	$47,100	$10,300	$19,000	-$121,900	38.5%	$532,400	5.2%	0.8%	$947,700	$524,700
94	89	18.0%	50	2064	$204,300	$47,500	$10,500	$19,200	-$127,000	37.8%	$536,700	5.2%	0.8%	$1,000,000	$553,700
95	90	18.0%	51	2065	$210,300	$48,000	$10,600	$19,400	-$132,200	37.1%	$541,000	5.2%	0.8%	$1,052,900	$583,000
96	91	18.0%	52	2066	$216,500	$48,500	$10,700	$19,600	-$137,700	36.4%	$545,400	5.2%	0.8%	$1,106,400	$612,600
97	92	18.0%	53	2067	$222,900	$49,000	$10,800	$19,700	-$143,300	35.7%	$549,800	5.2%	0.8%	$1,160,400	$642,500
98	93	18.0%	54	2068	$229,500	$49,500	$10,900	$19,900	-$149,100	35.0%	$554,200	5.2%	0.8%	$1,215,000	$672,700
99	94	18.0%	55	2069	$236,300	$50,000	$11,000	$20,100	-$155,100	34.3%	$558,700	5.3%	0.8%	$1,270,200	$703,200
100	95	18.0%	56	2070	$243,200	$50,500	$11,100	$20,300	-$161,200	33.7%	$563,300	5.3%	0.8%	$1,325,800	$734,000

Current Income Producing Capital vs. Inflated Annual Income Goals

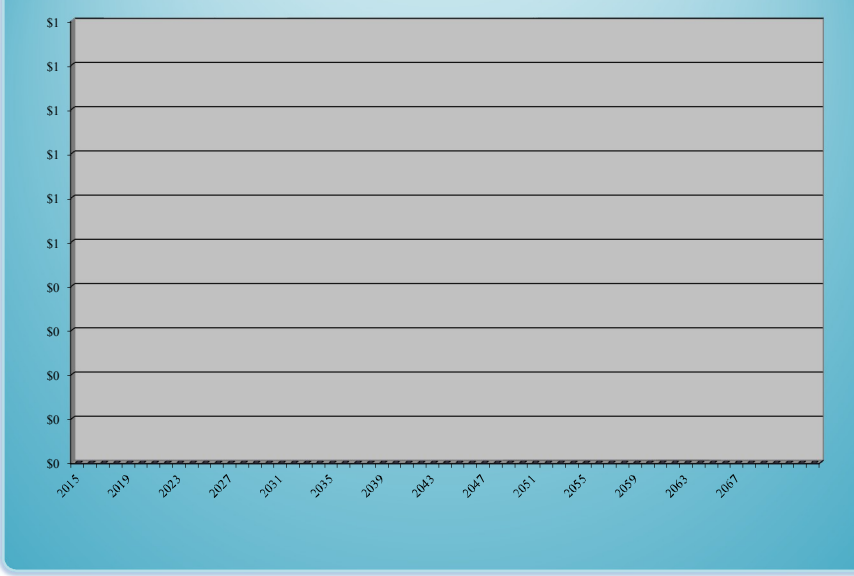


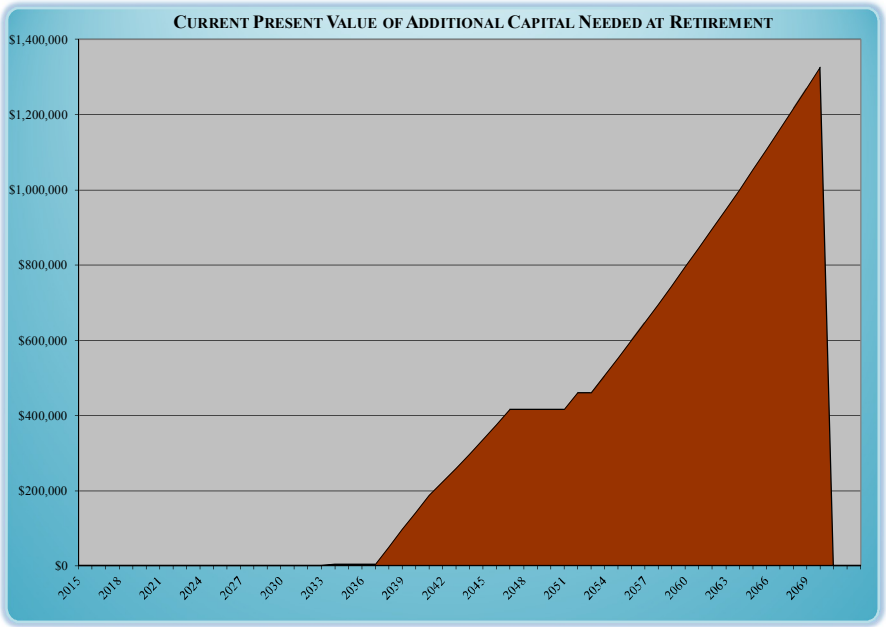
Proposed Income Producing Capital vs. Inflated Annual Income Goals

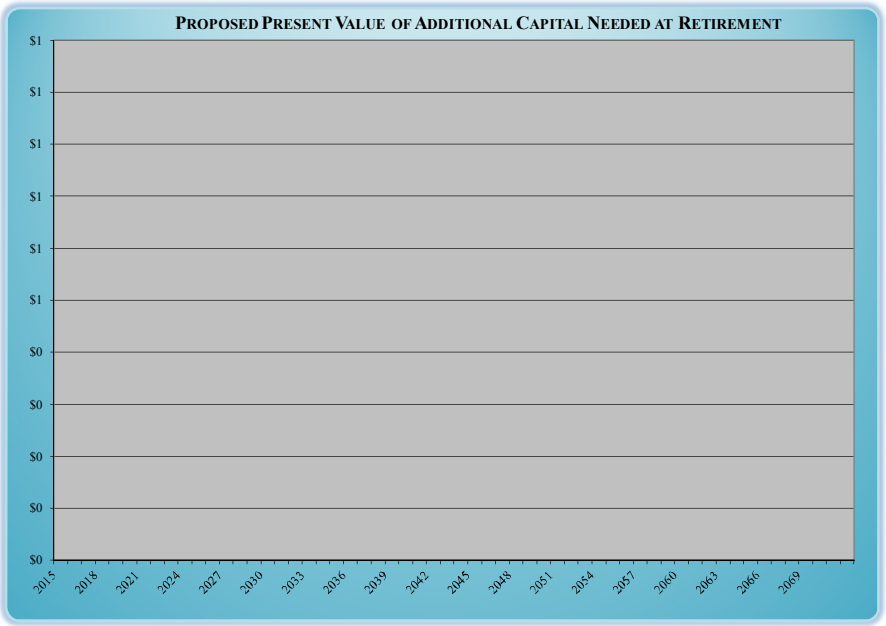


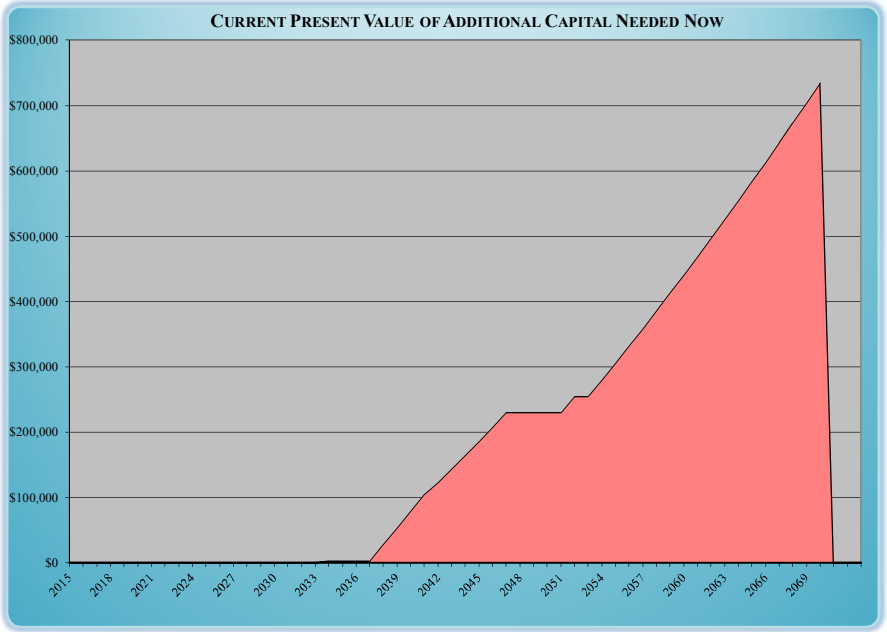
Current Annual Retirement Surplus or Deficit

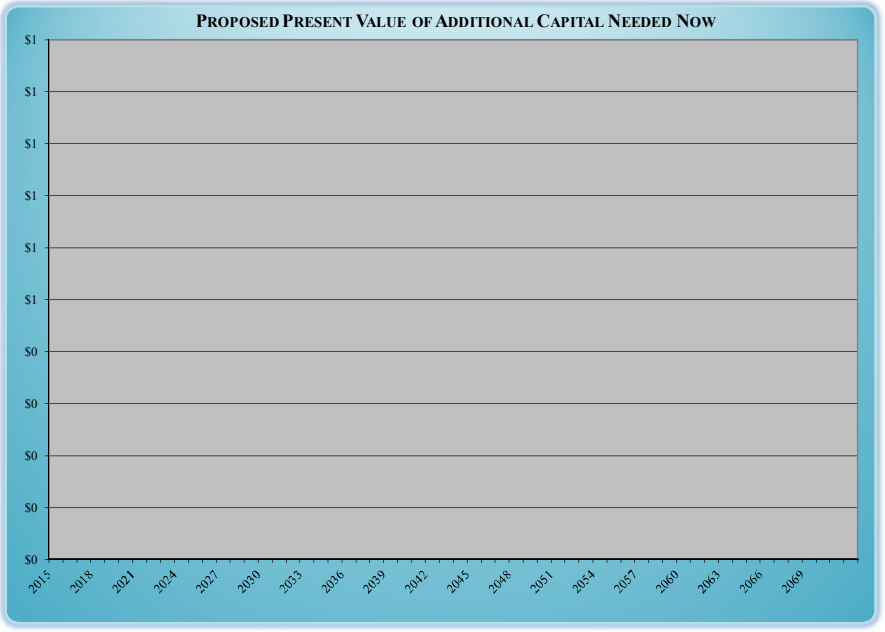
Proposed Annual Retirement Surplus or Deficit



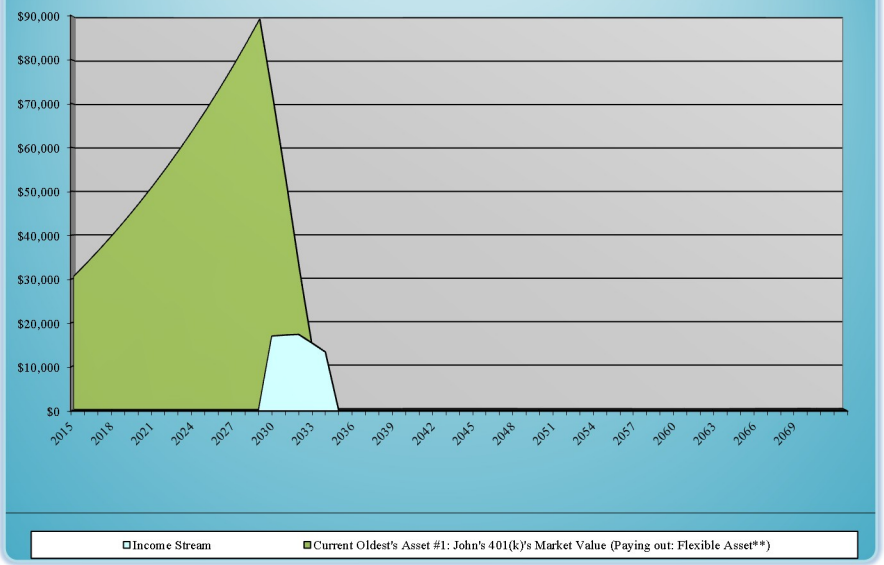




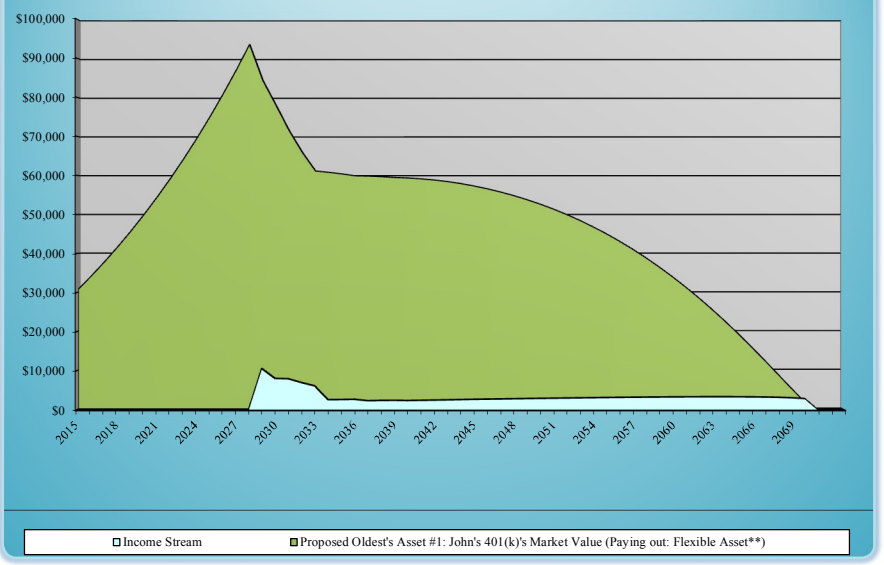




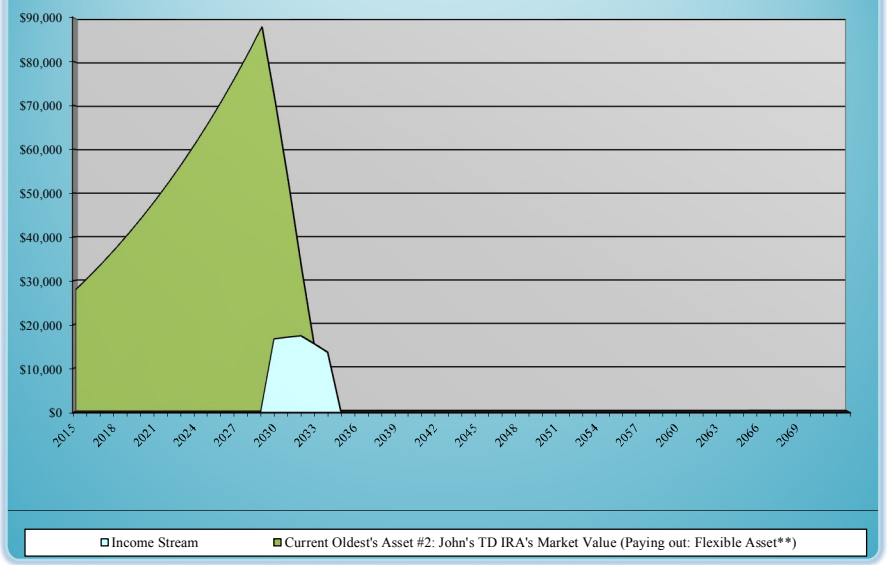
Current Oldest's Asset #1: Annual Market Value & Income



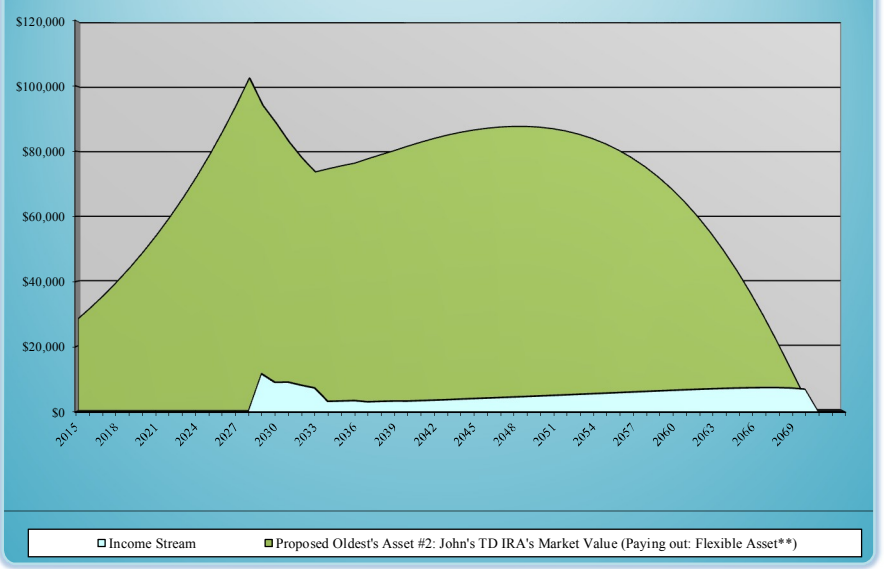
Proposed Oldest's Asset #1: Annual Market Value & Income



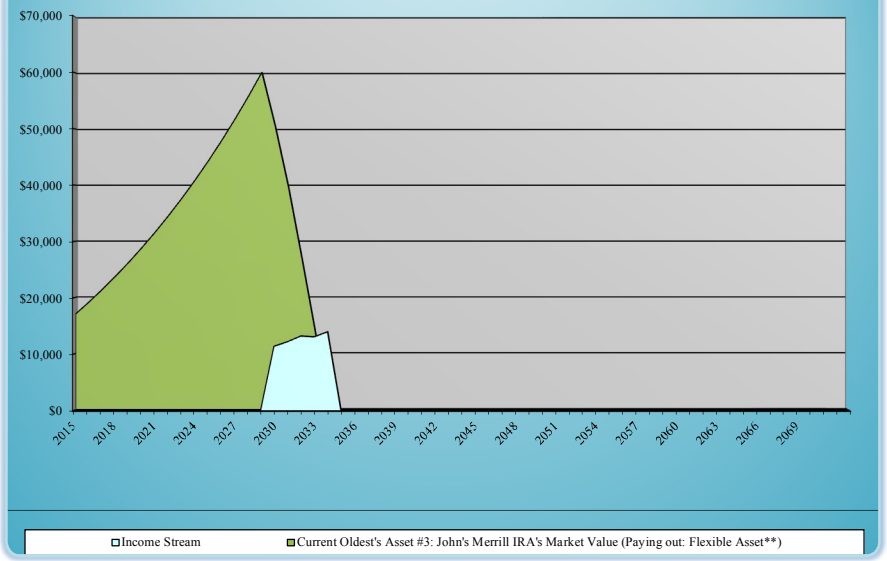
Current Oldest's Asset #2: Annual Market Value & Income



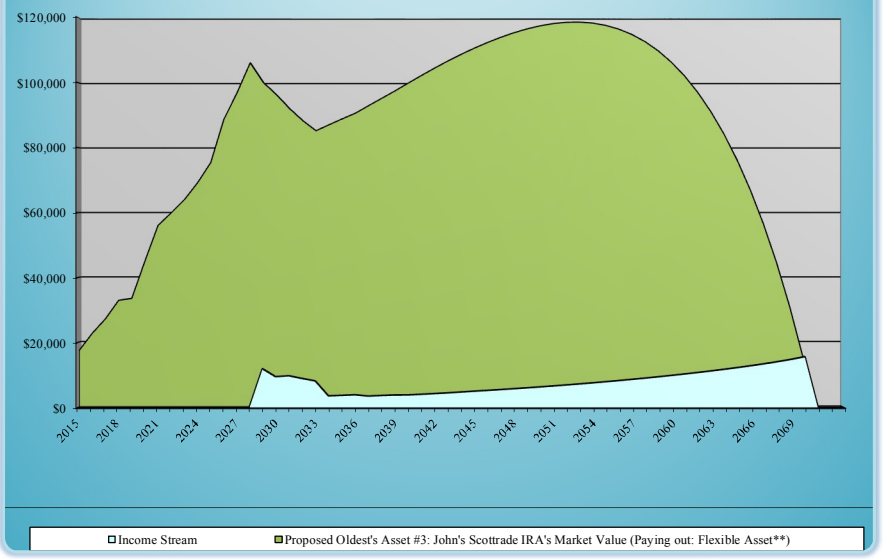
Proposed Oldest's Asset #2: Annual Market Value & Income



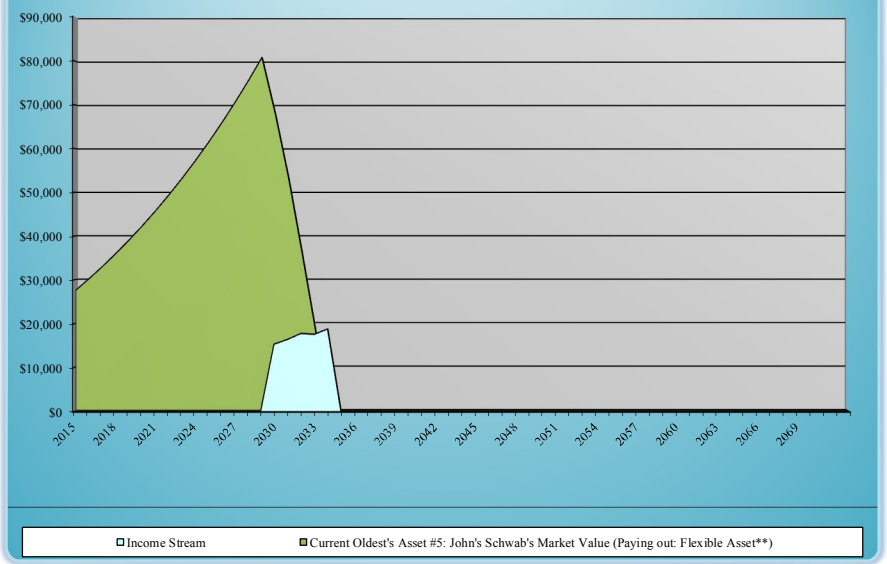
Current Oldest's Asset #3: Annual Market Value & Income



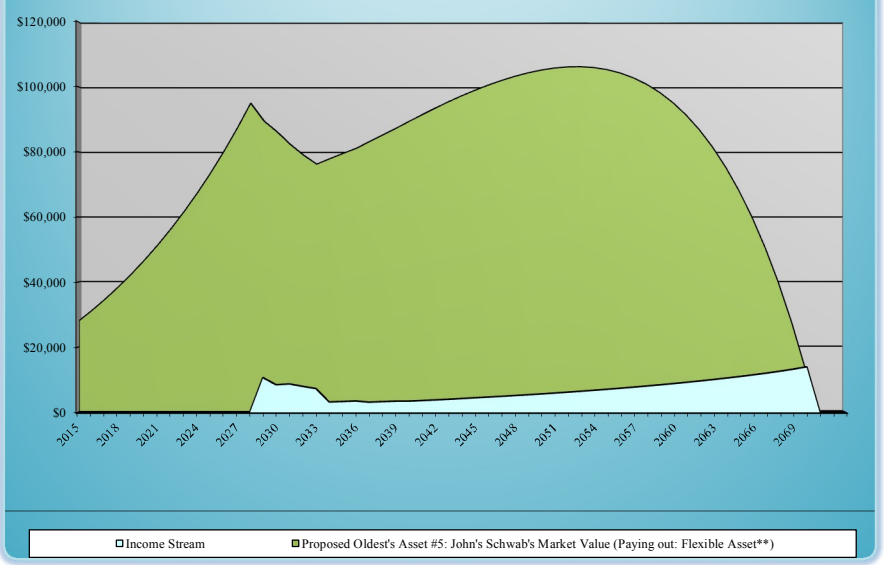
Proposed Oldest's Asset #3: Annual Market Value & Income



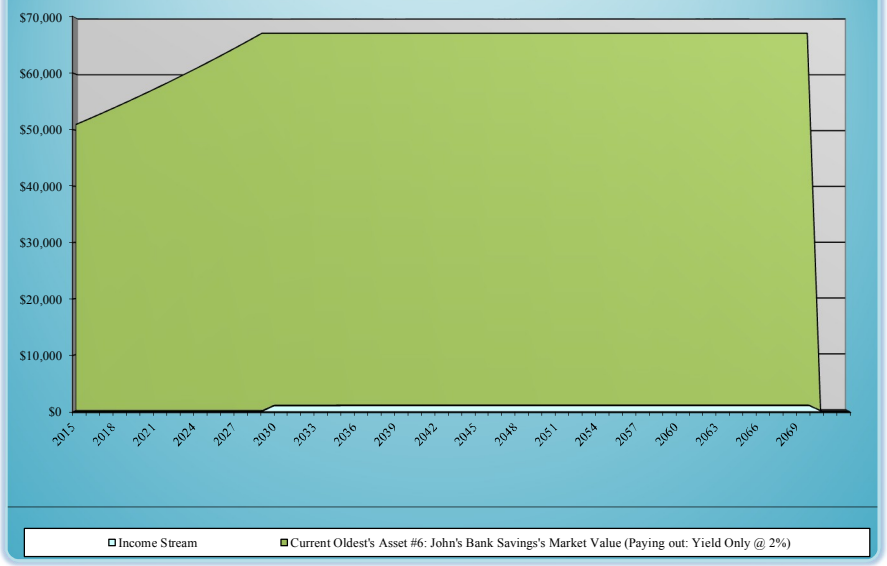
Current Oldest's Asset #5: Annual Market Value & Income



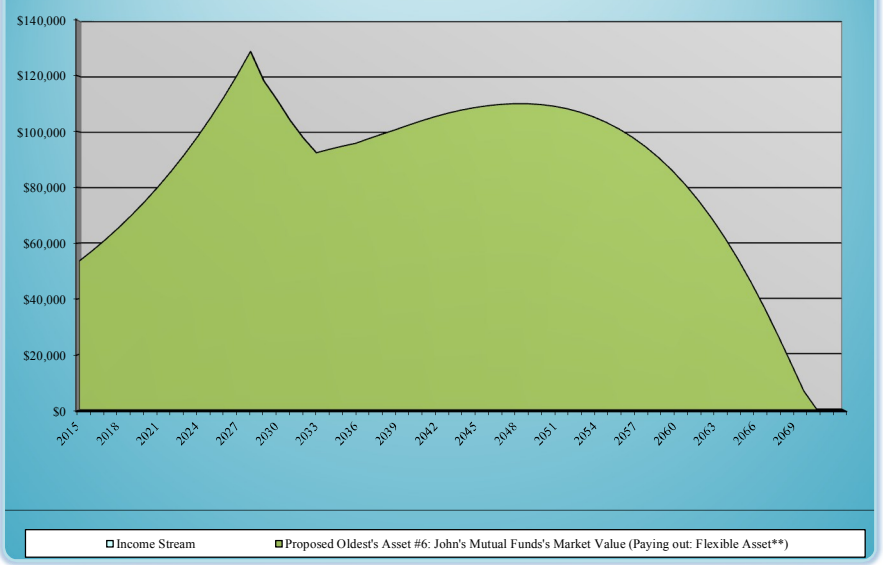
Proposed Oldest's Asset #5 Annual Market Value & Income



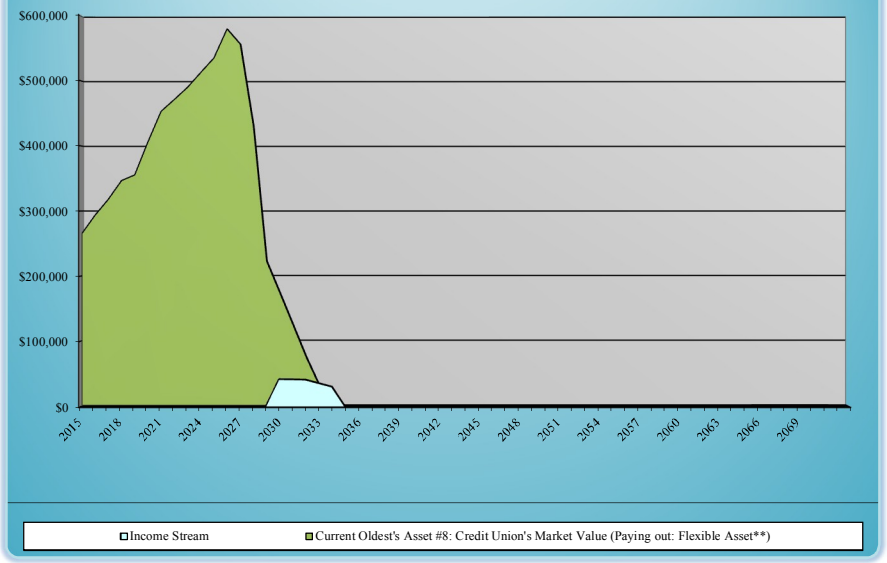
Current Oldest's Asset #6: Annual Market Value & Income



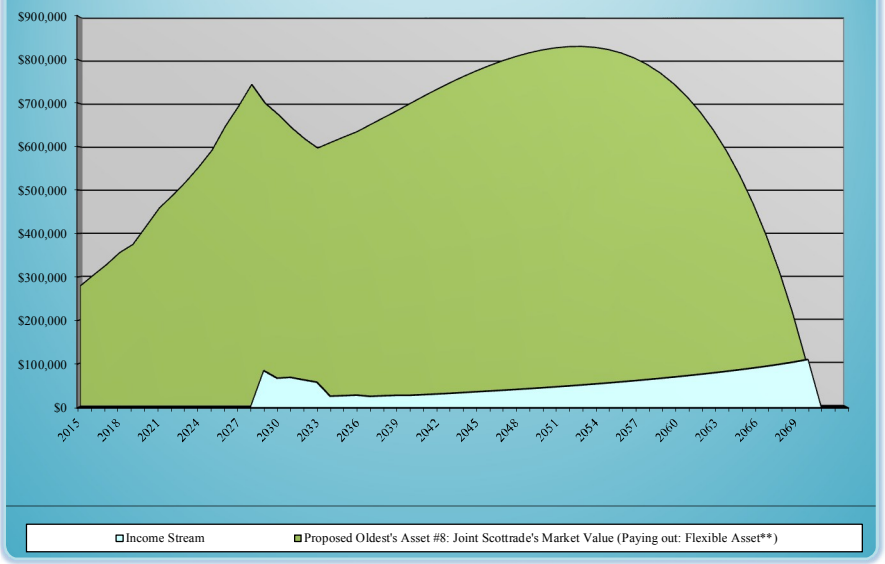
Proposed Oldest's Asset #6 Annual Market Value & Income



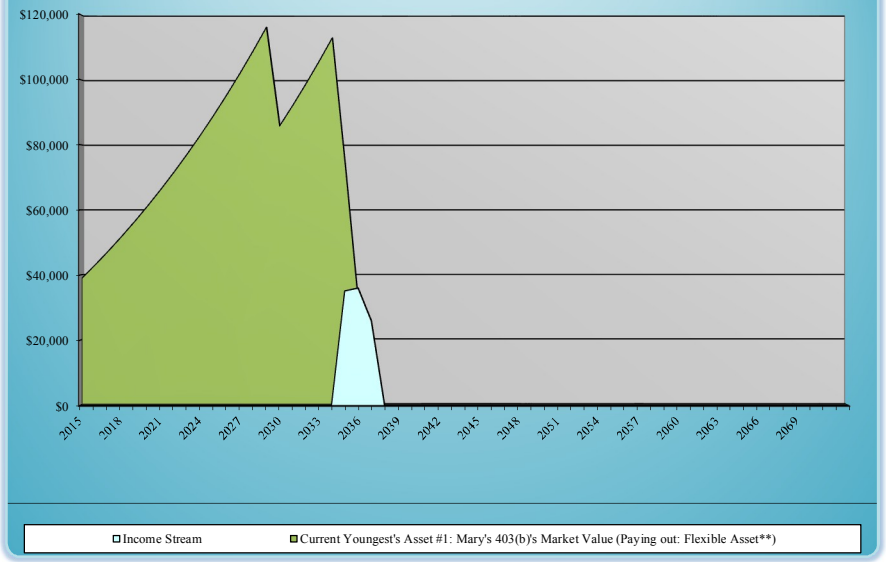
Current Oldest's Asset #8: Annual Market Value & Income



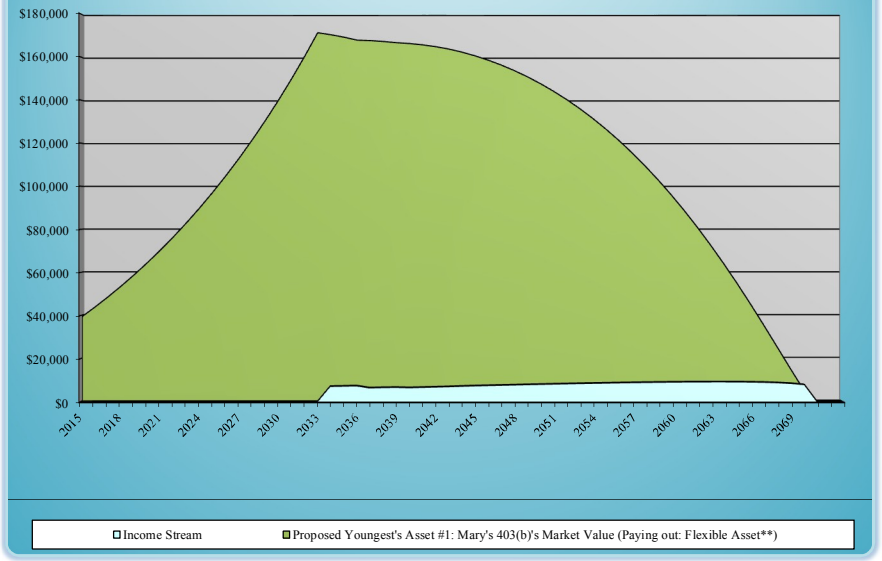
Proposed Oldest's Asset #8 Annual Market Value & Income



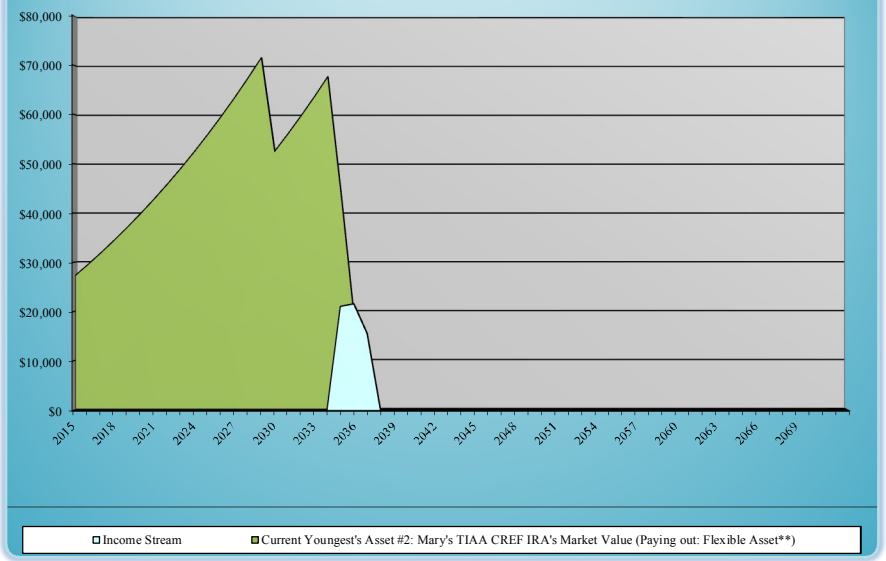
Current Youngest's Asset #1: Annual Market Value & Income



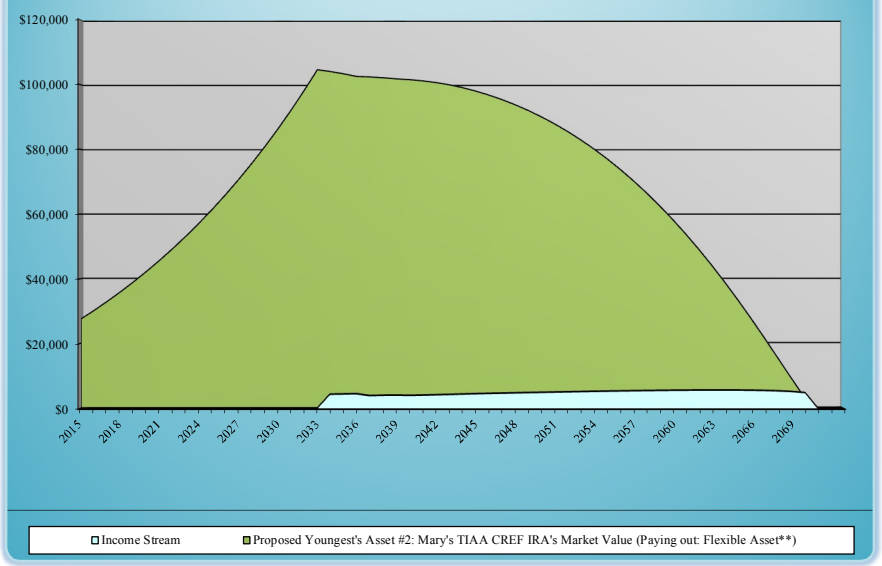
Proposed Youngest's Asset #1 Annual Market Value & Income



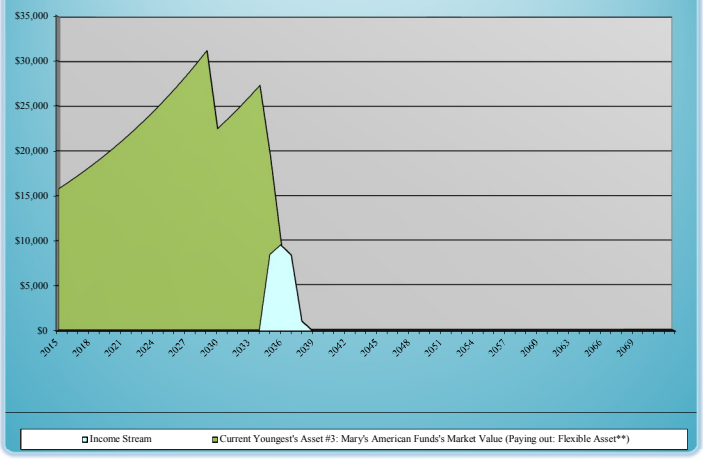
Current Youngest's Asset #2: Annual Market Value & Income



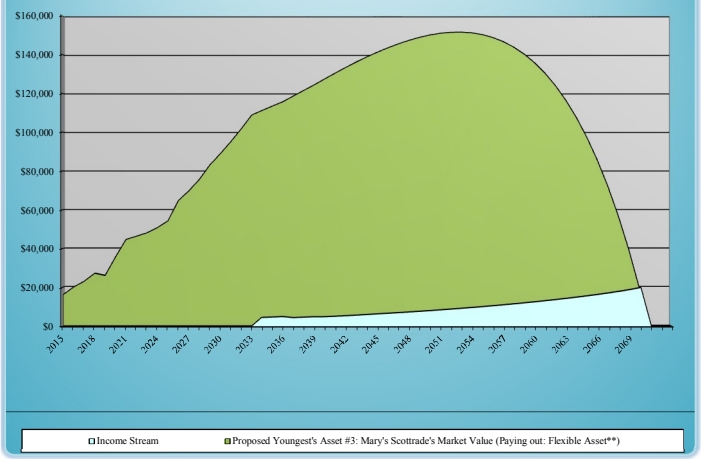
Proposed Youngest's Asset #2 Annual Market Value & Income



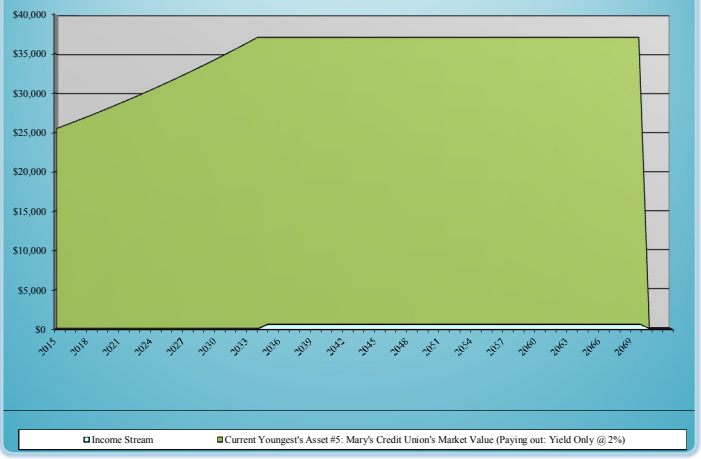
Current Youngest's Asset #3: Annual Market Value & Income



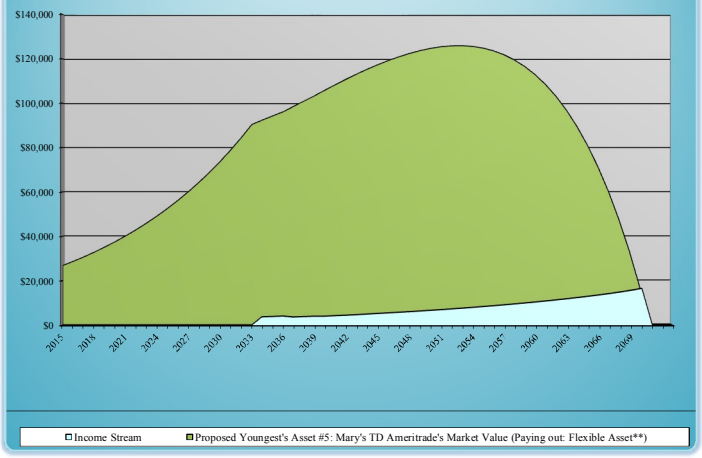
Proposed Youngest's Asset #3 Annual Market Value & Income



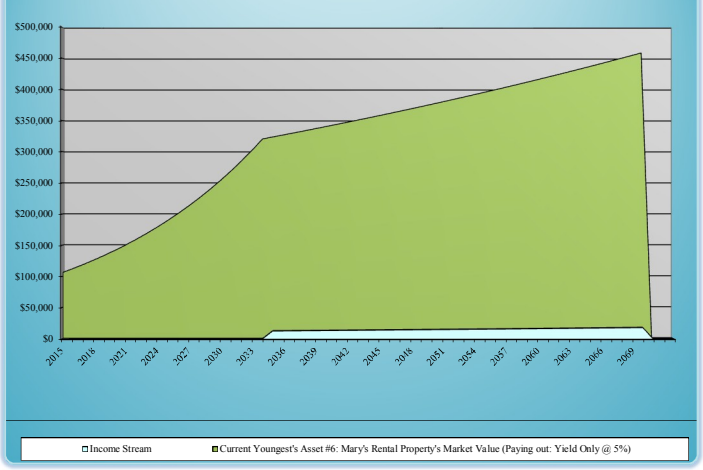
Current Youngest's Asset #5: Annual Market Value & Income



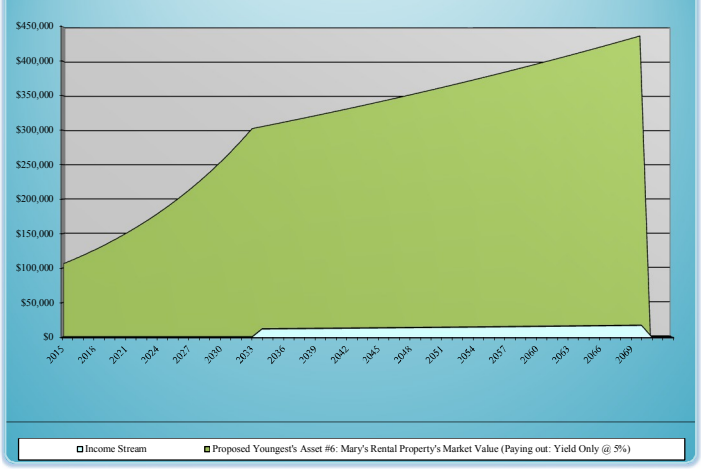
Proposed Youngest's Asset #5 Annual Market Value & Income



Current Youngest's Asset #6: Annual Market Value & Income



Proposed Youngest's Asset #6 Annual Market Value & Income



John & Mary Sample
Financial Independence Analysis

Illustration for Proposed Plan

June 6, 2015

Annual Income Goals*		Current Age	Retirement Age	Income Goal Inflation
Combined Goal: $92312	John:	45	59	3.0%
		Life Expectancy:	83	
	Mary:	40	59	Overall Tax Rate: 21% **
		Life Expectancy:	83	SS Inclusion Rate: 50%***

* In today's dollars. Net, spendable dollars.

** If tax rate is 0%, income goals are gross (before taxes). If a tax rate is used, goals are net spendable dollars or after-tax goals.

*** The Social Security inclusion rate is how much of your SS is assumed to be includable in your taxable income.

Average Percentage of Annual Income Goal Being Met: 100.0%

Additional Funding Needed to Reach Your Income Goals*

Additional Lump Sum Needed Today	-or-	Additional Monthly Payments Needed until John's Year of Retirement	Assumed Rate of Return on Additional Funding
$0		$0	3.0%

Probability of Success Given All Assumptions: 23%

* Additional funding means funding in addition to the assets that are entered into this analysis. It also assumes available capital needed to produce retirement income is not depleted until John's age of 100.

This report is designed to show a rough ballpark idea of your future financial situation, and is intended only as a basis for discussion with your professional advisors. The estimates shown in this report are based on many assumptions that may or may not occur. Both principal value and investment returns will fluctuate over time. No warranty as to correctness is given and no liability is accepted for any error, or omission, or any loss which may arise from relying on this data.

Basic Proposed Retirement Planning Information

John Sample's Current Age:	**45**
Calculated Life Expectancy:	**83**
Inputted Life Expectancy:	**100**
Difference Between Calculated and Inputted Life Expectancy in Years:	**17**
Number of Years Until Retirement:	**15**
Number of Years Until Calculated Life Expectancy:	**38**
Number of Years Until Inputted Life Expectancy:	**55**
Number of Years of Retirement to Calculated Life Expectancy:	**23**
Number of Years of Retirement to Inputted Life Expectancy:	**41**
Number of Years of Retirement with Sufficient Capital:	**41**
Percentage of Years in Retirement with Sufficient Capital Using Calculated Life Expectancy:	**100.0%**
Percentage of Years in Retirement with Sufficient Capital Using Inputted Life Expectancy:	**100.0%**
Number of Years Until Depletion of Capital:	**56**
Number of Years of Retirement Until Depletion of Capital:	**41**
Number of Years of Retirement without Capital Using Calculated Life Expectancy:	**0**
Number of Years of Retirement without Capital Using Inputted Life Expectancy:	**0**
Percentage of Years in Retirement without Capital Using Calculated Life Expectancy:	**0.0%**
Percentage of Years in Retirement without Capital Using Inputted Life Expectancy:	**0.0%**

Financial Independence Analysis: Asset Summary*

Illustration for Proposed Plan

Asset Name	Proposed (or present) Asset Value	Percentage of Assets	Age when Asset Becomes Effective	Annual Additions to Asset	Age when Additions Begins	Age when Additions Ends	Inflation Rate on Annual Contributions	Age when Payout Begins	Payout Method	Total Return Assumed	% Income Subject to Taxes
John's 401(k)	$27,500	4.6%	45	$1,800	45	58	1.0%	59	Flexible Asset**	5.0%	100.0%
Mary's 403(b)	$35,000	5.8%	40	$2,400	40	58	1.0%	59	Flexible Asset**	5.0%	100.0%
John's TD IRA	$25,000	4.1%	45	$1,500	45	58	1.0%	59	Flexible Asset**	7.0%	100.0%
Mary's TIAA CREF IRA	$25,000	4.1%	40	$1,200	40	58	1.0%	59	Flexible Asset**	5.0%	100.0%
John's Scottrade IRA	$15,000	2.5%	45	$1,200	45	58	1.0%	59	Flexible Asset**	7.0%	25.0%
Mary's Scottrade	$15,000	2.5%	40	$0	n/a	n/a	n/a	59	Flexible Asset**	7.0%	25.0%
John's Schwab	$25,000	4.1%	45	$1,200	45	58	1.0%	59	Flexible Asset**	7.0%	25.0%
Mary's TD Ameritrade	$25,000	4.1%	40	$0	n/a	n/a	n/a	59	Flexible Asset**	7.0%	25.0%
John's Mutual Funds	$50,000	8.3%	45	$0	n/a	n/a	n/a	59	Flexible Asset**	7.0%	100.0%
Mary's Rental Property	$100,000	16.6%	40	$0	n/a	n/a	n/a	59	Yield Only @ 5%	6.0%	100.0%
Joint Scottrade	$260,000	43.2%	45	$0	n/a	n/a	n/a	59	Flexible Asset**	7.0%	25.0%
Total:	**$602,500**			**$9,300**							

Notes: If an asset above has $0 in current value, and $0 in annual additions, please refer to the separately printed asset page.
** A "Flexible Asset" is an asset that does not have a structured method of paying out income. Instead, cash is withdrawn, or added back to this asset as needed to fund income withdrawals in that year.

Primary Non-Asset Retirement Income Summary*

Source of Incomes	Annual Pretax Incomes	Beginning Age	Assumed Annual Inflation	Tax Inclusion Rate
John's Social Security	$12,300	62	1.0%	50%
Mary's Social Security	$8,700	62	1.0%	
Mary's Other Earned Income During Retirement	$10,000			
Mary's Self-employment Income During Retirement	$520			
Mary's Defined Benefit Pension	$1,082			

* Social Security amounts are in today's dollars (meaning no adjustment for inflation was made on this page). Incomes other than Social Security are five years after retirement.

Financial Independence Analysis

Annual Summary Numbers

Illustration for Proposed Plan

John's Age	Mary's Age	Tax Rate	Year #	Year	Combined Annual Income Goal	Combined Annual Social Security	Combined Annual Non-asset Income	Combined Annual Asset Income	Combined Annual Income Surplus or Deficit (-)	Percent of Annual Income Goal Being Met (100%)	End of Year Balance of Capital	Average Weighted Rate of Return on Assets	Percent Change in Asset Balance from Previous Year	Present Value of Additional Capital Needed at Retirement	Present Value of Additional Capital Needed Now
45	40	21.0%	1	2015	$0	$0	$0	$0	$0	N/A	$651,700	6.5%	n/a	$0	$0
46	41	21.0%	2	2016	$0	$0	$0	$0	$0	N/A	$715,600	6.5%	9.8%	$0	$0
47	42	21.0%	3	2017	$0	$0	$0	$0	$0	N/A	$778,700	6.5%	8.8%	$0	$0
48	43	21.0%	4	2018	$0	$0	$0	$0	$0	N/A	$849,700	6.5%	9.1%	$0	$0
49	44	21.0%	5	2019	$0	$0	$0	$0	$0	N/A	$903,400	6.5%	6.3%	$0	$0
50	45	21.0%	6	2020	$0	$0	$0	$0	$0	N/A	$1,004,200	6.5%	11.2%	$0	$0
51	46	21.0%	7	2021	$0	$0	$0	$0	$0	N/A	$1,106,500	6.6%	10.2%	$0	$0
52	47	21.0%	8	2022	$0	$0	$0	$0	$0	N/A	$1,183,800	6.6%	7.0%	$0	$0
53	48	21.0%	9	2023	$0	$0	$0	$0	$0	N/A	$1,266,000	6.5%	6.9%	$0	$0
54	49	21.0%	10	2024	$0	$0	$0	$0	$0	N/A	$1,357,000	6.5%	7.2%	$0	$0
55	50	21.0%	11	2025	$0	$0	$0	$0	$0	N/A	$1,456,600	6.5%	7.3%	$0	$0
56	51	21.0%	12	2026	$0	$0	$0	$0	$0	N/A	$1,589,800	6.6%	9.1%	$0	$0
57	52	21.0%	13	2027	$0	$0	$0	$0	$0	N/A	$1,707,100	6.6%	7.4%	$0	$0
58	53	21.0%	14	2028	$0	$0	$0	$0	$0	N/A	$1,834,300	6.6%	7.5%	$0	$0
59	54	20.0%	15	2029	$143,800	$0	$0	$143,800	$0	100.0%	$1,791,600	6.5%	-2.3%	$0	$0
60	55	20.0%	16	2030	$113,400	$0	$0	$113,400	$0	100.0%	$1,779,600	6.5%	-0.7%	$0	$0
61	56	20.0%	17	2031	$115,900	$0	$0	$115,900	$0	100.0%	$1,763,600	6.5%	-0.9%	$0	$0
62	57	20.0%	18	2032	$118,500	$14,500	-$1,300	$105,400	$0	100.0%	$1,758,700	6.5%	-0.3%	$0	$0
63	58	20.0%	19	2033	$109,200	$14,700	-$1,400	$96,000	$0	100.0%	$1,764,200	6.4%	0.3%	$0	$0
64	59	19.0%	20	2034	$99,000	$14,800	$9,400	$74,800	$0	100.0%	$1,788,600	6.5%	1.4%	$0	$0
65	60	19.0%	21	2035	$102,300	$15,000	$10,100	$77,100	$0	100.0%	$1,812,000	6.5%	1.3%	$0	$0
66	61	19.0%	22	2036	$105,300	$15,100	$10,200	$79,900	$0	100.0%	$1,833,800	6.5%	1.2%	$0	$0
67	62	19.0%	23	2037	$108,500	$26,100	$9,600	$72,700	$0	100.0%	$1,865,700	6.5%	1.7%	$0	$0
68	63	19.0%	24	2038	$111,700	$26,400	$9,700	$75,500	$0	100.0%	$1,896,500	6.5%	1.7%	$0	$0
69	64	19.0%	25	2039	$114,300	$26,600	$9,800	$77,800	$0	100.0%	$1,926,800	6.5%	1.6%	$0	$0
70	65	19.0%	26	2040	$115,300	$26,900	$10,600	$77,800	$0	100.0%	$1,959,300	6.5%	1.7%	$0	$0
71	66	19.0%	27	2041	$118,700	$27,200	$10,700	$80,800	$0	100.0%	$1,990,500	6.5%	1.6%	$0	$0
72	67	19.0%	28	2042	$122,200	$27,400	$10,900	$83,900	$0	100.0%	$2,020,300	6.5%	1.5%	$0	$0
73	68	19.0%	29	2043	$125,900	$27,700	$10,900	$87,200	$0	100.0%	$2,048,300	6.5%	1.4%	$0	$0
74	69	19.0%	30	2044	$129,300	$28,000	$10,100	$91,100	$0	100.0%	$2,073,800	6.5%	1.2%	$0	$0
75	70	19.0%	31	2045	$132,900	$28,300	$9,800	$94,800	$0	100.0%	$2,096,700	6.5%	1.1%	$0	$0
76	71	19.0%	32	2046	$136,800	$28,500	$9,900	$98,300	$0	100.0%	$2,117,200	6.5%	1.0%	$0	$0
77	72	19.0%	33	2047	$140,800	$28,800	$10,000	$102,000	$0	100.0%	$2,135,000	6.5%	0.8%	$0	$0

Financial Independence Analysis
Annual Summary Numbers, continued

John's Age	Mary's Age	Tax Rate	Year #	Year	Combined Annual Income Goal	Combined Annual Social Security	Combined Annual Non-asset Income	Combined Annual Asset Income	Combined Annual Income Surplus or Deficit (-)	Percent of Annual Income Goal Being Met (100%)	End of Year Balance of Capital	Average Weighted Rate of Return on Assets	Percent Change in Asset Balance from Previous Year	Present Value of Additional Capital Needed at Retirement	Present Value of Additional Capital Needed Now
78	73	19.0%	34	2048	$144,900	$29,100	$10,000	$105,700	$0	100.0%	$2,149,700	6.6%	0.7%	$0	$0
79	74	19.0%	35	2049	$149,100	$29,400	$10,100	$109,600	$0	100.0%	$2,161,000	6.6%	0.5%	$0	$0
80	75	19.0%	36	2050	$153,500	$29,700	$10,200	$113,500	$0	100.0%	$2,168,600	6.6%	0.4%	$0	$0
81	76	19.0%	37	2051	$158,000	$30,000	$10,300	$117,700	$0	100.0%	$2,172,100	6.6%	0.2%	$0	$0
82	77	19.0%	38	2052	$162,600	$30,300	$10,300	$121,900	$0	100.0%	$2,171,100	6.6%	0.0%	$0	$0
83	78	19.0%	39	2053	$167,400	$30,600	$10,400	$126,300	$0	100.0%	$2,165,000	6.6%	-0.3%	$0	$0
84	79	19.0%	40	2054	$172,300	$30,900	$10,500	$130,800	$0	100.0%	$2,153,400	6.6%	-0.5%	$0	$0
85	80	19.0%	41	2055	$177,300	$31,200	$10,600	$135,400	$0	100.0%	$2,135,800	6.6%	-0.8%	$0	$0
86	81	19.0%	42	2056	$182,500	$31,500	$10,700	$140,200	$0	100.0%	$2,111,600	6.6%	-1.1%	$0	$0
87	82	19.0%	43	2057	$187,900	$31,800	$10,800	$145,200	$0	100.0%	$2,080,200	6.6%	-1.5%	$0	$0
88	83	19.0%	44	2058	$193,400	$32,200	$10,900	$150,300	$0	100.0%	$2,040,900	6.6%	-1.9%	$0	$0
89	84	19.0%	45	2059	$199,100	$32,500	$11,000	$155,600	$0	100.0%	$1,993,000	6.6%	-2.3%	$0	$0
90	85	19.0%	46	2060	$205,000	$32,800	$11,100	$161,000	$0	100.0%	$1,935,700	6.6%	-2.9%	$0	$0
91	86	19.0%	47	2061	$211,000	$33,100	$11,200	$166,600	$0	100.0%	$1,868,300	6.6%	-3.5%	$0	$0
92	87	19.0%	48	2062	$217,200	$33,500	$11,300	$172,400	$0	100.0%	$1,789,800	6.6%	-4.2%	$0	$0
93	88	19.0%	49	2063	$223,600	$33,800	$11,400	$178,400	$0	100.0%	$1,699,300	6.6%	-5.1%	$0	$0
94	89	19.0%	50	2064	$230,200	$34,100	$11,600	$184,500	$0	100.0%	$1,595,700	6.6%	-6.1%	$0	$0
95	90	19.0%	51	2065	$237,000	$34,500	$11,600	$190,900	$0	100.0%	$1,478,100	6.6%	-7.4%	$0	$0
96	91	19.0%	52	2066	$244,000	$34,800	$11,800	$197,400	$0	100.0%	$1,345,100	6.6%	-9.0%	$0	$0
97	92	19.0%	53	2067	$251,200	$35,200	$11,800	$204,100	$0	100.0%	$1,195,500	6.5%	-11.1%	$0	$0
98	93	19.0%	54	2068	$258,700	$35,500	$12,000	$211,100	$0	100.0%	$1,028,100	6.5%	-14.0%	$0	$0
99	94	19.0%	55	2069	$266,300	$35,900	$12,100	$218,300	$0	100.0%	$841,300	6.4%	-18.2%	$0	$0
100	95	19.0%	56	2070	$274,200	$36,200	$12,300	$225,700	$0	100.0%	$633,900	6.3%	-24.7%	$0	$0

ASSET ALLOCATION REPORT TUTORIAL

REAL WORLD PERSONAL FINANCE SOFTWARE

(734) 369-0580 support@toolsformoney.com http://www.toolsformoney.com/

OVERVIEW OF OUR INVESTMENT MANAGEMENT PROCESS

This text is to help you understand the overall concepts, and technical details, of the reports that follow. It starts with basic concepts of how we manage your money.

The first and most important step in the financial planning and investment management process is Discovery. This is where our questionnaires asked you various multiple-choice, fill-in-the-blank, and essay questions. It's also called Fact Finding or data collection.

Your answers help us determine your investment risk temperament and tolerance, goals, time frames, cash flows in and out of the portfolio, and what you have to work with. It's also where you'll put into writing what it is you want us to do for you. This data helps us formulate investment policy that best fits your needs and objectives. This is then formally summarized in the Investment Policy Statement that follows.

Once these two preparatory phases are completed (Discovery & IPS creation), we can start to manage your assets, and use financial planning software to help forecast your future.

Forecasting your future (cash flow projections, net worth projections, life insurance needs, retirement planning, and college funding) is a different topic, and is discussed in detail in other parts of your financial plan.

ABOUT THE THREE WAYS TO MANAGE MONEY

The third phase of investment management is deciding how to manage your investments. Since there are only three ways to go, it's critical to first understand the advantages and disadvantages of each. The only three ways money can be managed are:

1) Market Timing: Whenever one makes an investment decision based on a forecast of a market, asset class, or security going up or down, then market timing is being utilized.

2) Security Selection: This is deciding which security to buy or sell compared to others of the same type. For example, deciding whether to buy a bond or a growth stock would be an asset allocation or market timing decision. Deciding whether to buy AMD or Intel would be a security selection decision. This is because both stocks are in the same asset class. Stock and ETF picking are the most common forms of security selection.

3) Asset Allocation: This is the art and science of how money gets divided up between different asset classes to lower risk and increase returns. This is also known as optimizing an investment portfolio, making it more efficient.

Asset allocation is just investment jargon that means how the money in your portfolio gets divided up between the different asset classes. An asset class distinguishes one type of investment from another. Asset classes are how different types of investments are categorized to distinguish them from one another. For example, CDs, bonds, stocks, gold, and real estate are different in terms of risk, reward, taxation, and income generation.

Most investments can be categorized into one of four major asset classes: stocks, bonds, tangibles (things you can touch), and cash. There are dozens of asset classes in the U.S., and most also have a mirror-image in the overseas markets. We may use up to a couple dozen, depending on various circumstances.

Every investment decision uses either one, or a combination, of these three methods. Also, all three methods can be used simultaneously in making one investment decision.

Out of the three ways to make investment decisions, we focus on mainly one - asset allocation. Now for a little more on the other two methods, and why we don't use them.

SECURITY SELECTION (STOCK AND/OR ETF PICKING)

Security selection is deciding which investment to purchase, or sell, compared to others of the same type (or within the same asset class).

We practice a little bit of security selection by using Morningstar database software to screen mutual funds (and things like ETFs and variable annuity subaccounts when needed). This is the initial phase of the screening process because we feel mutual funds that are highly ranked in their category over several time frames, peer group, and asset class tend to remain highly-ranked long enough to be useful.

We look for mutual funds that rank in the top 20% (this number varies for each asset class) in various time frames. If a fund ranks in the top quartile of their peer group in most of these time frames, then it is a candidate for further screening, which may include calling the fund manager. We perform this screening for all of the asset classes we use except for cash (money market).

We're looking mostly at total return numbers at this phase. We don't care much about the risk of each asset class at the individual fund level because these risks are mostly diversified away during the asset allocation process. In fact, for some asset classes, we want to see funds that are the most risky (highest Beta numbers) in their asset class.

Small-cap funds, for example, should have very high Betas – the higher the better. When the markets go up – this asset class should roar ahead much more than the S&P 500. When the S&P 500 goes down, we expect this asset class to go down much more than the S&P 500 too. If the mutual fund behaves in the future like it did in the past, then the gains in the good times usually will more than make up for the losses in the bad times.

When it comes to individual stock picking, most empirical studies have shown that similar common screening practices add little value. This is because:

- There are just too many stocks
- There is too little information publicly available
- All publicly available information is quickly outdated
- There is never enough time or resources to do a thorough analysis
- Things change significantly on a daily basis
- Everyone else is using essentially the same software tools, strategies, and methodologies
- The critical information needed to forecast where the stock may be headed over any time frame is just not available to the public.

The only people with the pertinent information needed to forecast the critical variables on where a stock may be headed (earnings, growth rates, etc.) are "insiders." Some examples of insiders are the corporate executives, other key employees, their investment bankers, lawyers, accountants, etc. These insiders are prohibited by law, and from corporate policy, from disseminating this information to the public. Most are not even allowed to trade on this information themselves.

The bottom line is that the only people that actually know how the company is doing on a daily basis, and therefore where the stock is going, are people who are not allowed to do anything about it (by trading the stock), nor tell anyone.

Because of these problems, the bottom line is that the vast majority of stock pickers lag the market (or their proper benchmark index) over time. In light of this, other than screening mutual funds that hold dozens of stocks, we believe the practice of security selection is not appropriate for most of our clients.

We leave stock picking and market timing up to the mutual fund managers, because they have the resources to specialize in picking stocks of a single asset class. We feel this is the only way to get decent results for individual investors.

MARKET TIMING

Market timing is seeing where a market or security currently is, and then betting where it may be going, and when. Any time an investment decision has a time frame associated with it (this will do this by this time), market timing is being used.

If you like your adrenaline pumping all the time over investments, and realizing returns that are less than the S&P 500, then market timing and stock picking is for you. You don't hear about asset allocation in the media because it's just too boring!

The biggest reason people do this is because it's fun to play on Wall Street. Some just need their jobs to be exciting more than they need to make a stable income and realize good returns with acceptable risks for their clients. It's an exhilarating ego-boost to make a lot of money being correct on a stock bet. You feel like you've just won a sophisticated high-tech battle in an intellectual war with people that thought they were smarter and better than you. To these warriors, using mutual funds is not only too boring; it's just resigning to join the herds of plodding commoners. It's also fun to gamble in Vegas, but you know how that usually ends up. These days, most of these folks have realized this, and have given up on trading stocks, and have moved to trading exchange traded funds (ETFs). This strategy "doesn't work" either, but at least it's less risky than stock picking.

The tortoise and hare analogy fits well here - where the tortoise (asset allocation) is slow and boring, but eventually wins over the exciting fits and starts of the hare (market timing and/or stock / ETF picking).

Why can't making low-risk money be fun and exciting? In order to make exciting money using market timing or stock picking techniques, you'd need to show a net profit on four investment decisions: You need to sell something (#1 - what to sell out of assets currently held) at the right time (#2), to generate the money needed to make new purchases (#3 - what to buy) at the right time (#4).

To win at the market timing game, one needs to be correct more than 60% of the time to cover the losses caused by mistakes of the other 40%. It's not close to 50 - 50 because of the trading commissions, capital gains taxes, and other transaction costs associated with trading securities frequently.

Usually a "mistake" is made on one of these four decisions, and those losses negate gains on the correct decision(s). Mistake is in quotes because market timers rarely acknowledge their mistakes. They always have a long-winded explanation about unforeseen events, it wasn't their fault, and how they would have been right, if only it wasn't for this or that and the other. The bottom line here, is that every time they're "wrong," it is their "mistake" – on multiple levels.

Then on top of that, you'll have to subtract out all of their fees, trading costs, administrative costs, and taxes. If that weren't true, then someone would have figured out how to make market timing or stock picking work, and they would have their own daily TV show. At any given time, there is at least one "tard" with their own TV show, but if they actually maintained an investment track record, it would be unbelievably dismal (which is why they don't have one). Regardless of their record, there has to be at least one of these shows on at all times, just because there's enough "Joe-six-pack armchair investors" that will watch it, and that's all it takes for the sellers of commercials to fund it (regardless of how much it harms the investing public).

Investment markets are just the sum of millions of people reacting to random daily news by trading securities. Because nobody can predict the news, nobody can predict the future no matter what computer models they use. That's why you'll never see the same investment guru on TV for more than a few years. It's usually the one that got lucky recently. When their luck runs out, they're replaced.

This is also why media gurus are usually mutual fund managers (and are CFA Charterholders). Only large institutions like these have the resources needed to have any chance at profiting on all four trades simultaneously, and have the economies of scale to keep expenses down (plus they don't have to care about the taxes you pay).

Everyone else is just misleading by hype, and is making you lose money. This is because these gurus are selling the same securities right after making their public recommendations to buy them. This is known as the "greater fool theory."

They're basically telling you when to buy, but not when to sell. First the guru buys a ton of a stock or ETF to make it go up a lot. Then to get on TV, they make something up about how its fundamentals or charts (all meaningless technical analysis babble) indicate it's going to go up much more. Then they convince fools to buy it via TV. Then it will go up just because these fools are buying it, allowing the guru to sell

it all at much higher prices. This drives the price lower. Then all of the fools that bought it from the guru are then left "holding the bag with the bill of good inside," while the guru locked in large profits. This makes the guru's performance look spectacular, which gets them invited back to the show. This scam is perfectly legal and still happens daily!

So if you're susceptible to taking a market guru's advice because you agree with what they're saying, and it i's working great at the moment, then just wait. Most of the time, it will be around a year before their luck runs out, they've lost a lot of money, and have disappeared from the media. The point is you don't know when their lucky streak will expire.

Try to remember who the big TV financial gurus were a decade or a few years ago. How long has it been since they've been on TV? How many were either booted out of the business or went to jail for insider trading or similar infractions? How did their stock tips pan out a year after they recommended them? How many just disappeared because their dismal track record was publicized? They don't retire and go away because all of sudden they're rich enough. Their egos are much too big for that. They went away because their fans quit giving them the big easy money, or a new Bieber or Kardashian came along that gets better ratings.

They also tout stocks that their firms' have investment banking relationships with (the investment firm that brought the company's stocks and bonds to the marketplace) so they can sell their inventory to the public easier. This is where most of the money is made on Wall Street. If this doesn't sound right to you, you're right - it's not, and there are a lot of things wrong with the financial markets that will never be fixed because of big money.

Here's what to do about these situations: Write down the name of the guru, the security they recommended, and what their forecast was in terms of price movement over a certain time frame. Then write on your calendar when to review this call. When that day comes, compare what actually happened with their original call. Then you'll see that 90% of the time, they're just wrong. That should be enough to get you to just change the channel.

USING ASSET ALLOCATION STRATEGIES HELPS AND SAVES YOU IN MANY WAYS

• An old Wall Street adage is you have to assume more risk to realize more return. But you don't always realize more return just by assuming more risk in the real world. Most of the time, when you assume more risk, you just lose more money. Asset allocation allows more control over how much return you'll probably get in exchange for assuming more risk.

• Asset allocation is the only non-derivative technique you can use to reduce risk (lower overall portfolio volatility), increase income, and get better returns, all at the same time. It's the only one of the three ways of managing money actually that reduces risk. The other two methods of investing only greatly increase risks.

For example, if the S&P 500 goes down 20%, your diversified investment portfolio of 1,000+ stocks and bonds of all types will probably be down less than 15%. This is because you'd have less exposure to those 500 stocks when you hold other asset classes. If you're a stock / ETF picker or a market timer, then chances

are you'll be down over 25%. This is somewhat because pickers and timers mostly use stocks or ETFs in the S&P 500.

• Even though using asset allocation eliminates the need for you to time markets and pick securities, it still has to be done by someone. That's the mutual fund manager's job. They have the armies of analysts and millions invested in computers, people, and systems needed to perform these mostly futile tasks. You don't, and that's the point. If you want to compete with them, then you'll lose most of the time. Winning means realizing low risk and good returns, while not having to waste time and money trying to manage money.

• Asset allocation saves you a lot of time. Other than updating mutual funds and quarterly rebalancing, you don't have to pay much attention to investment portfolios. If you really want to minimize time, you can use index mutual funds or index ETFs, which rarely need to be monitored or updated (but still need to be rebalanced).

• Asset allocation saves you grief, worry, anxiety, stress, from losing sleep, and having to be glued to the TV or phone or computer to keep track of the markets and your holdings. There's no need to baby-sit a security, and have constant access to a phone or the Internet, to be ready to trade at all times to avoid losses. Asset allocation allows you to sleep well, take real vacations, and to turn it all off.

• Asset allocation saves you money because you don't have to pay top-dollar for all of the trading costs associated with high-turnover market timing and/or stock or ETF picking strategies. It's the mutual fund managers' job to do all of the trading. You'll still have to pay these mutual fund management fees, but they're much less than you'd pay on your own. They're able to keep their expenses down because of competition and economies of scale.

• You can still brag at parties that you were smart enough to buy something before it took off. When you hold a diverse portfolio of mutual funds comprised of many asset classes, you're bound to be holding securities of the current fad. Whatever the current hot thing is you'll most always be able to say, "I bought that before it went through the roof!"

• Asset allocation strategies are also great for diversifying and enhancing portfolio income, which is critical during retirement. Maximizing investment portfolio income greatly reduces the need to dip into principal (sell shares). Investment portfolios will last much longer if you can get the spendable income needed to pay living expenses mostly by their normal income distributions (interest, dividends, and realized capital gains).

• Asset allocation also saves advisors from getting into trading trouble. First, stocks are the #1 source of trading trouble. Trading ETFs are #2. Then there are no B or C-share classes in our mutual fund recommendations, so those compliance red flags will never be raised. There are also many times fewer trades when you buy and hold mutual funds compared to trading stocks / ETFs or timing markets. So compliance won't annoy you about excess trading (AKA churning) just to drum up more commissions.

Then as anyone with trading experience knows, there’s always mistakes made, and money is lost when they can’t be fixed. Asset allocation minimizes trading and its mistakes as much as possible. Fewer trades result in lower trading costs, less administrative work, fewer mistakes that need to be fixed, and less risks.

THE DISADVANTAGES OF ASSET ALLOCATION

You're probably going to pay a little more in taxes with asset allocation, because you're probably going to be making more income and profits. You'll also probably be realizing less tax-deductible losses.

You also won't be the life of the party when the topic is stock trading or market timing. Why? For the same reason the media only focuses on market timers and stock pickers. Because asset allocation is much too boring! There's literally nothing to talk about other than which asset class is currently up or down, and why.
You're also guaranteed not to strike it rich if a big bet pays off. If something doubles overnight, only that portion of the portfolio that was invested in that asset class will be affected. This is usually less than 10% with asset allocation. If it's a stock, then it could be less than 1% of your total portfolio's holdings.

Gambling with a large portion of money (using stocks, ETFs, margin, derivatives, etc.), and lucking out, is the one and only way to get rich quick in financial markets. Very few advisers can do this in efficient markets these days. You've been at it for years, and haven't struck it rich yet. It just gets harder every day, so why keep trying?

Because we feel two of these three major determinants of portfolio performance (security selection and market timing) are not appropriate for most investors, we focus mostly on asset allocation. We feel a finely tuned methodical asset allocation process has, by far, the most impact on determining whether or not your portfolio will help you reach your long-term financial goals.

The most famous and comprehensive asset allocation study was done by Gary P. Brinson, Brian D. Singer, and Gilbert L. Beebower in 1991. Most other findings drew the same conclusions. The bottom line is that considering everything (commissions and other transaction costs, taxes, and mistakes), over 91% of long-term portfolio performance is derived from the decisions made regarding asset allocation.

Results reflect this infamous study.* It concludes that 91.5% of investment performance returns stem from the asset allocation decision, and not the security selection or market timing decisions. In English - The behavior of asset classes, and their interactions with each other, are much more important factor than choosing the best-performing securities to represent them, or when to trade them.

In other words, it doesn't matter too much that the actual investments selected outperform their proper benchmark indices. What matters most is utilizing optimized and efficient asset allocation strategies, and then consistently picking investments that are a close proxy to their asset classes (or just using index funds).

Gary Brinson, Brian Singer, & Gilbert Beebower "Determinants of Portfolio Performance: An Update," Financial Analysts Journal, June '91

HOW ASSET ALLOCATION WORKS

Different correlation coefficients between investments are why asset allocation works much better for individual investors than anything else humanity has ever invented.

When investments move up and down perfectly in sync with each other over a certain time frame, its correlation coefficient is 1. When assets move in the opposite direction with each other, its correlation coefficient is -1. Both of these scenarios never happen. The average is around 0.7.

All it takes is for it not to be over 0.9 to add diversification value to a portfolio. This is the core of MPT (Modern Portfolio Theory), which started in the 1950s.

The point is to hold a balanced mix of asset classes that have both good returns on their own, and go up and down at different times relative to the other investments in the portfolio. Determining which assets classes to hold is an art, a science, and depends on the circumstances and goals of the investor.

Holding an investment portfolio comprised of asset classes with healthy correlations to each other is just about the only free and reliable method to reduce the primary risk of losing too much money if and when the markets go down, while still getting both the returns and income that will be acceptable - all while giving you any chance at all of outperforming the markets.

This is because whenever you check the portfolio's value, there's usually always something that's doing so well, that it keeps the portfolio as a whole from having negative returns, even when the U.S. stock markets are down.

Asset allocation can be looked at as an enormous board game with about 25 buckets that hold money (each bucket could contain several sub-buckets too). There are trillions of dollars in all of the financial markets, and all of this money is spread between these buckets (around 20 trillion just in U.S. stocks alone at the time of this writing). The buckets all stay on the board at all times, and around one trillion dollars gets shuffled between buckets on a normal day.

For example, if tech stocks go down 10% in a day, it's because more people sold, and wanted to sell, tech stocks than wanted to buy them that day. These sellers got money when they sold, and if they didn't buy any other kinds of investments, this money just went into the cash (money market) bucket. Few like getting low-single-digit cash returns, so over the next day or so, this money finds its way into the other buckets. Which buckets they go into are mostly determined by the security selection and market timing decisions of short-term traders.

One of the main points of asset allocation is to have exposure to a little bit of just about every major bucket that this cash is likely to go into. This way no matter where the money goes, you're already there. This eliminates the need for market timing, because you're in most every major market all of the time.

For example, if ten billion worth of tech stocks were sold net in a day, then this ten billion dollars has to go somewhere - cash, bonds, real estate, large-cap value stocks, etc. If you consistently own a little bit of everything, then it's hard to lose a lot of money long-term because it all has to stay on the table in one bucket or another. It's just a question of which bucket it will be shuffled to next, and when. Since nobody knows which, it’s best to just have a little bit spread around between most all of them all the time.

It happens every dozen years or so, but it's rare for all (major) asset classes (buckets) to be down at the same time for very long. So when a well-allocated investment portfolio is down, it doesn't stay down for very long. This is because if a lot of markets are down at the same time, it means everyone is hiding in

cash / money markets. People don't like getting 0.5% to 2%, so they're just waiting to pounce and put this money to work somewhere as soon as they stop being "frozen up like a deer caught in headlights by uncertainty." When this happens, there is usually a big sudden rally in at least one major asset class. That's why the best time to invest is when everything is down at the same time because everyone is "uncertain."

By playing the investing game this way, instead of guessing which bucket will do best short-term, you'll not only eliminate the risk of not being in the right bucket at the right time, but you also don't have to guess where the right bucket will be in the future. If you try to predict where the big money will move to next, then more than likely the bucket you took the money from will be the next place it will go, and the big money is just waiting to leave the bucket you picked.

If you paid capital gains taxes on the sale, you'd would lose on four fronts (taxes, trading costs, and being wrong with your market timing bet twice).

Since nobody knows when, and by how much, money will move to next bucket, it's just best not to guess.

We feel just having a balanced mix between most all of the buckets, all of the time, is the best way to minimize investment risk, and still get good returns. Just be in as many viable asset classes as you can all of the time, and you can always tell people you were there for the big rally at dinner parties, while the stock pickers and the market timers missed the boat.

The different asset classes can be looked at as ingredients that go into making a pie. Each one individually tastes pretty bad. But when they're all put together in the right combinations, the result is a pie that tastes just right.

SUMMARIZING THE BASIC CONCEPTS OF THE INVESTMENT REPORTS

Initially we asked you many questions to get to know you and your investment risk tolerance better. Once we know you, then we know how to invest your money.

Then we determine how much of various types of investments (asset classes) you should own. This is called the "Guideline Allocation."

Then we analyze how much of which types of investments you currently own. This is called your "Current portfolio(s)."

We then are able to recommend a new portfolio based on the difference between what you should have, compared to what you now have. This is called your "Proposed portfolio(s)."

Some investments you own we're recommending that you sell. Some may be fine, so we think you should keep some, or all, of them.

There are various reasons for this. The most important is that the investment first be analyzed to see which asset class it is in. Then it can be compared to benchmarks of the same asset class to see if it's performing well or not. It not, then it should be replaced by a similar investment that is.

The next most important thing is that an investment be pure to only one asset class. Investments that contain too many different asset classes rarely perform well, so they should be discarded. This is because the mutual fund managers are shuffling money between the different types of investments at random on a daily basis. This should only be done by someone that knows you and how much of each type you need. They don't know any of their investors, and so they're just trying to time the markets to get better returns.

This seldom works well, so they should all be avoided. Here are some examples of mutual funds (and ETFs) with the following word in their names, or objectives, that tip you off to using this sub-optimal strategy: World, global, asset allocation, target, retirement with a future year after it, lifestyle, life cycle, hybrid, or balanced.

The main overall goal is to get the kind of portfolio performance that fits your life, while minimizing the risks. Because we use several different kinds of mutual funds, each holding around 50 securities, the risk of losing a lot of money because one stock crashed is minimal.

EXPLANATION OF THE ASSET ALLOCATION REPORT

The first colored page in the report (titled Asset Allocation Calculator) shows how we determined your guideline asset allocation mix. This guideline mix of asset classes is the recommended amounts of different types of investments we're shooting for. This is not an exact science, so this money management tool just gets us in the ballpark, by using your personal circumstances as a guide.

Your personal particulars are weighted in five sections according to their importance. The section called Risk Category is the most important, and so it's weighted the heaviest.

Your answers to the multiple choice questions of our Investment Discovery Questionnaire were scored, weighted according to their importance, totaled, and the end result put you into one of the five most-commonly used investment risk tolerance categories.

This goes by different names depending on whom you talk with, but the concept is the same: Investor risk tolerance, risk temperament, risk profile, investment profile, investor profile, investment profiler, investor profiler, investing risk tolerance, risk category, etc. Don't get confused, because it's all the same thing.

Unless both spouses' portfolios are being managed separately, an average of both of your risk tolerances was used in the calculations.

Because none of this is an exact science, most investment managers work with three to seven risk categories. We use five because we feel three isn't enough and seven is too many. These five categories are summaries of how the investor feels about investment risk, how much downside market fluctuations can be tolerated, and how much they expect to profit when the markets are going up

THE FIVE INVESTMENT RISK TOLERANCE CATEGORIES IN DETAIL

Conservative: This investor isn't willing to tolerate "noticeable downside market fluctuations," and is willing to forego most all significant upside potential, relative to the markets, to achieve this goal. In

English, they really really don't want to get their monthly statement and see less money than they had before (unless it was due to their withdrawals).

Most conservative investors want their portfolios to provide them with an inflation-adjusted income stream to pay their living expenses. They're either currently depending on their investments to give them a retirement paycheck, or are expecting this to happen soon. Some are on tight budgets and are barely making a living as it is, so they are very afraid of losing what little money they have left. They do not have time to recoup any losses (because they can't go back to work for a multitude of reasons). Some realize they don't need their portfolio to provide income for more than several years, because of low life expectancy, so growth is not the objective.

The majority of their money should be held in cash and high-quality short- and intermediate-term maturity bonds. Very risky asset classes are typically avoided altogether.

Satisfying their needs is hard to achieve when inflation is high, or rising, because the market value of fixed income securities (bonds) typically are declining due to increasing interest rates. So investing defensively is not without risk. There is no way to eliminate all risks when investing.

So the investments most desired by Conservative investors are the ones that lose the most value from inflation (e.g., fixed annuities). Investing defensively is not without risk, and there is no free lunch, nor a magic investment to solve one's problems, for anyone in investing (but our Conservative High-income Model is the closest thing invented to being the “magic solution” to this dilemma).

In this case, the potential for the large loss of nominal dollars (how many dollars one has relative to how many they started with) is low, but the loss of real dollars (the inflation-adjusted worth of those dollars) is guaranteed. This is caused by the loss of purchasing power due to the prices of everything in their family budget going up.

Cash (savings accounts, money market funds, and CDs) most always lose real value over time because of the combined effect of taxes and inflation. There isn't much one can do if this happens, except to have exposure beforehand to asset classes that benefit when inflation increases (real estate and tangible / commodity-based mutual funds, like the precious metals and energy sectors). The catch is most of these are the same asset classes that are usually minimized, because they're "too risky," and/or don't provide a reasonable income yield.

Because Conservative investors are still "investing," they should have a higher return over most rolling three-year periods than investing 100% in money market funds, fixed annuities, CDs, and other bank instruments.

The typical range of annual returns in down financial markets are -4% to 0%, in flat markets 1% to 4%, and in up markets 5% to 7%.

Conservative portfolios produce the highest annual income yields - typically in the range of 4% to 6%. Conservative portfolios produce very little capital gains distributions.

If an investor is so risk adverse that they cannot tolerate ANY downside risk to the nominal value of their money, then we recommend money market funds, or just putting their money in the FDIC insured bank. We don't use an investor risk tolerance category for these ultra-conservative investors because we don't think these folks are investors in the first place. They have resigned to the fact that their real returns will be negative after considering taxes and inflation, and just care about not seeing the number of dollars they have decline. They should just hide it all in the safest vehicles possible. But not "under the mattress" because of its purchasing power will be substantially eroded from being 100% exposed to inflation.

Moderately Conservative: If a worried investor can tolerate a little more risk than the Conservative investor, but still is adverse to large short-term downside fluctuations, and wants a little more return with a little less income, then this is the category for them.

The typical investor in this category is either retired and getting their paycheck from portfolio income, soon to be retired, or has been burned by poor investment management and has lost money in the past. These folks want to be protected somewhat from large downside market fluctuations and are willing to not fully-participate when markets rally upwards to get it.

Informed investors realize that if their life expectancy is more than a decade, then having exposure to investments that increase in value is needed to provide adequate income in the later years. These folks want to be protected somewhat from large downside market fluctuations and are willing to not fully participate when markets rally upwards to get it.

Their portfolio will still fall when the markets' decline, but they want to be somewhat protected from sudden double-digit percentage declines in their portfolios. They want to be in the game, but they are definitely playing defense. They also want to see low double-digit percentage gains when the financial markets are going up. This is achieved by having a significant exposure to fixed income securities, several different types of stocks, real estate, and tangible commodities that somewhat track inflation. Core equity asset classes are used, but very risky asset classes are still held to a minimum.

Moderately Conservative portfolios produce significant annual income yields - typically in the range of 3% to 5%.

Moderately Conservative portfolios produce little capital gains distributions.

They are typically going to achieve returns a little more than taxes and inflation. When the major markets are increasing, they could realize double-digit returns. The typical range of annual returns in down financial markets are -7% to -1%, in flat markets 0% to 5%, and in up markets 6% to 9%.

Moderate: The majority of investors are in this middle-of-the-road category. The reasons for people to be in this category are too many to list here. The most-common is the desire to invest long-term for retirement or college funding. The current need for portfolio-generated income is usually several years away.

These investors want good returns, and know they're taking some risk to get them. They should expect returns similar to a basket of similarly weighted market indices. Their portfolio should go up less than the markets as a whole, but should also go down less when markets go down.

A Moderate portfolio will hold a balanced mix of most all-major viable asset classes (for maximum diversification), which will include conservatively-managed bond funds as well as high-risk stock funds. This category typically uses the largest number of asset classes to both reduce risk and increase profits. Both safe and risky asset classes are utilized pragmatically. Balance between profits and loss reduction is the goal.

They know they will lose money if the markets go down, but also expect to be along for the ride if they go up.

Moderate portfolios produce modest annual income yields - typically in the range of 2% to 3%.

Moderate portfolios produce a moderate amount of capital gains distributions.

Moderate investment portfolios are usually compared to the S&P 500 to see how well they're doing. When the S&P 500 is going up, it should be up a little more than a Moderate investment portfolio (if it's very well managed). When the S&P 500 is down, the Moderate portfolio should be down less.

They are typically going to achieve returns greater than taxes and inflation. When the major markets are increasing, they could easily realize double-digit returns. The typical range of annual returns in down financial markets are -8% to -2%, in flat markets -1% to 4%, and in up markets 5% to 10%.

Moderately Aggressive: If an investor wants to outperform a basket of similarly weighted indices when the markets are up, and doesn't mind too much being down a little more than the markets when they are down, then this is the category for them.

They are taking on more downside risk than the markets, but expect to be substantially ahead of the game when markets go up. Fixed income positions are minimized and risky asset classes are fully utilized. Most of the bond and international stock mutual funds in this portfolio are aggressively-managed.

These investors want to take the risks of winning the game by playing hard offense, but still don't want to lose too much in a short period of time. Most Moderately Aggressive investors want to accumulate a significant amount of wealth in the future, are willing to wait a significant amount of time for the rewards (and to recoup short-term losses), and have earned-income to contribute to the portfolio over time.

They know they will lose a high percentage of their money if the markets go down (more than the S&P 500), but also expect to profit greatly if they go up. More emphasis is put on making money than preventing the loss of money.

Moderately Aggressive portfolios produce the little annual income yields - typically in the range of 0.5% to 2%.

Moderately Aggressive portfolios produce a high amount of capital gains distributions.

They're typically going to achieve long-term returns far greater than taxes and inflation. When the major stock markets are increasing, they expect to realize double-digit returns. The typical range of annual

returns in down financial markets are -10% to 4%, in flat markets -3% to 6%, and in up markets 7% to 11%.

Aggressive: Damn the torpedoes, full speed ahead! These investors want to substantially outperform the markets and (should) know they are exposed to much more risk than the markets. They could easily lose up to 40% of their portfolio value in a few months, and it may take years, if ever, to recoup these losses. These investors typically hold mostly growth, small-cap, and sector mutual funds (or stocks or ETFs). Any fixed-income mutual funds in the portfolio are a small percentage of the portfolio, and also are of the riskier types that are aggressively-managed.

The purpose of any cash held is to handle any unexpected withdrawals, and to take advantage of perceived buying opportunities.

Aggressive investors are typically younger (The Invincibles), and intend to contribute relatively large amounts into the portfolio periodically over time via contributions coming from earned-income.

Most aggressive investors either want to accumulate substantial wealth in the future, are in a hurry, have enough income from other sources to fund their living expenses, and/or have plenty of time to work and recoup losses. Some just may have not yet personally experienced significant losses in the markets, so their bravery usually ends up being their own downfall.

They should know they would lose a very high percentage of their money if the markets go down, but also expect to profit greatly if they go up. Most all emphasis is put on making money and little, other than the diversification benefits of using mutual funds with asset allocation, is used in preventing the loss of money.

Aggressive portfolios produce the little-to-no annual income yields - typically in the range of 0% to 1%.

Aggressive portfolios produce a very high amount of capital gains distributions.

They are typically going to achieve long-term returns far greater than taxes and inflation. When the major markets are increasing, they expect to realize large double-digit returns. The typical range of annual returns in down financial markets are -15% to -5%, in flat markets -4 to 7%, and in up markets 8% to 12%.

BACK TO EXPLAINING THE REPORTS

In each of the other four sections on the Asset Allocation Calculator page, the row that you fit into is shaded.

Then all of the shaded numbers are totaled for each column by the eight major asset classes. This shows how much of your investments should be invested into each major asset class. The end-result is an asset allocation that's tailored for your current life situation (the bottom colored row). In other words, this is the mix of major asset classes we feel will best fit your needs, today.

The asset classes are arranged (mostly) in order of riskiness going from left to right, as the colors indicate. Cash at the far left is green, going right the three types of bonds are blue, and the risky equities are shades of risky purples and reds.

We use eight distinct major asset classes, as shown in these reports. But when it comes to actually investing your money, we use up to 22 sub-asset classes (AKA buckets). These compress into eight because some sub-asset classes fit into one major asset class in the reports. This is because they are too similar to each other to be worthy of a separate major bucket in the reports.

For example, technology and biotechnology stocks have similar risk and return characteristics (back to MPT correlation coefficients again), so making a separate bucket for them in the reports would just add clutter with little benefit. Another reason is that the percentages recommended of the sub-asset classes are usually significantly smaller than other major asset class buckets.

You can see how this is working by looking at how the contents of each asset are distributed on the next page (CURRENT / OLD & PROPOSED / NEW ASSET ALLOCATION).

We rarely recommend over 2% in an Internet fund, whereas Large-cap Growth is commonly as much as 25%. How we allocate the sub-asset classes within the major asset classes are both a judgment and an optimization call (MPT again) based on our experience and your life situation, as explained below. For example, if someone scored Conservative and wanted monthly income to spend, we would raise the amount of real estate at the expense of tangible (natural resource) mutual funds in the right-most bucket.

For example, the Any kind of domestic stock other than Mid- or Large-cap Growth or Value stocks asset class has at least four types of U.S. equity securities inside of it:

• U.S. Small-cap, venture capital, privately held, and Micro-cap stocks.

• Mutual funds that specialize in small sectors of the market (technology, biotech, and the Internet).

• Other tangible funds / investments, like real estate and limited partnerships.

• Miscellaneous diversifying agents like inflation hedges, derivatives, IPOs, and venture capital funds.

This bottom-line allocation is just called the “Guideline” because there is no magic exact allocation that’s best for you. It would be impossible to calculate the perfect allocation except in rare situations (e.g., if a client wanted an exact income yield or a defined amount of money over a defined time frame). Even though there is no magic allocation, this part of the portfolio management process (calculating your guideline allocation based on your life factors) still adds the most value in tailoring a portfolio to your life and needs.

This allocation should also remain the same until something in your life changes (e.g., one of the five calculation sections, such as risk tolerance). It should not change in response to market moves, fear, irrational exuberance, or hot tips.

The next page (or two) titled CURRENT / OLD & PROPOSED / NEW ASSET ALLOCATION, shows how the money in your Current / Old portfolio(s) is or was distributed between asset classes. In other words, the way it is now, or how it was before our recommended changes are or were implemented (by trading).

The dollar amounts are shown to the right of the asset's name. These amounts are all rounded to the nearest $100 or $1,000 most of the time, just because of the noise caused by normal daily market fluctuations.

Because a mutual fund may hold some cash, bonds, and some foreign assets, these amounts may be broken out into the different asset classes for each investment in the report. These numbers are shown to the right under the different asset class columns in the same row as the investment's name and value. In other words, this section shows what's "really" going on inside a complex investment, like a mutual fund or ETF. "Really" is in quotes, because this information is sketchy at best, for many reasons (so we're doing the best we can, given the reality of what can actually be done in the real world).

To see the source of these numbers, take a look at any Morningstar mutual fund report at the end of the report (mid page at the top under the Composition section) and you will see that the fund's value is usually spread between more than one asset class. This is how we determined (estimated) what you really have as best as possible (it will never be exact because fund managers only disclose this data monthly, and then it changes the next day when they trade).

There may be a separate page for both the personal and retirement accounts, or it could be combined into one page. Different accounts you may have may be segregated by putting an empty row / space between them. Sometimes if there's room, we'll put the name of the account in a blank row too.

At the bottom of these sections, all of your accounts are totaled up - by dollar values of personal, tax qualified (IRA) accounts, and then everything is combined and totaled.

We hope now it's now clear why we asked you for a list of all of your assets - not just assets that we manage. In order to give you the balance we feel is right for you, we need to know the whole story. Even if we don't make any recommendations in investments you own outside of our management (e.g., your 401(k)s), the mix of assets under our management could be different depending on what you hold elsewhere.

For example, if you have a total of $1,000,000; $500,000 under our management, and you also own $500,000 of a Large-cap Growth stock outside of our management, we would not buy any Large-cap Growth mutual funds for you because we feel you already have way too much in this asset class already.

The next page shows the Guideline, Current, and the Proposed asset allocations summarized in pie chart form. This is where to look to make comparisons. There is also a four-bucket (stockbroker mentality) breakdown for easy reference on this page.

Because of various constraints on your assets, the Proposed allocation also probably won't exactly match the Guideline. This is okay, because there are usually constraints or preferences on your part in the portfolio management process. An example of a constraint would be not wanting to sell a favorite stock.

The percentage you'll hold in each bucket will change daily as the markets fluctuate, too. What we want to do is keep each asset class's allocation within a range, as explained in your Investment Policy Statement.

For example, your growth stock guideline may be 15%. This may change in response to normal market moves by a few percent every day. If your range is 15% to 5%, then we wouldn't recommend selling some of this asset class unless it grew to be over 20% of your portfolio, and we wouldn't recommend buying more unless it shrunk to be less than 10% or your portfolio. We check these ranges quarterly, when you tell us something in your life changed one of the five calculation sections, or when there is a significant change in your account (e.g., new money withdrawn or added).

The next page (or two) titled Proposed / New Asset Allocation, shows how we want to buy and sell investments in order to get closer to your Guideline allocation. The new (proposed) dollar amounts are shown next to the asset's name, just like it is in the Current / Old Asset Allocation section.

Asset rows that are not colored are assets that you currently own that were not affected (nothing was sold and no new money was added to it). Assets that are colored "orange" are investments that you currently own that are recommended to be either sold off, partially or completely. Assets that are colored "blue" are investments that are either new by our recommended allocation, or are assets you have and we hypothetically allocated more money to go into them.

To see how much of an existing investment we want to change, subtract the value in the Proposed / New part of the report from the value in the Current / Old part of the report.

Please note that due to daily market fluctuations, and other variables, the actual dollar amounts in these reports will never be exactly the same as the actual amounts bought or sold in your account - unless someone has manually performed a linking process to your custodian's reporting software.

The last color page of the asset allocation study is titled Source and Application of Funds. This shows how much is needed to buy and sell, both in percentage and dollar values, to reach your Guideline allocation in each asset class. This just compares your Current / Old position with the Guideline in dollar and percentage amounts. Nothing on the Proposed / New Asset Allocation, or the pie chart pages, has any effect on this page.

To summarize: We feel determining an asset allocation mix that best fits your life, and then using mutual funds in their respective categories to fill each asset class, is a sound risk-minimizing strategy we believe is most likely to enable your investments to reach your long-term goals.

We minimize the use of security selection and market timing because we know we can't see through walls (find out what's' really happening with a stock) nor predict the future, so we don't even try.

PORTFOLIO PROJECTIONS AND FORECASTS

The page, Annual Asset Growth of Current vs. Proposed Asset Allocations, then uses this asset level data to forecast the portfolios for future years, both in numeric and graphical form. This enables you to evaluate the long-term effects of making one trade.

Here we used some rate of return estimates for the eight major asset classes. Then the annual withdrawals and contributions may have been added to the picture. Then the changes in the asset class mix were added

to that. The end result is the estimated growth of both the current and proposed portfolios over time. This information is also displayed in the graphs.

The asset allocation returns page shows both the current and proposed portfolio returns in several different formats. The returns input were the actual three-year annualized averages for each asset. If the data wasn't available, then it was estimated.

Then the asset growth of the allocations page shows these numbers forecasted into the future.

One thing we can guarantee, is that not one of these guesstimated numbers will actually occur in the future!

MISCELLANEOUS

Reaching your financial objectives will depend largely upon the management of your investment portfolios. Minimizing interest payments on debt and future cash flow surpluses that can be invested are also critical.

The primary goal of most investment strategies is to achieve a consistent after-tax rate of return, which matches your investment risk tolerance, is more than inflation, and meets your objectives.

Please call if you have any questions or would like more information.

CURRENT / OLD & PROPOSED / NEW ASSET ALLOCATIONS

John & Mary Sample

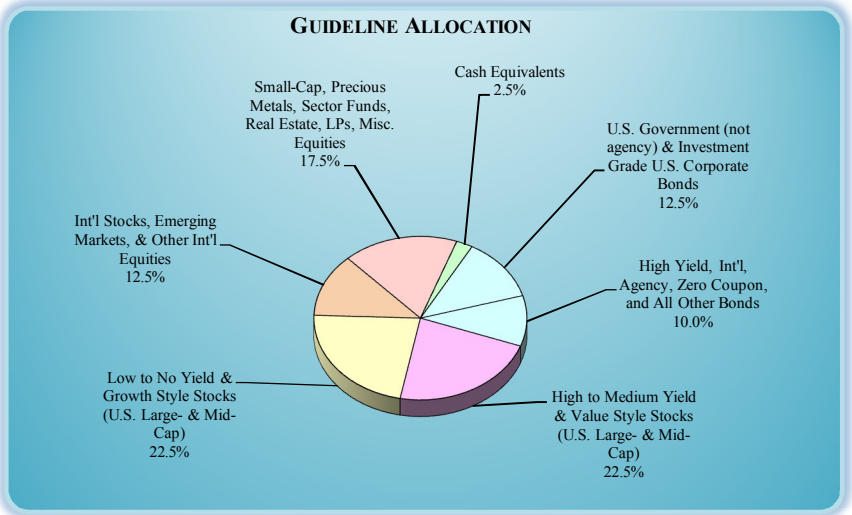
		YOUR CURRENT / OLD ASSET ALLOCATION BREAKDOWN							
Personal (non-qualified) Assets	**Asset Class Category➔ _____ Dollar Amount ⬇**	**Cash Equivalents**	**U.S. Government (not agency) & Investment Grade U.S. Corporate Bonds**	**Municipal (federally tax-free) Bonds**	**High Yield, Int'l, Agency, Zero Coupon, and All Other Bonds**	**High to Medium Yield & Value Style Stocks (U.S. Large- & Mid-Cap)**	**Low to No Yield & Growth Style Stocks (U.S. Large- & Mid-Cap)**	**Int'l Stocks, Emerging Markets, & Other Int'l Equities**	**Small-Cap, Precious Metals, Sector Funds, Real Estate, LPs, Misc. Equities**
John's Schwab									
Cash	$5,000	$5,000							
Schwab Bond Fund	$10,000	$200	$9,800						
Schwab Stock Fund	$10,000	$200					$9,800		
John's Bank Savings									
Savings	$50,000	$50,000							
John's Credit Union									
Savings	$25,000	$25,000							
Mary's Rental Property									
Home Street Rental	$100,000								$100,000
Joint Credit Union									
Savings	$260,000	$260,000							
Personal Totals:	**$460,000**	**$340,400**	**$9,800**	**$0**	**$0**	**$0**	**$9,800**	**$0**	**$100,000**

YOUR CURRENT / OLD ASSET ALLOCATION BREAKDOWN, Continued

Retirement (tax-qualified) Assets	Asset Class Category➔ _____ Dollar Amount ⬇	Cash Equivalents	U.S. Government (not agency) & Investment Grade U.S. Corporate Bonds	Municipal (federally tax-free) Bonds	High Yield, Int'l, Agency, Zero Coupon, and All Other Bonds	High to Medium Yield & Value Style Stocks (U.S. Large- & Mid-Cap)	Low to No Yield & Growth Style Stocks (U.S. Large- & Mid-Cap)	Int'l Stocks, Emerging Markets, & Other Int'l Equities	Small-Cap, Precious Metals, Sector Funds, Real Estate, LPs, Misc. Equities
John's 401(k)									
Cash	$5,000	$5,000							
Bond Fund	$10,000	$200	$9,800						
Stock Fund	$7,500	$150					$7,350		
Int'l Fund	$5,000	$100						$4,900	
John's TD IRA									
Tech Stocks	$25,000								$25,000
John's Merrill IRA									
Bank Stocks	$15,000					$15,000			
Mary's 403(b)									
Cash	$10,000	$10,000							
Target Fund	$25,000	$500	$500			$5,000	$12,750	$3,750	$2,500
Mary's TIAA CREF IRA									
Bond Fund	$10,000	$200	$9,800						
Stock Fund	$15,000	$300					$14,700		
Mary's American Funds									
ICA	$5,000	$100				$1,500	$3,300	$100	
Growth Fund of American	$5,000	$100				$3,400	$1,500		
EuroPacific Growth	$5,000	$100						$4,900	
Tax-Qualified Totals:	**$142,500**	**$16,750**	**$20,100**	**$0**	**$0**	**$24,900**	**$39,600**	**$13,650**	**$27,500**

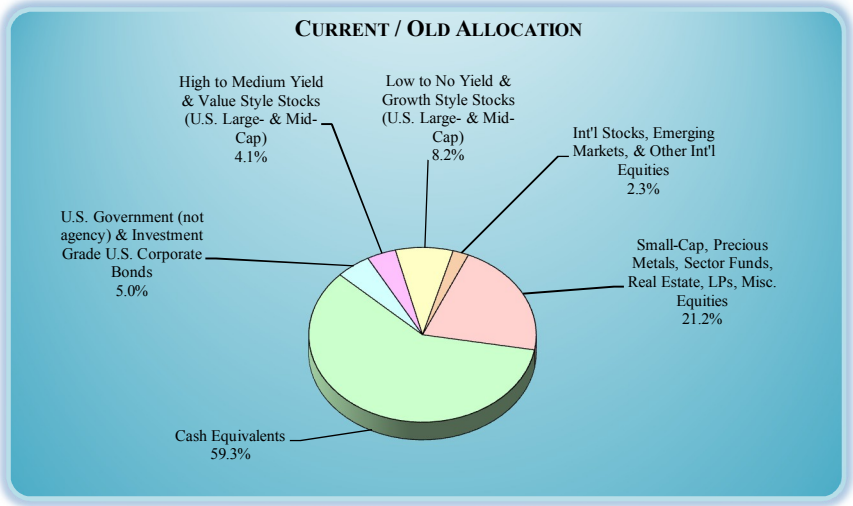
Grand Total: Personal & Retirement	**$602,500**	**$357,150**	**$29,900**	**$0**	**$0**	**$24,900**	**$49,400**	**$13,650**	**$127,500**

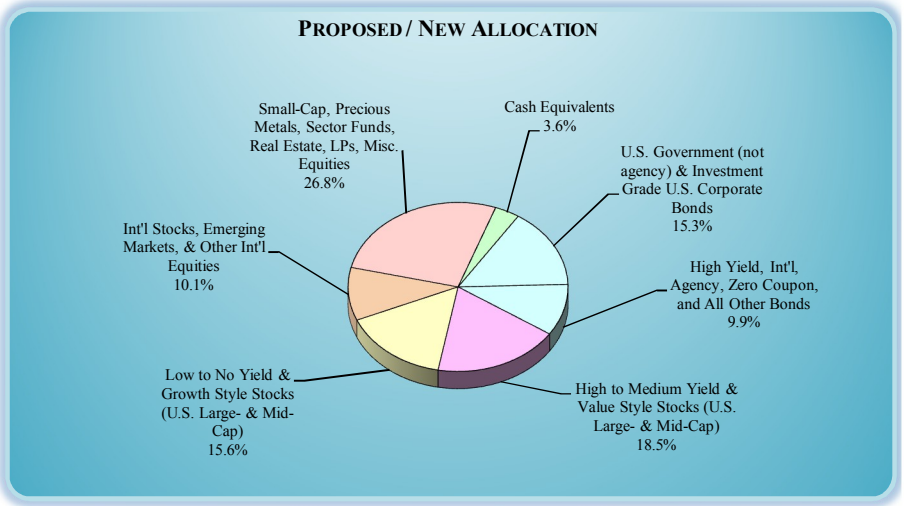
Allocations of Combined Personal & Tax-Qualified Assets	Cash Equivalents	U.S. Government (not agency) & Investment Grade U.S. Corporate Bonds	Municipal (federally tax-free) Bonds	High Yield, Int'l, Agency, Zero Coupon, and All Other Bonds	High to Medium Yield & Value Style Stocks (U.S. Large- & Mid-Cap)	Low to No Yield & Growth Style Stocks (U.S. Large- & Mid-Cap)	Int'l Stocks, Emerging Markets, & Other Int'l Equities	Small-Cap, Precious Metals, Sector Funds, Real Estate, LPs, Misc. Equities
CURRENT / OLD ALLOCATION	59.3%	5.0%	0.0%	0.0%	4.1%	8.2%	2.3%	21.2%
GUIDELINE ALLOCATION	2.5%	12.5%	0.0%	10.0%	22.5%	22.5%	12.5%	17.5%
PROPOSED / NEW ALLOCATION	3.6%	15.3%	0.0%	9.9%	18.5%	15.6%	10.1%	26.8%



Calculated Guideline Asset Allocation	
Cash:	2.5%
Bonds:	22.5%
U.S. Equity:	62.5%
Int'l Stocks:	12.5%

Your Current / Old Asset Allocation Breakdown		Your Proposed / New Asset Allocation Breakdown	
Cash:	59.3%	Cash:	3.6%
Bonds:	5.0%	Bonds:	25.2%
U.S. Equity:	33.5%	U.S. Equity:	61.0%
Int'l Stock:	2.3%	Int'l Stock:	10.1%





		YOUR PROPOSED / NEW ASSET ALLOCATION BREAKDOWN							
Personal (non-qualified) Assets	**Asset Class Category➔ _____ Dollar Amount ⬇**	**Cash Equivalents**	**U.S. Government (not agency) & Investment Grade U.S. Corporate Bonds**	**Municipal (federally tax-free) Bonds**	**High Yield, Int'l, Agency, Zero Coupon, and All Other Bonds**	**High to Medium Yield & Value Style Stocks (U.S. Large- & Mid-Cap)**	**Low to No Yield & Growth Style Stocks (U.S. Large- & Mid-Cap)**	**Int'l Stocks, Emerging Markets, & Other Int'l Equities**	**Small-Cap, Precious Metals, Sector Funds, Real Estate, LPs, Misc. Equities**
John's Schwab									
Cash	$1,000	$1,000							
Schwab Bond Fund	$0								
Schwab Stock Fund	$0								
Current Short Bond Pick	$5,000	$100	$4,350		$550				
Current Large Value Pick	$7,000	$140				$6,510		$350	
Current Large Growth Pick	$7,000	$140					$6,510	$350	
Current Int'l Stock Pick	$5,000	$100						$4,900	
John's Mutual Funds									
Bank Savings	$0								
Cash	$10,000	$10,000							
Bond Funds	$10,000	$200	$2,550		$7,250				
Stock Funds	$10,000	$200				$4,650	$4,650	$500	
International Funds	$10,000	$200						$9,800	
Natural Resources Funds	$10,000	$200			$1,075				$8,725
John's TD Ameritrade									
Credit Union	$0								
Cash	$1,000	$1,000							
Multi-sector Bond Pick	$8,000	$160	$7,840						
Mid-cap Value Pick	$8,000	$160					$7,440	$400	
Mid-cap Growth Pick	$8,000	$160				$7,440		$400	
Mary's Rental Property									
Home Street Rental	$100,000								$100,000
Joint Scottrade									
Credit Union Savings	$0								
Current Short Bond Pick	$25,000	$500	$18,475		$6,025				
Current Bond Fund Pick	$30,000	$600	$29,400						
Current Junk Bond Pick	$10,000	$100			$9,900				
Current Int'l Bond Pick	$10,000	$100			$9,900				
Emerging Mrkts Bond Pick	$5,000	$50			$4,950				
Current Large Value Pick	$45,000	$900				$41,850		$2,250	
Current Large Growth Pick	$45,000	$900					$42,600	$1,500	
Current Mid-cap Pick	$30,000	$600				$14,450	$14,450	$500	
Current Small-cap Pick	$10,000	$200						$250	$9,550
Current Micro-cap Pick	$5,000	$100						$750	$4,150
Current Int'l Large-cap Pick	$15,000	$300						$14,700	
Current Int'l Small-cap Pick	$5,000	$100						$4,900	
Emerging Markets Pick	$10,000	$200						$9,800	
Current Tangibles Pick	$15,000	$300							$14,700
Personal Totals:	**$460,000**	**$18,710**	**$62,615**	**$0**	**$39,650**	**$74,900**	**$75,650**	**$51,350**	**$137,125**

<= This color denotes an asset with a decrease in value (or was sold completely) to reach the guideline allocation.

<= This color denotes an asset with an increase in value (or was newly acquired) to reach the guideline allocation.

YOUR PROPOSED / NEW ASSET ALLOCATION BREAKDOWN, Continued

Retirement (tax-qualified) Assets	Asset Class Category➔ / Dollar Amount ➘	Cash Equivalents	U.S. Government (not agency) & Investment Grade U.S. Corporate Bonds	Municipal (federally tax-free) Bonds	High Yield, Int'l, Agency, Zero Coupon, and All Other Bonds	High to Medium Yield & Value Style Stocks (U.S. Large- & Mid-Cap)	Low to No Yield & Growth Style Stocks (U.S. Large- & Mid-Cap)	Int'l Stocks, Emerging Markets, & Other Int'l Equities	Small-Cap, Precious Metals, Sector Funds, Real Estate, LPs, Misc. Equities
John's 401(k)									
Cash	$1,000	$1,000							
Bond Fund	$0								
Stock Fund	$7,500	$150				$7,350			
Int'l Fund	$5,000	$100						$4,900	
Growth Fund	$4,000	$80					$3,920		
Multi-sector Bond	$10,000	$200	$9,800						
John's TD IRA									
Tech Stocks	$5,000								$5,000
Internet Fund	$5,000	$100							$4,900
Tech Fund	$5,000	$100							$4,900
Biotech Fund	$5,000	$100							$4,900
Energy Fund	$5,000	$100							$4,900
John's Scottrade IRA									
Bank Stocks	$0								
Current Junk Bond Pick	$5,000	$100			$4,900				
Current Int'l Bond Pick	$5,000				$5,000				
Emerging Markets Bond Pick	$5,000				$5,000				
Mary's 403(b)									
Cash	$0								
Target Fund	$0								
Bond Fund	$10,000	$100	$9,900						
Value Fund	$10,000	$200				$9,800			
Growth Fund	$10,000	$200					$9,800		
Int'l Stock Fund	$5,000	$100						$4,900	
Mary's TIAA CREF IRA		$0	$0						
Bond Fund	$10,000	$100	$9,900						
Stock Fund	$15,000	$300				$14,700			
Mary's Scottrade									
ICA	$0								
Growth Fund of American	$0								
EuroPacific Growth	$0								
Junk Bond Pick	$5,000	$50			$4,950				
Large Value Pick	$5,000	$100				$4,900			
Large Growth Pick	$5,000	$100					$4,900		
Tax-Qualified Totals:	**$142,500**	**$3,280**	**$29,600**	**$0**	**$19,850**	**$36,750**	**$18,620**	**$9,800**	**$24,600**

Grand Total: Personal & Retirement	**$602,500**	**$21,990**	**$92,215**	**$0**	**$59,500**	**$111,650**	**$94,270**	**$61,150**	**$161,725**

Sources and Applications of Funds

Needed Changes to More Closely Resemble the Guideline Asset Allocation

John & Mary Sample

Investment Asset Class Category ➔	Cash Equivalents	U.S. Government (not agency) & Investment Grade U.S. Corporate Bonds	Municipal (federally tax-free) Bonds	High Yield, Int'l, Agency, Zero Coupon, and All Other Bonds	High to Medium Yield & Value Style Stocks (U.S. Large- & Mid-Cap)	Low to No Yield & Growth Style Stocks (U.S. Large- & Mid-Cap)	Int'l Stocks, Emerging Markets, & Other Int'l Equities	Small-Cap, Precious Metals, Sector Funds, Real Estate, LPs, Misc. Equities
Percent Increase or Decrease Needed in Asset Class to Resemble Guideline Allocation:	**-57%**	**8%**	**0%**	**10%**	**18%**	**14%**	**10%**	**-4%**
Dollar Amount Increase or (Decrease) Needed in Asset Class to Resemble Guideline Allocation:	**($342,000)**	**$45,000**	**$0**	**$60,000**	**$111,000**	**$86,000**	**$62,000**	**($22,000)**

LIFE INSURANCE NEEDS REPORT EXPLANATION

REAL WORLD PERSONAL FINANCE SOFTWARE

(734) 369-0580 support@toolsformoney.com http://www.toolsformoney.com/

OVERVIEW OF THE LIFE INSURANCE REPORTS

This text is to help you understand the overall concepts, and the technical details, of the following life insurance needs analysis reports.

For a couple, there are usually four life insurance needs analysis reports: One to calculate and show the capital needs for the youngest, if the oldest were to pass away today, as if you had never consulted with us, and planned to keep doing what you were doing. Then another to calculate and show the capital needs for the oldest, if the youngest were to pass away today, as if you had never consulted with us. These are called the *Current* plans.

Then these two reports are regenerated to include our proposed recommendations of additional life insurance for each of you. These are called the *Proposed* life insurance plans.

Life insurance pays the face value of the policy to the beneficiary upon the insured's death.

The most-common use of this type of insurance contract, is to provide money to a surviving spouse and/or family (AKA the beneficiary) when the main breadwinner passes away. This monetary payout from the life insurance policy is called the policy face value, face amount, or death benefit. This is different from the policy's cash value, which is usually much less.

The two main things it pays for are the short-, immediate-, and long-term needs for money; and then to replace the breadwinner's future earned income, which would be lost.

So life insurance allows maintaining the standard of living dependents are accustomed to when savings and other investment assets are not sufficient to meet these needs.

This whole process of determining the needed face amount of death benefit is also known as capital needs analysis.

These life insurance analysis reports will accurately calculate how much life insurance is really needed - both currently, and far into the future.

VUL stands for Variable Universal Life Insurance, which has been state of the art in whole (or permanent) life insurance for over five decades. The variable part allows one to invest in things like stock mutual funds (which are called subaccounts), and universal means that it's flexible in many ways. Universal means you can easily tinker with the main features without having to alter the policy in writing (e.g., face value, cash value, premiums, bells and whistles, etc.).

Term life insurance does not have a "savings account" associated with it, so here you are just buying pure life insurance. The most efficient form of term was ART (Annually Renewable Term), but life insurance companies rarely sell that anymore because it doesn't make them enough profit. Now it's all called Level Term Insurance, which is much more expensive.

Other than rare circumstances, term life insurance is much more affordable to maintain than whole life. Because of the basic life insurance company business model, the bottom line is that you're just giving a quarter to a third of all premiums paid to the life company and receiving little-to-nothing in return, when you buy any type, other than generic term life insurance.

REPORT INFORMATION EXPLAINED

The life insurance needs program calculates the differences between four present values: Lump sum needs vs. assets available & future income needs vs. future incomes available. This is then the grand total amount of life insurance needed now.

Present value means what something in the future is worth today. Lump sum means what a series of future payments (or just one future payment) is worth today, in one payment of money.

As you can see on the report, the present value of everything you chose to insure for is listed first. These are summed and displayed as *Total Lump Sum Currently Needed*.

Then financial assets you said were currently available to meet the above needs were listed and summed up. This total displays as *Total Lump Sum Currently Available*.

The next line, *Current Unmet Lump Sum Life Insurance Needs*, shows the difference between these two totals.

The next section, *Lump Sum Needed Today to Replace John's Future Income(s)*, calculates and displays the current lump sum of money needed today, to replace John’s future income(s) that would be lost to the family if he were to pass away today.

This amount is added to the net lump sum amount needed from above, and displays the, *Total Additional Life Insurance Needed Today to Fund All Needs*. This is how much additional life insurance is needed today if the breadwinner were to pass away. This displays the difference left over that needs to be funded by purchasing more level-term life insurance today.

It is normal for these numbers showing the net life insurance needs to be very large in the *Current* version of your financial plan, just because it requires sophisticated insurance software to accurately calculate these (future income replacement) amounts. So this is probably the first time this was done correctly for you.

Currently, Mary needs $2,475,000 worth of life insurance death benefits, if John were to pass away today. All assets diverted to meeting these needs would produce around $475,000. So there is a current need for $2,000,000 more life insurance on John. Looking at it another way, liquidating current financial assets will fund around 10% of current needs.

Currently, John needs $1,325,000 if Mary were to pass away today. All assets diverted to meeting these needs would produce around $475,000. So there is a current need for $850,000 more life insurance on Mary. Liquidating current financial assets will fund around 19% of current needs, as shown in the last line of report data.

But these funds only cover things that can be paid for today, in one way or another.

This above analysis report shows how much life insurance should be maintained today. But what about next year, and beyond? Instead of running a new report annually, this capital needs analysis software also has the unique feature of being able to estimate capital needs very far into your future.

PROJECTING THE FUTURE

This ability to forecast into the future exposes a little-known top-secret about life insurance needs - they decline substantially every year. Life insurance needs decline annually because of three factors (assuming the breadwinner would have kept on winning bread until there was no need for life insurance anymore).

First, every year the insured survives is one less year of earned income that needs to be replaced with insurance capital. This is by far the largest factor.

Next, the amount of lump sum needs decline as debts are paid off, children get through college, and other large funding needs dissipate.

Then last, and usually least least, financial assets available to meet needs usually increase annually as saving vehicles are added to, and investment and retirement accounts (hopefully) grow with stock market advances over time.

Adding these three factors accurately result in VERY LARGE DECLINES in the need for life insurance as every year goes by.

This matters a lot, because it's very important to know exactly how much life insurance you need. Not only is it important to not waste big money maintaining too much life insurance, which is very expensive (and becomes much more expensive every year), but you also need to know if you've been underestimating, and thus underfunding, your needs (which is much worse than just overpaying annual premiums).

The only way to know exactly how much insurance to maintain, is to input all of the factors that go into calculating how much you really need, and then using this unique insurance software to control how these needs will probably change in the future.

Just ignorantly keeping the same face amount funded forever results in wasting hundreds to thousands annually maintaining unneeded life insurance. For the typical family, the amount of wasted money over a decade is usually enough to buy a nice car, so this is not a trivial matter.

These future annual needs are displayed on the following report pages. There is also a column of numbers to show the annual percentage decline in capital needs.

MISCELLANEOUS

This report illustrates how values may change over time. Once you go over a year or so, most all projections will be substantially different compared to what was input.

So it's important to run the numbers whenever something changes, or at least annually.

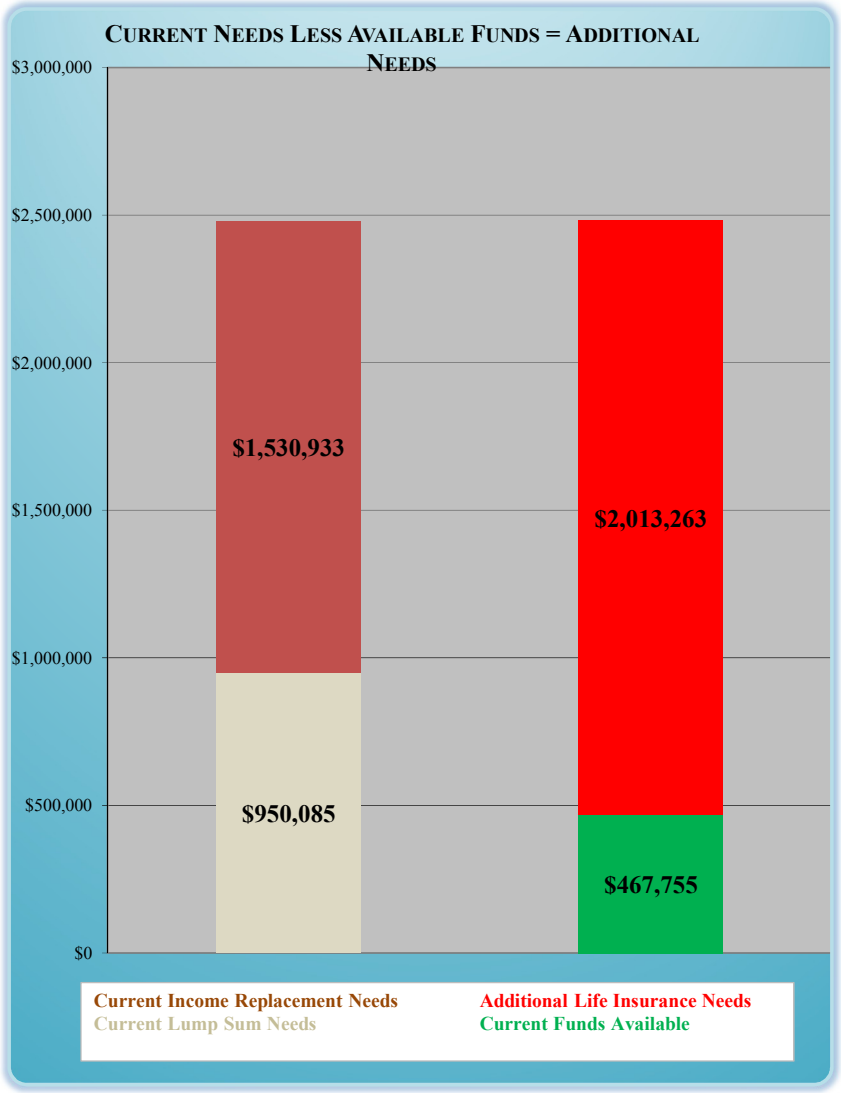
Hopefully, all of the charts and graphs will be self-explanatory. If not, then feel free to contact us for more information.

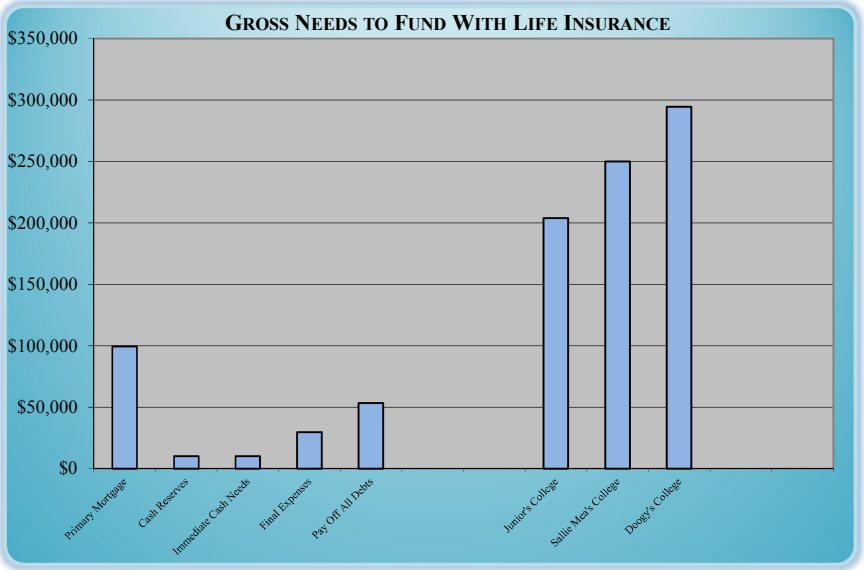
A good measure of the benefit of financial planning and investment management is how your net worth improved over what you would have realized if you never met us, and continued doing what you were doing.

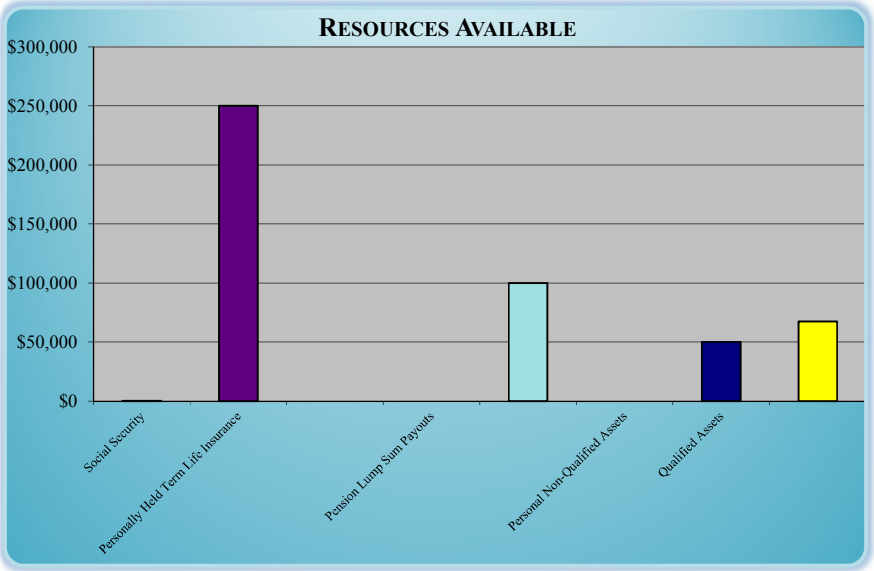
Current Life Insurance Needs Analysis for Mary

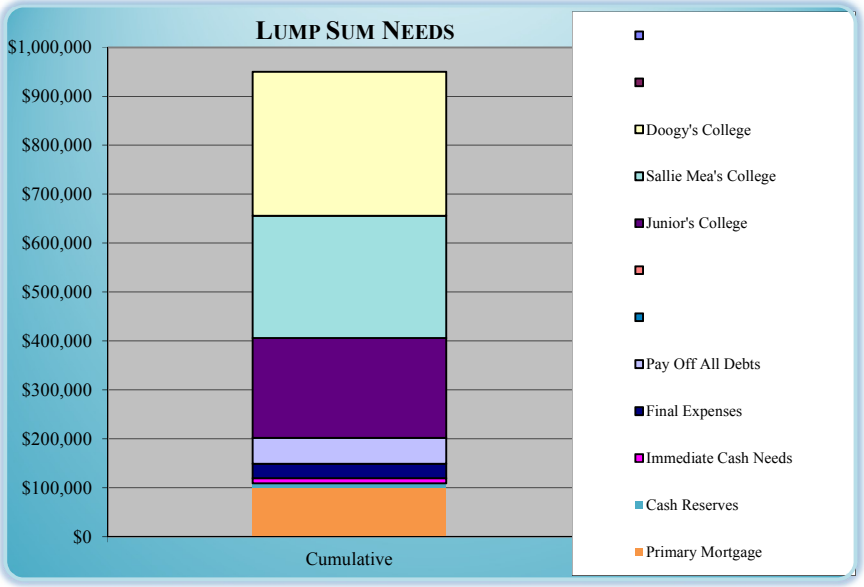
John & Mary Sample

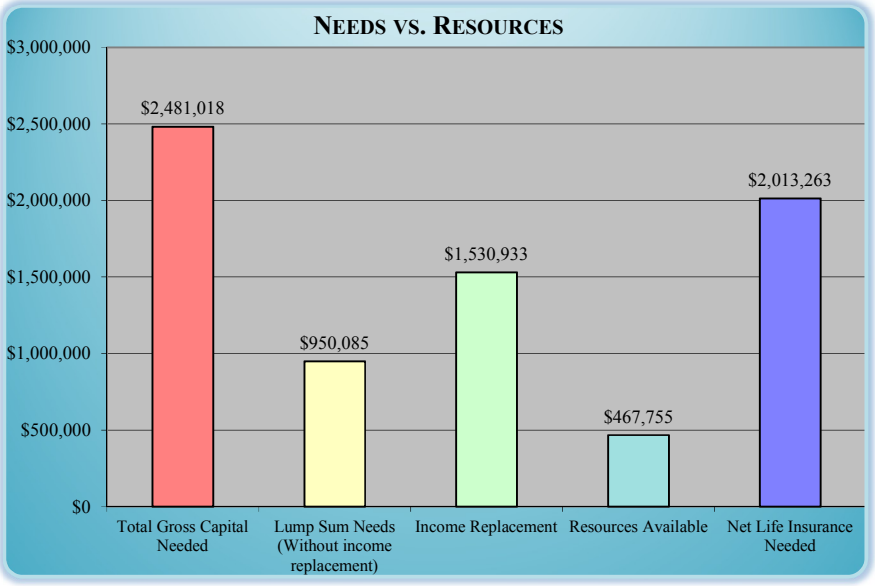
Lump Sum Needed Today to Pay Off Primary Mortgage:	$99,290
Lump Sum Needed for Cash Reserve After Everything Else is Paid For:	$10,000
Lump Sum Immediate Cash Needs:	$10,000
Lump Sum Needed for Burial / Funeral / Medical and Other Final Expenses:	$29,500
Lump Sum Needed to Pay Off All Debts:	$53,229
Lump Sum Needed to Cover Estate Taxes and Other Taxes Due:	$0
Lump Sum Needed to Give Away to Others / Bequeaths / Charity:	$0
Lump Sum Needed to Fund Junior's College & Other Expenses:	$203,854
Lump Sum Needed to Fund Sallie Mea's College & Other Expenses:	$249,771
Lump Sum Needed to Fund Doogy's College & Other Expenses:	$294,441
Total Lump Sum Currently Needed:	**$950,085**
Lump Sum Available from Social Security:	$255
Lump Sum Available from Personally Held Term Life Insurance:	$250,000
Lump Sums Available from Employer / Business Life Insurance:	$0
Lump Sums from All Whole Life Insurance Policies:	$0
Funds Available from Pension Lump Sum Payouts:	$100,000
Lump Sum Available Funds from Other Liquid Assets:	$0
Lump Sums Available from Personal Non-Qualified Assets:	$50,000
Lump Sums Available from Qualified Assets:	$67,500
Total Lump Sum Currently Available:	**$467,755**
Current Unmet Lump Sum Life Insurance Needs:	**$482,330**
Lump Sum Needed Today to Replace John's Future Income(s):	**$1,530,933**
Total Additional Life Insurance Needed Today to Fund All Needs:	**$2,013,263**
Current Percentage of Life Insurance Needs Currently Covered:	**10.1%**











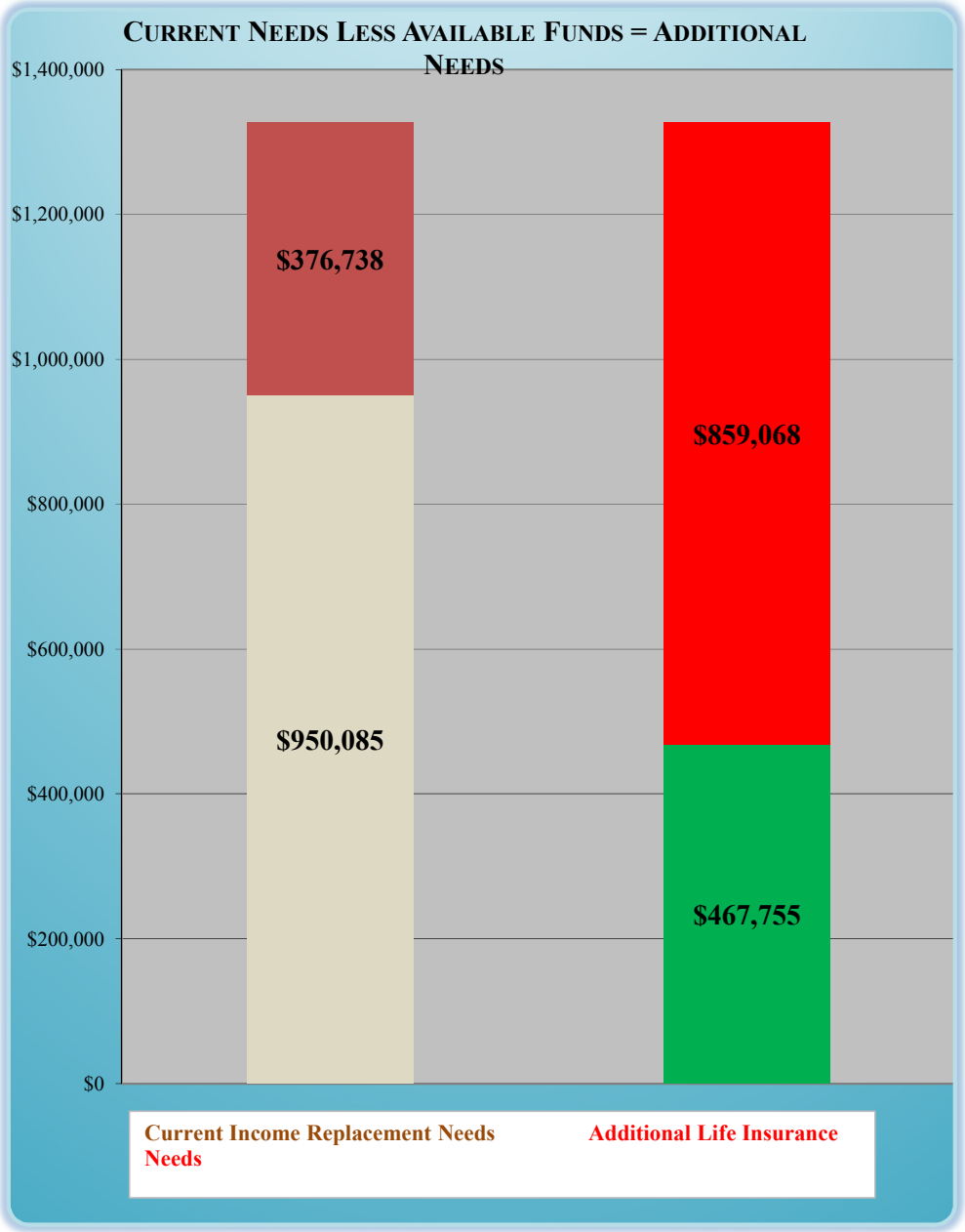
Future Life Insurance Needs for Mary (Current Version)

Year	Year #	John's Age	Survivor's (Mary's) Age	Present Value of Life Insurance Needed to Fund Income Replacement	Present Value of Life Insurance Needed to Fund Lump Sum Needs	Present Value of Total Life Insurance Needed (Column H + I)	Amount of Funds Available to Meet All Needs	Difference Between Funds Available and Funds Needed (Column J - K. Red negative amounts mean there is more money available than needed)	Total Net Amount of Life Insurance Needed	Change in Insurance Needs from Previous Year
2015	1	45	40	$1,530,933	$950,085	$2,481,018	$467,755	$2,013,263	$2,013,263	
2016	2	46	41	$1,374,933	$942,131	$2,317,063	$487,871	$1,829,193	$1,829,193	-9.1%
2017	3	47	42	$1,227,817	$933,070	$2,160,888	$498,690	$1,662,198	$1,662,198	-9.1%
2018	4	48	43	$1,083,531	$927,465	$2,010,996	$510,048	$1,500,948	$1,500,948	-9.7%
2019	5	49	44	$962,255	$921,297	$1,883,552	$521,971	$1,361,581	$1,361,581	-9.3%
2020	6	50	45	$842,485	$914,494	$1,756,979	$534,486	$1,222,493	$1,222,493	-10.2%
2021	7	51	46	$725,017	$906,973	$1,631,991	$547,621	$1,084,370	$1,084,370	-11.3%
2022	8	52	47	$640,397	$898,637	$1,539,035	$561,405	$977,630	$977,630	-9.8%
2023	9	53	48	$557,404	$889,374	$1,446,778	$575,869	$870,909	$870,909	-10.9%
2024	10	54	49	$472,778	$835,572	$1,308,350	$591,045	$717,305	$717,305	-17.6%
2025	11	55	50	$389,779	$741,102	$1,130,882	$606,967	$523,915	$523,915	-27.0%
2026	12	56	51	$308,377	$88,997	$397,373	$623,670	($226,297)	$0	0.0%
2027	13	57	52	$225,990	$83,520	$309,510	$641,192	($331,682)	$0	0.0%
2028	14	58	53	$145,188	$76,821	$222,008	$659,571	($437,562)	$0	0.0%
2029	15	59	54	$65,939	$68,646	$134,585	$678,847	($544,262)	$0	0.0%
2030	16	60	55	$0	$58,695	$58,695	$627,708	($569,012)	$0	0.0%
2031	17	61	56	$0	$0	$0	N/A	N/A	N/A	N/A
2032	18	62	57	$0	$0	$0	N/A	N/A	N/A	N/A
2033	19	63	58	$0	$0	$0	N/A	N/A	N/A	N/A
2034	20	64	59	$0	$0	$0	N/A	N/A	N/A	N/A
2035	21	65	60	$0	$0	$0	N/A	N/A	N/A	N/A
2036	22	66	61	$0	$0	$0	N/A	N/A	N/A	N/A
2037	23	67	62	$0	$0	$0	N/A	N/A	N/A	N/A
2038	24	68	63	$0	$0	$0	N/A	N/A	N/A	N/A
2039	25	69	64	$0	$0	$0	N/A	N/A	N/A	N/A
2040	26	70	65	$0	$0	$0	N/A	N/A	N/A	N/A
2041	27	71	66	$0	$0	$0	N/A	N/A	N/A	N/A
2042	28	72	67	$0	$0	$0	N/A	N/A	N/A	N/A
2043	29	73	68	$0	$0	$0	N/A	N/A	N/A	N/A
2044	30	74	69	$0	$0	$0	N/A	N/A	N/A	N/A
2045	31	75	70	$0	$0	$0	N/A	N/A	N/A	N/A
2046	32	76	71	$0	$0	$0	N/A	N/A	N/A	N/A
2047	33	77	72	$0	$0	$0	N/A	N/A	N/A	N/A
2048	34	78	73	$0	$0	$0	N/A	N/A	N/A	N/A
2049	35	79	74	$0	$0	$0	N/A	N/A	N/A	N/A
2050	36	80	75	$0	$0	$0	N/A	N/A	N/A	N/A

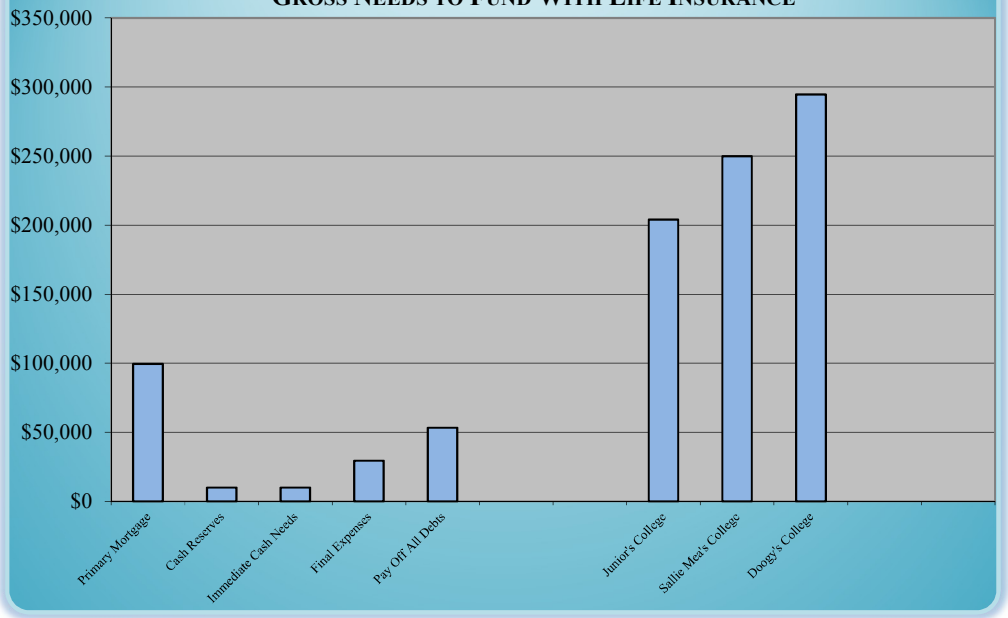
Current Life Insurance Needs Analysis for John

John & Mary Sample

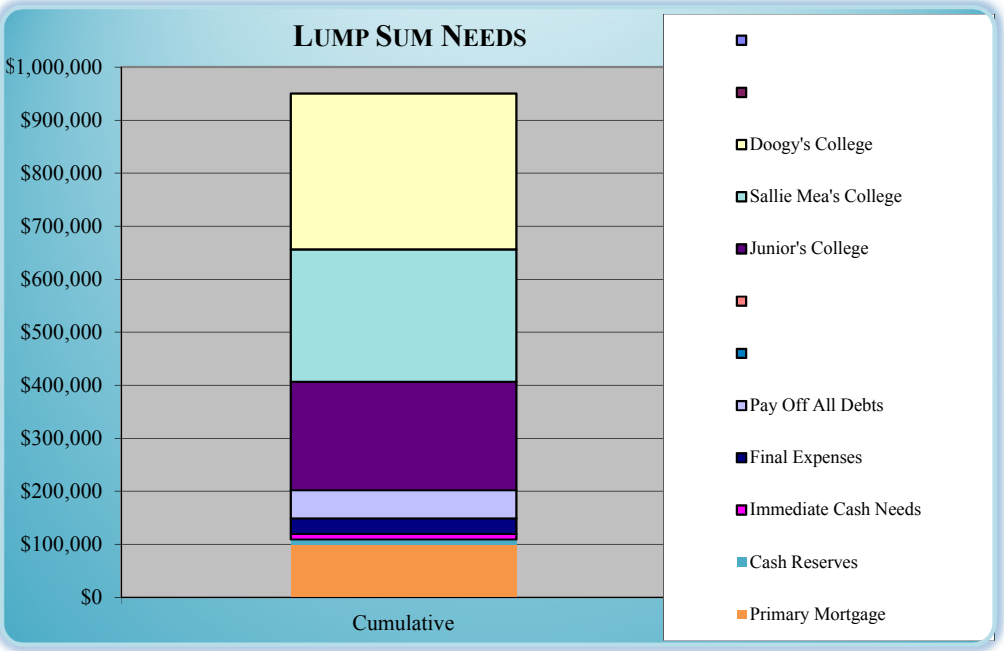
Lump Sum Needed Today to Pay Off Primary Mortgage:	$99,290
Lump Sum Needed for Cash Reserve After Everything Else is Paid For:	$10,000
Lump Sum Immediate Cash Needs:	$10,000
Lump Sum Needed for Burial / Funeral / Medical and Other Final Expenses:	$29,500
Lump Sum Needed to Pay Off All Debts:	$53,229
Lump Sum Needed to Cover Estate Taxes and Other Taxes Due:	$0
Lump Sum Needed to Give Away to Others / Bequeaths / Charity:	$0
Lump Sum Needed to Fund Junior's College & Other Expenses:	$203,854
Lump Sum Needed to Fund Sallie Mea's College & Other Expenses:	$249,771
Lump Sum Needed to Fund Doogy's College & Other Expenses:	$294,441
Total Lump Sum Currently Needed:	**$950,085**
Lump Sum Available from Social Security:	$255
Lump Sum Available from Personally Held Term Life Insurance:	$250,000
Lump Sums Available from Employer / Business Life Insurance:	$0
Lump Sums from All Whole Life Insurance Policies:	$0
Funds Available from Pension Lump Sum Payouts:	$100,000
Lump Sum Available Funds from Other Liquid Assets:	$0
Lump Sums Available from Personal Non-Qualified Assets:	$50,000
Lump Sums Available from Qualified Assets:	$67,500
Total Lump Sum Currently Available:	**$467,755**
Current Unmet Lump Sum Life Insurance Needs:	**$482,330**
Lump Sum Needed Today to Replace Mary's Future Income(s):	**$376,738**
Total Additional Life Insurance Needed Today to Fund All Needs:	**$859,068**
Current Percentage of Life Insurance Needs Currently Covered:	**18.8%**



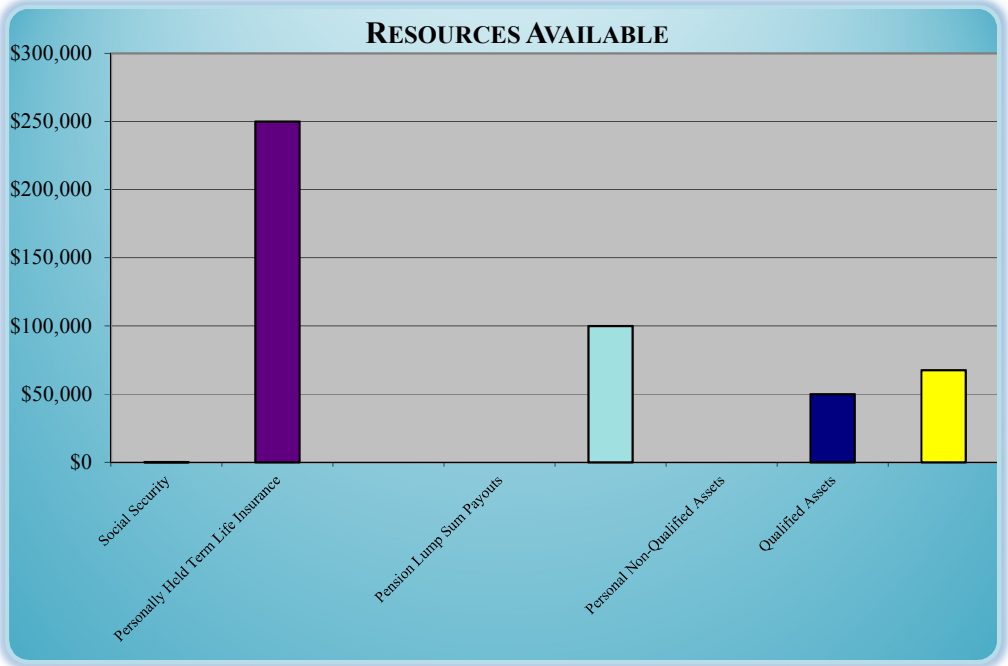
Gross Needs to Fund With Life Insurance



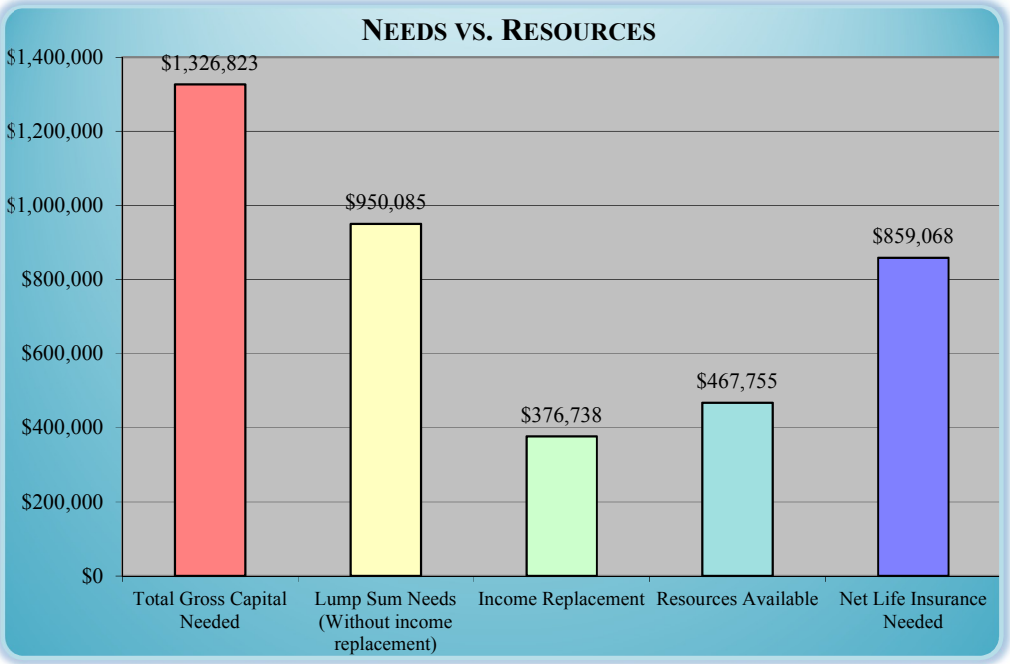
Lump Sum Needs



Resources Available



Needs vs. Resources



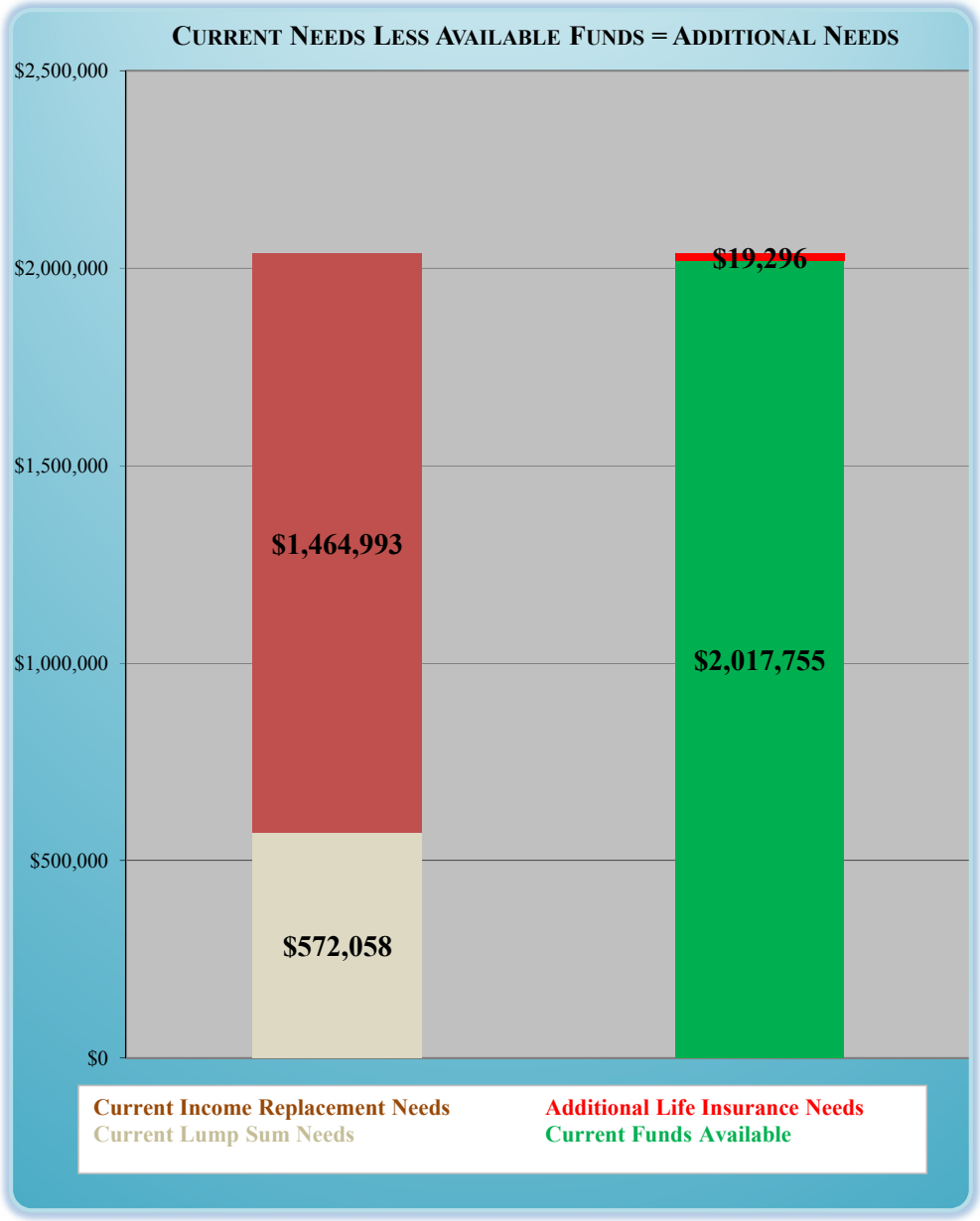
Future Life Insurance Needs for John (Current Version)

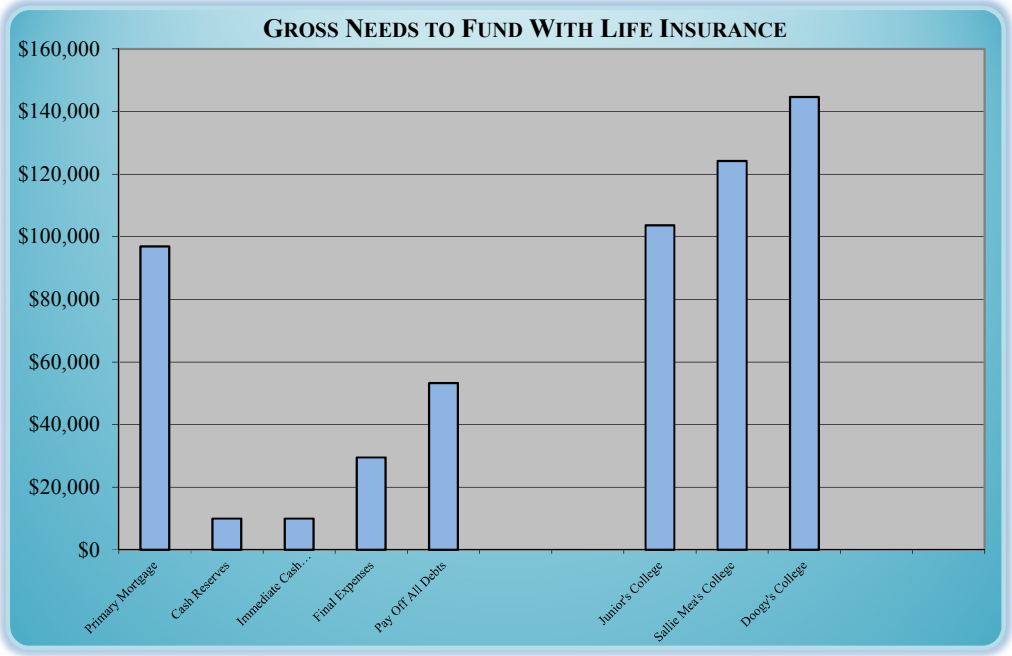
Year	Year #	Survivor's (John's) Age	Mary's Age	Present Value of Life Insurance Needed to Fund Income Replacement	Present Value of Life Insurance Needed to Fund Lump Sum Needs	Present Value of Total Life Insurance Needed (Column H + I)	Amount of Funds Available to Meet All Needs	Difference Between Funds Available and Funds Needed (Column J - K. Red negative amounts mean there is more money available than needed)	Total Net Amount of Life Insurance Needed	Change in Insurance Needs from Previous Year
2015	1	45	40	$376,738	$950,085	$1,326,823	$467,755	$859,068	$859,068	
2016	2	46	41	$328,738	$942,131	$1,270,869	$487,871	$782,998	$782,998	-8.9%
2017	3	47	42	$284,330	$933,070	$1,217,400	$498,690	$718,711	$718,711	-8.2%
2018	4	48	43	$241,191	$927,465	$1,168,656	$510,048	$658,608	$658,608	-8.4%
2019	5	49	44	$199,284	$921,297	$1,120,581	$521,971	$598,610	$598,610	-9.1%
2020	6	50	45	$158,574	$914,494	$1,073,069	$534,486	$538,583	$538,583	-10.0%
2021	7	51	46	$124,995	$906,973	$1,031,968	$547,621	$484,347	$484,347	-10.1%
2022	8	52	47	$92,375	$898,637	$991,012	$561,405	$429,607	$429,607	-11.3%
2023	9	53	48	$60,686	$889,374	$950,060	$575,869	$374,191	$374,191	-12.9%
2024	10	54	49	$29,903	$835,572	$865,476	$591,045	$274,431	$274,431	-26.7%
2025	11	55	50	$0	$741,102	$741,102	$606,967	$134,135	$134,135	-51.1%
2026	12	56	51	$0	$88,997	$88,997	$623,670	($534,674)	$0	0.0%
2027	13	57	52	$0	$83,520	$83,520	$641,192	($557,672)	$0	0.0%
2028	14	58	53	$0	$76,821	$76,821	$659,571	($582,750)	$0	0.0%
2029	15	59	54	$0	$68,646	$68,646	$678,847	($610,201)	$0	0.0%
2030	16	60	55	$0	$58,695	$58,695	$627,708	($569,012)	$0	0.0%
2031	17	61	56	$0	$0	$0	N/A	N/A	N/A	N/A
2032	18	62	57	$0	$0	$0	N/A	N/A	N/A	N/A
2033	19	63	58	$0	$0	$0	N/A	N/A	N/A	N/A
2034	20	64	59	$0	$0	$0	N/A	N/A	N/A	N/A
2035	21	65	60	$0	$0	$0	N/A	N/A	N/A	N/A
2036	22	66	61	$0	$0	$0	N/A	N/A	N/A	N/A
2037	23	67	62	$0	$0	$0	N/A	N/A	N/A	N/A
2038	24	68	63	$0	$0	$0	N/A	N/A	N/A	N/A
2039	25	69	64	$0	$0	$0	N/A	N/A	N/A	N/A
2040	26	70	65	$0	$0	$0	N/A	N/A	N/A	N/A
2041	27	71	66	$0	$0	$0	N/A	N/A	N/A	N/A
2042	28	72	67	$0	$0	$0	N/A	N/A	N/A	N/A
2043	29	73	68	$0	$0	$0	N/A	N/A	N/A	N/A
2044	30	74	69	$0	$0	$0	N/A	N/A	N/A	N/A
2045	31	75	70	$0	$0	$0	N/A	N/A	N/A	N/A
2046	32	76	71	$0	$0	$0	N/A	N/A	N/A	N/A
2047	33	77	72	$0	$0	$0	N/A	N/A	N/A	N/A
2048	34	78	73	$0	$0	$0	N/A	N/A	N/A	N/A
2049	35	79	74	$0	$0	$0	N/A	N/A	N/A	N/A
2050	36	80	75	$0	$0	$0	N/A	N/A	N/A	N/A
2051	37	81	76	$0	$0	$0	N/A	N/A	N/A	N/A
2052	38	82	77	$0	$0	$0	N/A	N/A	N/A	N/A
2053	39	83	78	$0	$0	$0	N/A	N/A	N/A	N/A
2054	40	84	79	$0	$0	$0	N/A	N/A	N/A	N/A

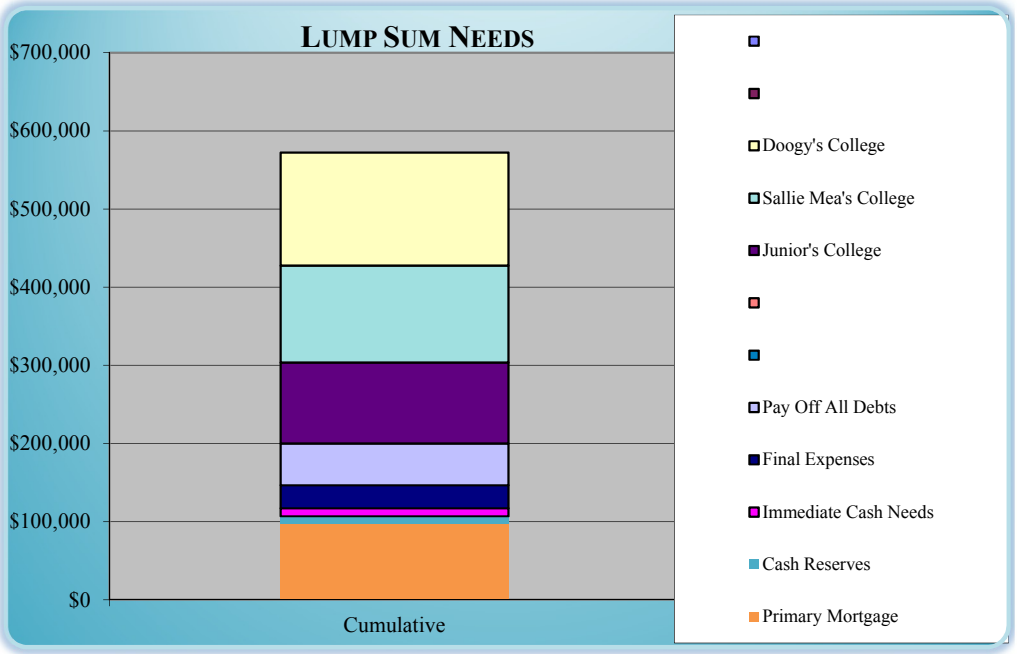
Proposed Life Insurance Needs Analysis for Mary

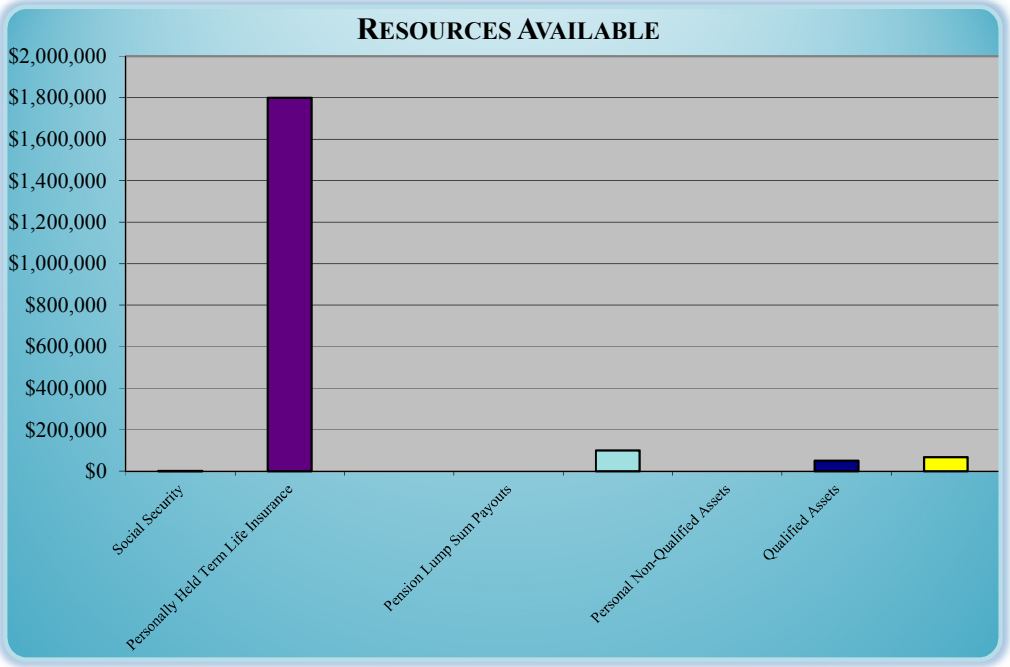
John & Mary Sample

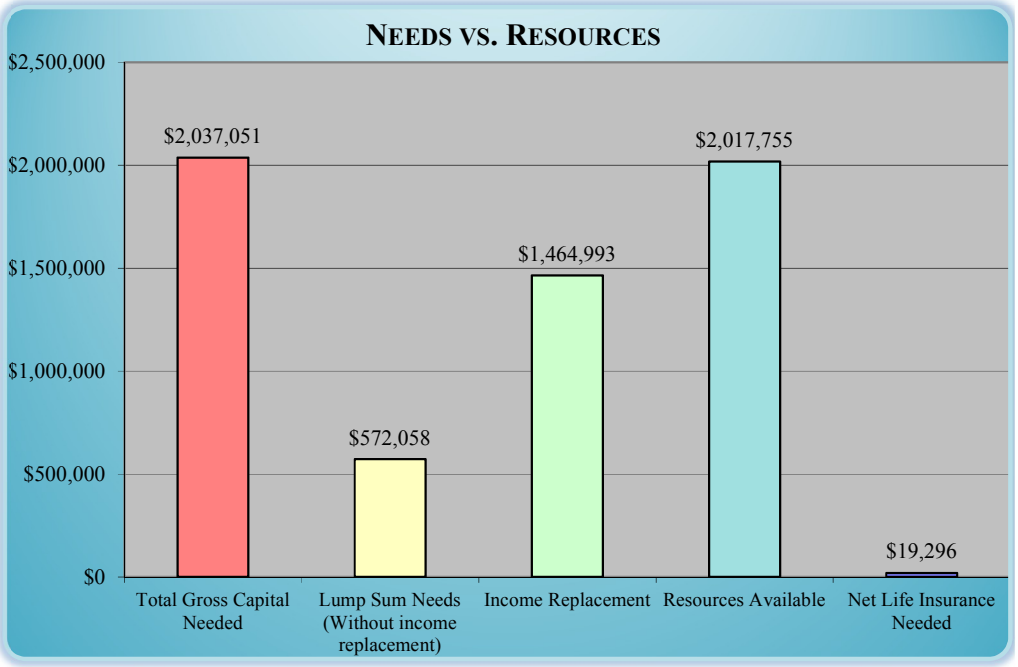
Lump Sum Needed Today to Pay Off Primary Mortgage:	**$96,905**
Lump Sum Needed for Cash Reserve After Everything Else is Paid For:	**$10,000**
Lump Sum Immediate Cash Needs:	**$10,000**
Lump Sum Needed for Burial / Funeral / Medical and Other Final Expenses:	**$29,500**
Lump Sum Needed to Pay Off All Debts:	**$53,229**
Lump Sum Needed to Cover Estate Taxes and Other Taxes Due:	**$0**
Lump Sum Needed to Give Away to Others / Bequeaths / Charity:	**$0**
Lump Sum Needed to Fund Junior's College & Other Expenses:	**$103,649**
Lump Sum Needed to Fund Sallie Mea's College & Other Expenses:	**$124,181**
Lump Sum Needed to Fund Doogy's College & Other Expenses:	**$144,594**
Total Lump Sum Currently Needed:	**$572,058**
Lump Sum Available from Social Security:	**$255**
Lump Sum Available from Personally Held Term Life Insurance:	**$1,800,000**
Lump Sums Available from Employer / Business Life Insurance:	**$0**
Lump Sums from All Whole Life Insurance Policies:	**$0**
Funds Available from Pension Lump Sum Payouts:	**$100,000**
Lump Sum Available Funds from Other Liquid Assets:	**$0**
Lump Sums Available from Personal Non-Qualified Assets:	**$50,000**
Lump Sums Available from Qualified Assets:	**$67,500**
Total Lump Sum Currently Available:	**$2,017,755**
Proposed Unmet Lump Sum Life Insurance Needs:	**-$1,445,697**
Lump Sum Needed Today to Replace John's Future Income(s):	**$1,464,993**
Total Additional Life Insurance Needed Today to Fund All Needs:	**$19,296**
Proposed Percentage of Life Insurance Needs Currently Covered:	**88.4%**











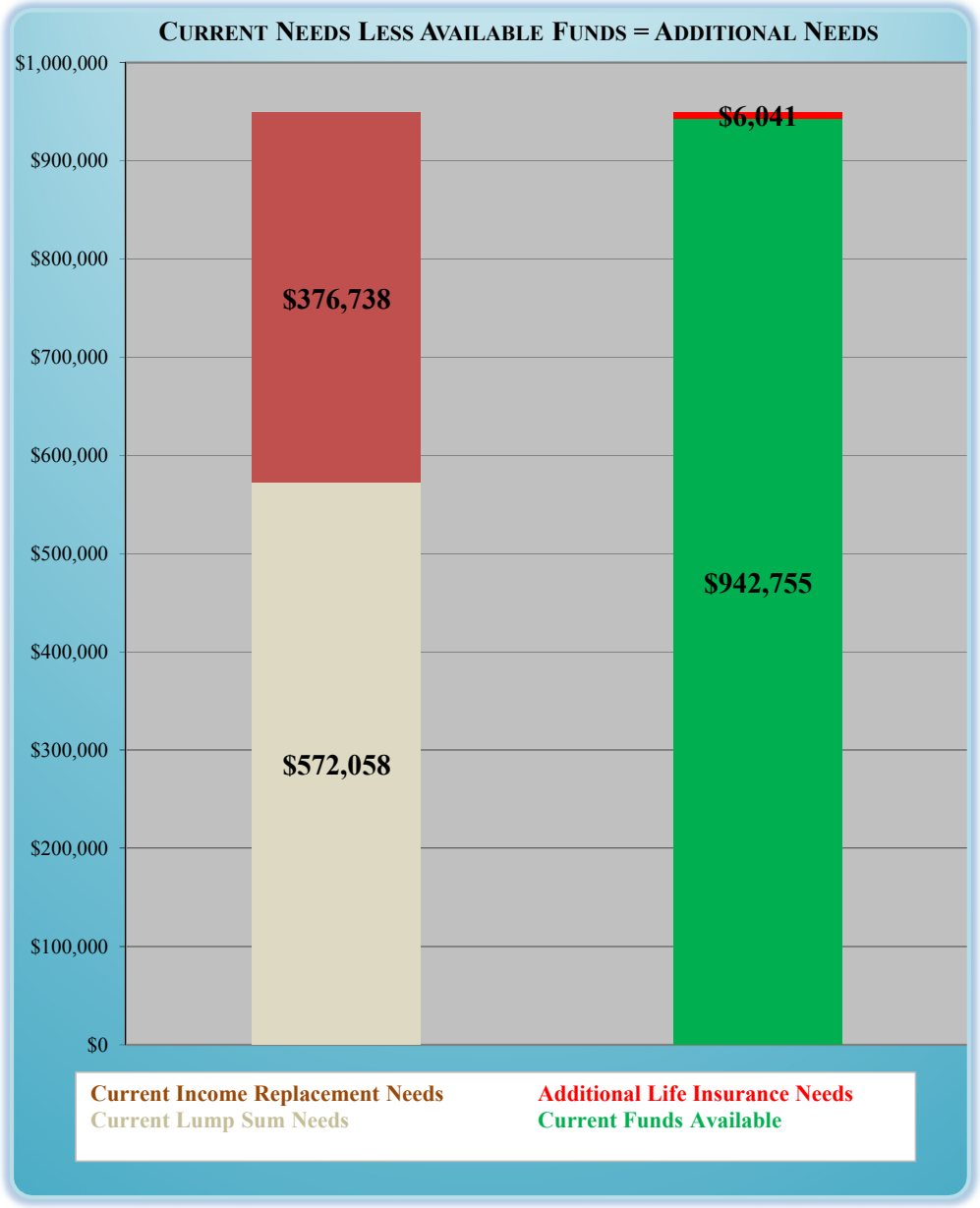
Future Life Insurance Needs for Mary (Proposed Version)

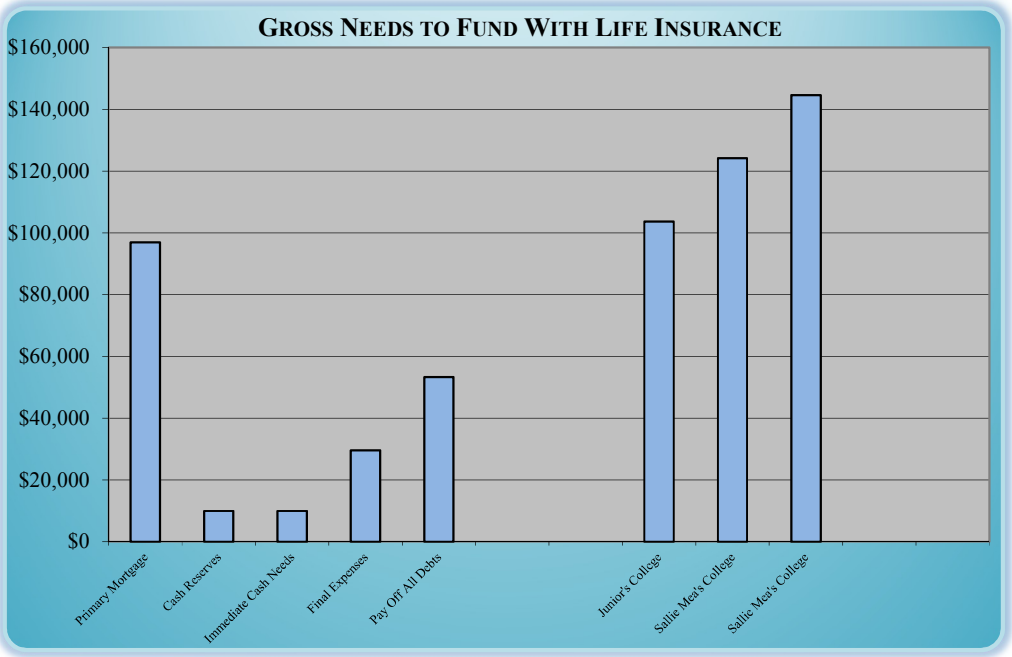
Year	Year #	John's Age	Survivor's (Mary's) Age	Present Value of Life Insurance Needed to Fund Income Replacement	Present Value of Life Insurance Needed to Fund Lump Sum Needs	Present Value of Total Life Insurance Needed (Column H + I)	Amount of Funds Available to Meet All Needs	Difference Between Funds Available and Funds Needed (Column J - K. Red negative amounts mean there is more money available than needed)	Total Net Amount of Life Insurance Needed	Change in Insurance Needs from Previous Year
2015	1	45	40	$1,464,993	$572,058	$2,037,051	$2,017,755	$19,296	$19,296	
2016	2	46	41	$1,308,993	$561,675	$1,870,668	$2,047,696	($177,028)	$0	0.0%
2017	3	47	42	$1,161,878	$550,160	$1,712,038	$2,064,417	($352,380)	$0	0.0%
2018	4	48	43	$1,017,592	$542,096	$1,559,687	$2,083,221	($523,534)	$0	0.0%
2019	5	49	44	$896,315	$533,493	$1,429,808	$2,097,805	($667,997)	$0	0.0%
2020	6	50	45	$776,545	$524,315	$1,300,861	$2,124,259	($823,398)	$0	0.0%
2021	7	51	46	$659,078	$514,525	$1,173,603	$2,151,216	($977,613)	$0	0.0%
2022	8	52	47	$574,458	$504,080	$1,078,538	$2,172,061	($1,093,523)	$0	0.0%
2023	9	53	48	$491,465	$492,937	$984,402	$2,194,264	($1,209,862)	$0	0.0%
2024	10	54	49	$406,839	$462,546	$869,384	$2,218,825	($1,349,440)	$0	0.0%
2025	11	55	50	$323,840	$412,860	$736,700	$2,245,682	($1,508,982)	$0	0.0%
2026	12	56	51	$242,437	$64,894	$307,331	$2,281,102	($1,973,771)	$0	0.0%
2027	13	57	52	$160,051	$59,522	$219,572	$2,312,749	($2,093,177)	$0	0.0%
2028	14	58	53	$79,248	$53,819	$133,067	$2,347,066	($2,213,999)	$0	0.0%
2029	15	59	54	$0	$47,764	$47,764	$2,317,659	($2,269,895)	$0	0.0%
2030	16	60	55	$0	$41,337	$41,337	$2,299,438	($2,258,100)	$0	0.0%
2031	17	61	56	$0	$0	$0	N/A	N/A	N/A	N/A
2032	18	62	57	$0	$0	$0	N/A	N/A	N/A	N/A
2033	19	63	58	$0	$0	$0	N/A	N/A	N/A	N/A
2034	20	64	59	$0	$0	$0	N/A	N/A	N/A	N/A
2035	21	65	60	$0	$0	$0	N/A	N/A	N/A	N/A
2036	22	66	61	$0	$0	$0	N/A	N/A	N/A	N/A
2037	23	67	62	$0	$0	$0	N/A	N/A	N/A	N/A
2038	24	68	63	$0	$0	$0	N/A	N/A	N/A	N/A
2039	25	69	64	$0	$0	$0	N/A	N/A	N/A	N/A
2040	26	70	65	$0	$0	$0	N/A	N/A	N/A	N/A
2041	27	71	66	$0	$0	$0	N/A	N/A	N/A	N/A
2042	28	72	67	$0	$0	$0	N/A	N/A	N/A	N/A
2043	29	73	68	$0	$0	$0	N/A	N/A	N/A	N/A
2044	30	74	69	$0	$0	$0	N/A	N/A	N/A	N/A
2045	31	75	70	$0	$0	$0	N/A	N/A	N/A	N/A
2046	32	76	71	$0	$0	$0	N/A	N/A	N/A	N/A
2047	33	77	72	$0	$0	$0	N/A	N/A	N/A	N/A
2048	34	78	73	$0	$0	$0	N/A	N/A	N/A	N/A
2049	35	79	74	$0	$0	$0	N/A	N/A	N/A	N/A
2050	36	80	75	$0	$0	$0	N/A	N/A	N/A	N/A
2051	37	81	76	$0	$0	$0	N/A	N/A	N/A	N/A
2052	38	82	77	$0	$0	$0	N/A	N/A	N/A	N/A
2053	39	83	78	$0	$0	$0	N/A	N/A	N/A	N/A
2054	40	84	79	$0	$0	$0	N/A	N/A	N/A	N/A

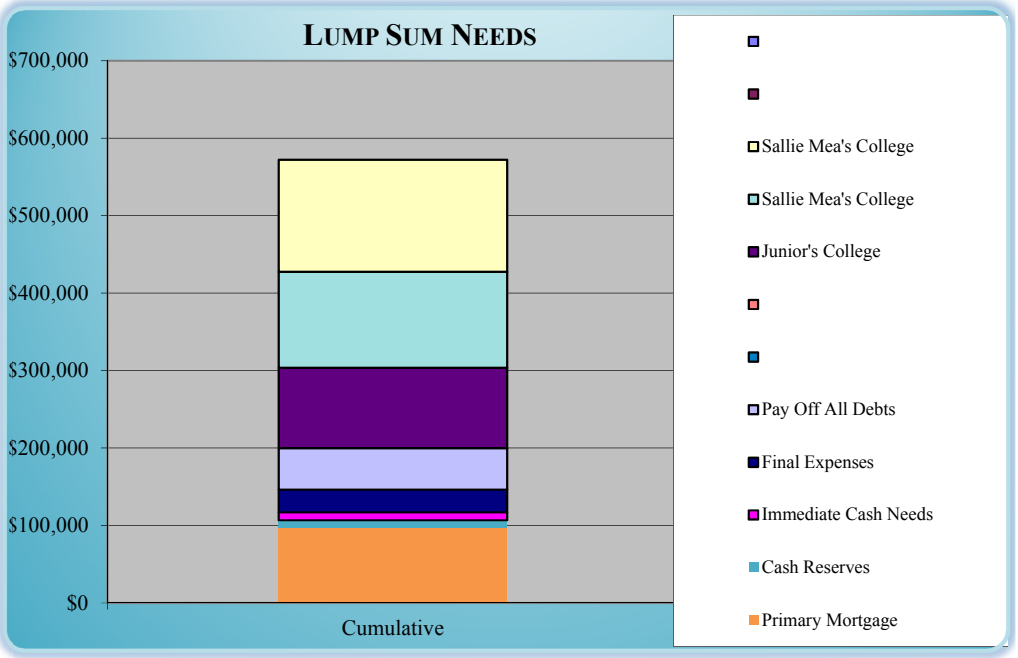
Proposed Life Insurance Needs Analysis for John

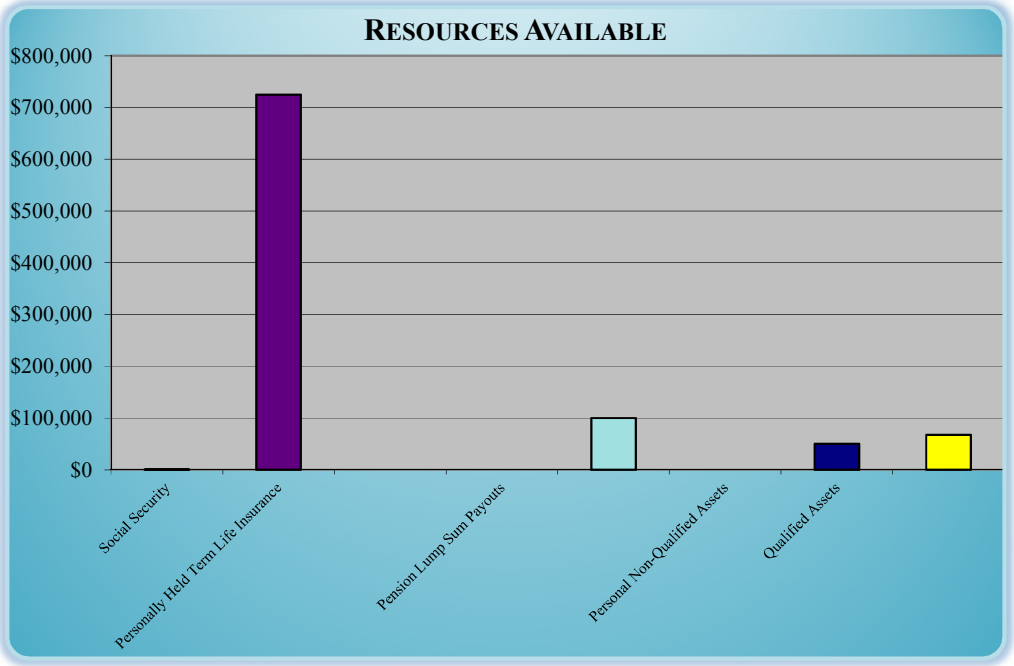
John & Mary Sample

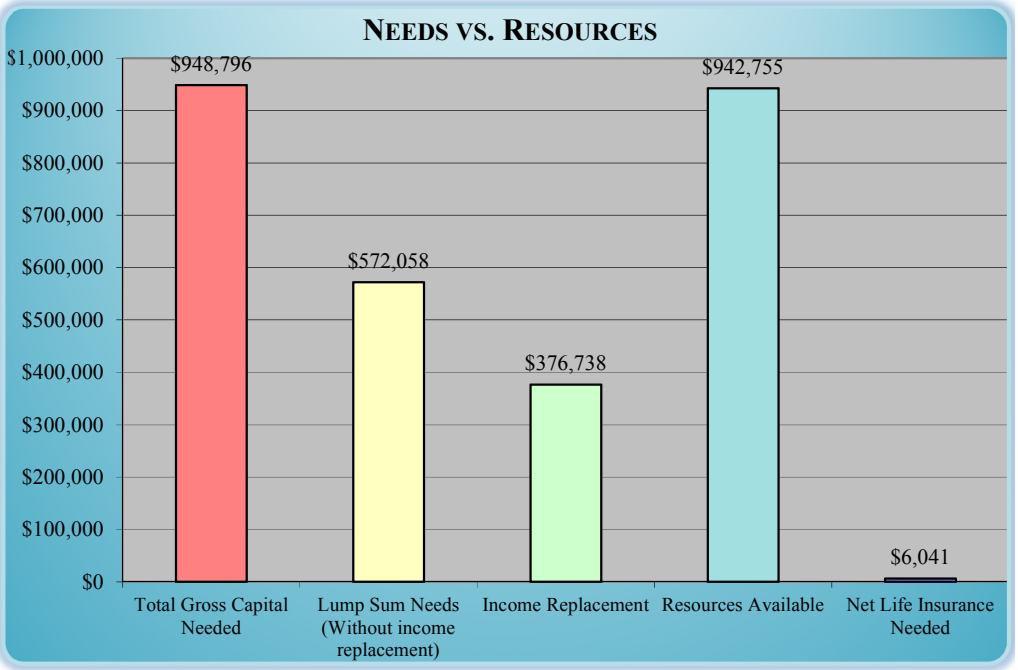
Lump Sum Needed Today to Pay Off Primary Mortgage:	$96,905
Lump Sum Needed for Cash Reserve After Everything Else is Paid For:	$10,000
Lump Sum Immediate Cash Needs:	$10,000
Lump Sum Needed for Burial / Funeral / Medical and Other Final Expenses:	$29,500
Lump Sum Needed to Cover Estate Taxes and Other Taxes Due:	$53,229
Lump Sum Needed to Cover Estate Taxes:	$0
Lump Sum Needed to Give Away to Others / Bequeaths / Charity:	$0
Lump Sum Needed to Fund Junior's College & Other Expenses:	$103,649
Lump Sum Needed to Fund Sallie Mea's College & Other Expenses:	$124,181
Lump Sum Needed to Fund Doogy's College & Other Expenses:	$144,594
Total Lump Sum Currently Needed:	**$572,058**
Lump Sum Available from Social Security:	$255
Lump Sum Available from Personally Held Term Life Insurance:	$725,000
Lump Sums Available from Employer / Business Life Insurance:	$0
Lump Sums from All Whole Life Insurance Policies:	$0
Funds Available from Pension Lump Sum Payouts:	$100,000
Lump Sum Available Funds from Other Liquid Assets:	$0
Lump Sums Available from Personal Non-Qualified Assets:	$50,000
Lump Sums Available from Qualified Assets:	$67,500
Total Lump Sum Currently Available:	**$942,755**
Current Unmet Lump Sum Life Insurance Needs:	**-$370,697**
Lump Sum Needed Today to Replace Mary's Future Income(s):	**$376,738**
Total Additional Life Insurance Needed Today to Fund All Needs:	**$6,041**
***Current Percentage of Life Insurance Needs Currently* Covered:**	**76.4%**











Future Life Insurance Needs for John (Proposed Version)

Year	Year #	Survivor's (John's) Age	Mary's Age	Present Value of Life Insurance Needed to Fund Income Replacement	Present Value of Life Insurance Needed to Fund Lump Sum Needs	Present Value of Total Life Insurance Needed (Column H + I)	Amount of Funds Available to Meet All Needs	Difference Between Funds Available and Funds Needed (Column J - K. Red negative amounts mean there is more money available than needed)	Total Net Amount of Life Insurance Needed	Change in Insurance Needs from Previous Year
2015	1	45	40	$376,738	$572,058	$948,796	$942,755	$6,041	$6,041	
2016	2	46	41	$328,738	$561,675	$890,413	$972,696	($82,283)	$0	0.0%
2017	3	47	42	$284,330	$550,160	$834,490	$989,417	($154,927)	$0	0.0%
2018	4	48	43	$241,191	$542,096	$783,286	$1,008,221	($224,934)	$0	0.0%
2019	5	49	44	$199,284	$533,493	$732,777	$297,805	$434,972	$434,972	N/A
2020	6	50	45	$158,574	$524,315	$682,890	$324,259	$358,631	$358,631	-17.6%
2021	7	51	46	$124,995	$514,525	$639,520	$351,216	$288,303	$288,303	-19.6%
2022	8	52	47	$92,375	$504,080	$596,455	$372,061	$224,394	$224,394	-22.2%
2023	9	53	48	$60,686	$492,937	$553,623	$394,264	$159,360	$159,360	-29.0%
2024	10	54	49	$29,903	$462,546	$492,449	$418,825	$73,624	$73,624	-53.8%
2025	11	55	50	$0	$412,860	$412,860	$445,682	($32,822)	$0	0.0%
2026	12	56	51	$0	$64,894	$64,894	$481,102	($416,208)	$0	0.0%
2027	13	57	52	$0	$59,522	$59,522	$512,749	($453,227)	$0	0.0%
2028	14	58	53	$0	$53,819	$53,819	$547,066	($493,248)	$0	0.0%
2029	15	59	54	$0	$47,764	$47,764	$517,659	($469,895)	$0	0.0%
2030	16	60	55	$0	$41,337	$41,337	$499,438	($458,100)	$0	0.0%
2031	17	61	56	$0	$0	$0	N/A	N/A	N/A	N/A
2032	18	62	57	$0	$0	$0	N/A	N/A	N/A	N/A
2033	19	63	58	$0	$0	$0	N/A	N/A	N/A	N/A
2034	20	64	59	$0	$0	$0	N/A	N/A	N/A	N/A
2035	21	65	60	$0	$0	$0	N/A	N/A	N/A	N/A
2036	22	66	61	$0	$0	$0	N/A	N/A	N/A	N/A
2037	23	67	62	$0	$0	$0	N/A	N/A	N/A	N/A
2038	24	68	63	$0	$0	$0	N/A	N/A	N/A	N/A
2039	25	69	64	$0	$0	$0	N/A	N/A	N/A	N/A
2040	26	70	65	$0	$0	$0	N/A	N/A	N/A	N/A
2041	27	71	66	$0	$0	$0	N/A	N/A	N/A	N/A
2042	28	72	67	$0	$0	$0	N/A	N/A	N/A	N/A
2043	29	73	68	$0	$0	$0	N/A	N/A	N/A	N/A
2044	30	74	69	$0	$0	$0	N/A	N/A	N/A	N/A
2045	31	75	70	$0	$0	$0	N/A	N/A	N/A	N/A
2046	32	76	71	$0	$0	$0	N/A	N/A	N/A	N/A
2047	33	77	72	$0	$0	$0	N/A	N/A	N/A	N/A
2048	34	78	73	$0	$0	$0	N/A	N/A	N/A	N/A
2049	35	79	74	$0	$0	$0	N/A	N/A	N/A	N/A
2050	36	80	75	$0	$0	$0	N/A	N/A	N/A	N/A
2051	37	81	76	$0	$0	$0	N/A	N/A	N/A	N/A
2052	38	82	77	$0	$0	$0	N/A	N/A	N/A	N/A
2053	39	83	78	$0	$0	$0	N/A	N/A	N/A	N/A
2054	40	84	79	$0	$0	$0	N/A	N/A	N/A	N/A

COLLEGE SAVINGS REPORT EXPLANATION

REAL WORLD PERSONAL FINANCE SOFTWARE

(734) 369-0580 support@toolsformoney.com http://www.toolsformoney.com/

OVERVIEW OF THE COLLEGE PLANNING REPORTS

This text is to help you understand the overall concepts, and the technical details, of the following college plan analysis reports.

Careful long-term planning is needed these days to prepare for the extremely expensive college adventure.

This analysis will help you determine how much you'll need to invest, both lump sum, and/or monthly, to reach a future college funding need, assuming out-of-pocket costs and various time-value-of-money input. In English, it estimates how much it will cost to send someone to college, and how much one needs to save now to pay for it later.

There are a few ways to invest for future college expenses. Back in the good 'ol days, there were things called UTMAs and UGMAs that had tax benefits. These days, hardly anyone uses them anymore because a whole new Wall Street-based financial services industry evolved to replace them. This is the 529 College Savings Plan industry.

The one and only big advantage touted by 529 plans is the "awesome tax deferral," which basically operates similarly to a Roth IRA (but you may also get a state tax deduction if you play the game right). Basically, annual taxable events like dividends, are not taxed, nor are amounts withdrawn and spent for college expenses.

But the math bottom line shows that all you have to do is get between 1% to 2% more average annual investment return in a non-529 do-it-yourself discount brokerage account, and you'll probably end up having more spendable money when needed (which is the point of all of this). Yes, this is even after these awesome 529 plan tax breaks.

The lower market returns are in general, the lower this difference is. If the stock markets average less than 6% annually, then this difference (between 529 & DIY) is less than 1%.

So the bottom line is that with low investment returns, the value of 529 plans are mostly negated. The math proves you'll need to realize an annual average of over 8% to break even with a good DIY

investing plan. In other words, if your 529 plan does not average more than 8% annually, then its tax benefits are mostly useless. This is because there are not enough profits to tax, and if there were, the amount of tax is insignificant. Therefore investing yourself in a brokerage account will probably end up letting the student spend more money when the time comes, than even the best 529 plans, after paying its taxes.

529 Plans also suffer from other major problems, like high fees, commissions, and expenses. Which again, with low investment returns and low tax rates, can gobble up from a quarter to almost half of your investment profits. For example, if you only average 5% return, and total fees and expenses are 1%, then ~20% of your returns went for naught.

Then the choice of funding vehicles are severely limited, which makes getting decent returns, with low risk, difficult more than a few years in a row. This is mostly because of lack of access to asset classes needed to diversify the largest risks away.

Then the funding vehicles are usually comprised of those that make Wall Street, and the salespeople that are selling the 529 plan, the most money – not you nor the student.

Then there is little-to-no liquidity in a 529 plan. If an emergency happens, you can't withdraw money without expensive tax penalties.

Then you can only spend the money on "qualified expenses" or you'll lose the tax breaks. Relative to the average student's budget, these are severely limited, and so it's one of the biggest overlooked problems. Students can't even spend 529 money on basic necessities, like a computer, Internet connections, or printer, anymore.

One must keep in mind that even though it seems like 529 plans are "good" because they're "sponsored by the state," they are definitely a "Wall Street innovation." So you'll be paying a lot to use them, and then will get receive little-to-no actual benefit – compared to investing yourself intelligently via a non-tax-qualified discount brokerage account.

This analysis is the only way to gauge the true value of 529 vs. Doing-it-yourself, because it uses the only software specifically designed for this purpose. These differences are shown in the reports that follow (mostly in the bottom line numbers).

So when you add this all up, there is usually NO REAL BENEFIT in using 529 savings plans, compared to the lower fees, total control, total liquidity, no restrictions, unlimited asset class and investment options, and "it doesn't matter from a tax-standpoint what the student spends the money on - tuition or beer," because it's all taxed the same (barely anything to tax and then hardly taxed at all these days).

Like the old saying goes, "Just because you can do a thing, does not mean that you should, or you must, do that thing."

Report Information Explained

The first few rows of information just show what was input into the program.

If there are two reports, then one is probably showing the costs of a public college, and the other the much more expensive private college. Then this may be duplicated to compare 529 with investing yourself. The titles at the top will say which is which.

Where it says, *Total Nominal Costs without Investment Expenses* is where the beef starts. This is just the current year's total costs multiplied by how many years the student is projected to be in college. *With investment expenses,* just adds in projected expenses of either doing-it-yourself, or using a 529 plan. As you can see, total 529 plan expenses are usually several times as much compared with investing yourself, so this is where the rubber meets the road.

The next line shows the projected costs considering that the cost of everything goes up annually (due to generic inflation). Colleges typically have inflation rates two to three times higher than everything else. The main reason for this is that college professors' think they deserve "rock-star compensation."

The bolded text, *Inflated Present Value with Investment Expenses* is the "bottom-line." So if the parent and Grandma were sitting with a financial planner, and all Grandma wanted to know was how much to write a check to the financial planner for to fully fund an education, this is these amounts. Note that these amounts are also automatically referenced into the life insurance needs module, to protect from losing a breadwinner.

The text that follows is again just displaying input information – until you get down to where it says *Lump Sum Needed Now to Fund Cash Flow Deficits (PV)*. This and *Monthly Payments Needed from Now until College Starts*, are how much more needs to be invested now to fully fund college for the student. This is in addition to what was already input into the college plan software. Note that these two numbers are two different ways of looking at the same thing – so it's not saying that you'll need to add the additional lump sum AND make that much more in monthly payments. It's one or the other, not both.

Probability of Success Given All Assumptions is the result of the Monte Carlo "stress test" simulation. Any number less than 70%, and there is significant risk that more money will be needed than what was input into the college plan, for the student to graduate. Numbers under 50% mean much more money will probably need to spent and invested than what's showing. This is all because what was input was a "rosy scenario," meaning your investment returns will probably be lower than what was input, fees and expenses will be higher, and/or total costs will end up being much more than anticipated.

Projecting the Future

The charts and graphs show both input data, and a future projection of what will probably happen over the life of the college plan. Hopefully, they are self-explanatory.

What you don't want to see are red areas in the graphs – because that shows the college plan running out of money before the student graduates. This is the scenario that this whole college planning forecasting process is trying to avoid.

The most important thing is the overall trend, and if you're going in the right direction or not. The goal is to tweak the input data until no red shows on the charts, and the Monte Carlo simulation results are over 85%.

The solutions to your college planning forecast showing unfavorable results, are to NOT use a 529 plan, use intelligent asset allocation investing strategies (in order to minimize losses when the equity markets go down), reside at home instead of moving away to a more expensive state, and then not spending top-dollar on the very best private “Ivy-league” college.

Miscellaneous

This report illustrates how values may change over time. Once you go over a year or so, most all projections will be substantially different compared to what was input.

So it's important to run the numbers whenever something changes, or at least annually.

Hopefully, all of the charts and graphs are self-explanatory. If not, then feel free to contact us for more information.

A good measure of the benefit of financial planning and investment management is how your net worth improved over what you would have realized if you never met us, and continued doing what you were doing.

Current 529 Public College Funding Results for All Students

Especially Prepared for: John & Mary Sample

By Smart T. Adviser

6/6/2015

Junior's Current Age:	8	Junior Enters College at Age:	19
Sallie Mea's Current Age:	7	Sallie Mea Enters College at Age:	17
Doogy's Current Age:	6	Doogy Enters College at Age:	15

Number of Years Junior Will Attend College:	4
Number of Years Sallie Mea Will Attend College:	5
Number of Years Doogy Will Attend College:	6

		Percent Paid Out of Pocket:	Percent Paid By Savings:
Total Nominal Costs Without Investment Expenses:	$438,300	$43,830	$394,470
Total Nominal Costs With Investment Expenses:	$487,142	$48,714	$438,428
Total Inflated Costs Without Investment Expenses:	$758,300	$75,830	$682,470
Total Inflated Costs With Investment Expenses:	**$855,985**	**$124,672**	**$731,313**
Inflated Present Value Without Investment Expenses:	$516,187	$51,619	$464,568
Inflated Present Value With Investment Expenses:	**$557,001**	**$55,700**	**$501,301**

Initial Lump Sum Investment (amount saved now):	$120,000
Monthly Contributions:	$2,250
Total Amount of Gross Money Invested:	$147,000
Total Amount of Net Money Invested (after commissions):	$244,105
Total Investment Expenses:	$48,842
Lump Sum Needed Now to Fund Cash Flow Deficits (PV):	**$170,765**
- or -	
Monthly Payments Needed from Now Until College Starts:	**$1,263**
Average Probability of Success of All Student Plans Combined:	5%

Current 529 Private College Funding Results for All Students

Especially Prepared for: John & Mary Sample

By Smart T. Adviser

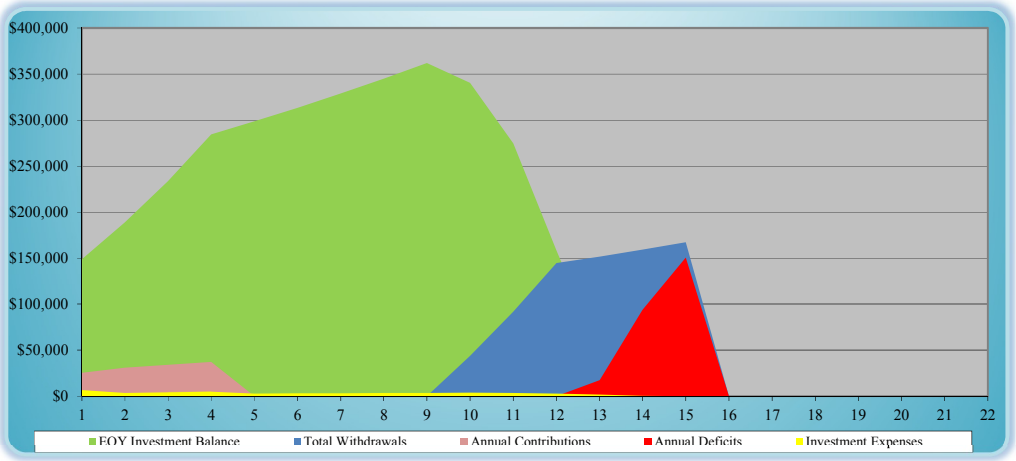
6/6/2015

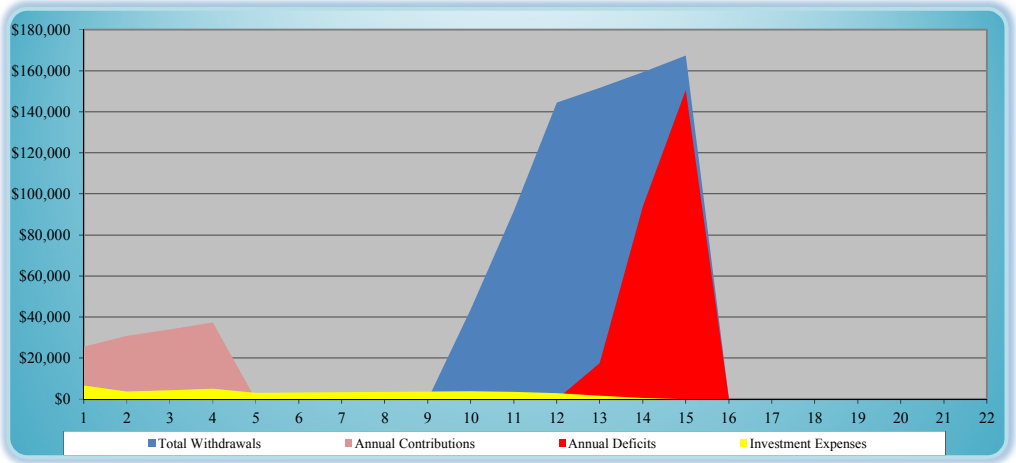
Junior's Current Age:	8	Junior Enters College at Age:	19
Sallie Mea's Current Age:	7	Sallie Mea Enters College at Age:	17
Doogy's Current Age:	6	Doogy Enters College at Age:	15

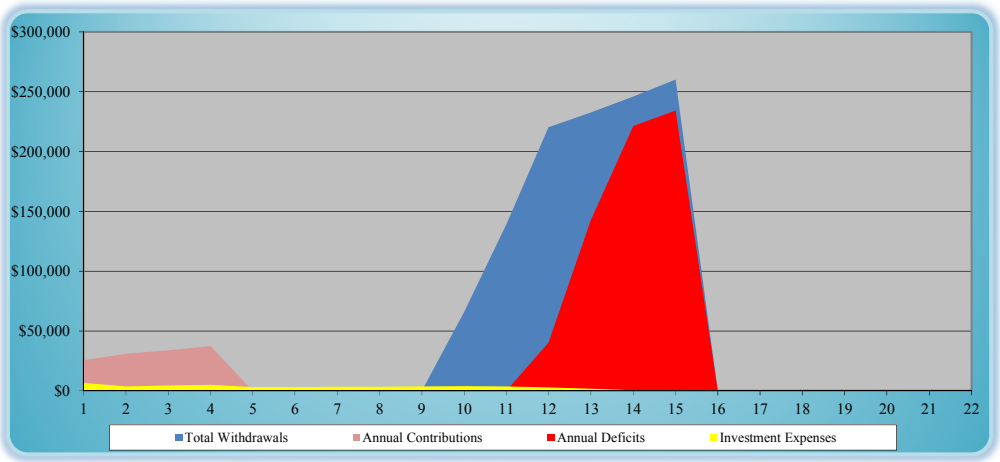
Number of Years Junior Will Attend College:	4
Number of Years Sallie Mea Will Attend College:	5
Number of Years Doogy Will Attend College:	6

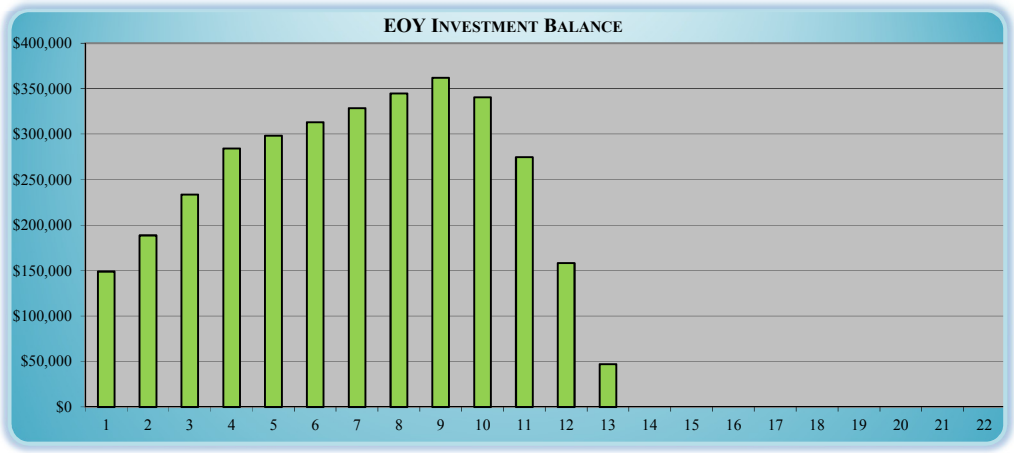
		Percent Paid Out of Pocket:	Percent Paid By Savings:
Total Nominal Costs Without Investment Expenses:	$618,300	$61,830	$556,470
Total Nominal Costs With Investment Expenses:	$664,762	$66,476	$598,285
Total Inflated Costs Without Investment Expenses:	$1,164,009	$116,401	$1,047,608
Total Inflated Costs With Investment Expenses:	**$1,256,932**	**$162,862**	**$1,094,069**
Inflated Present Value Without Investment Expenses:	$792,004	$79,200	$712,804
Inflated Present Value With Investment Expenses:	**$831,185**	**$83,118**	**$748,066**

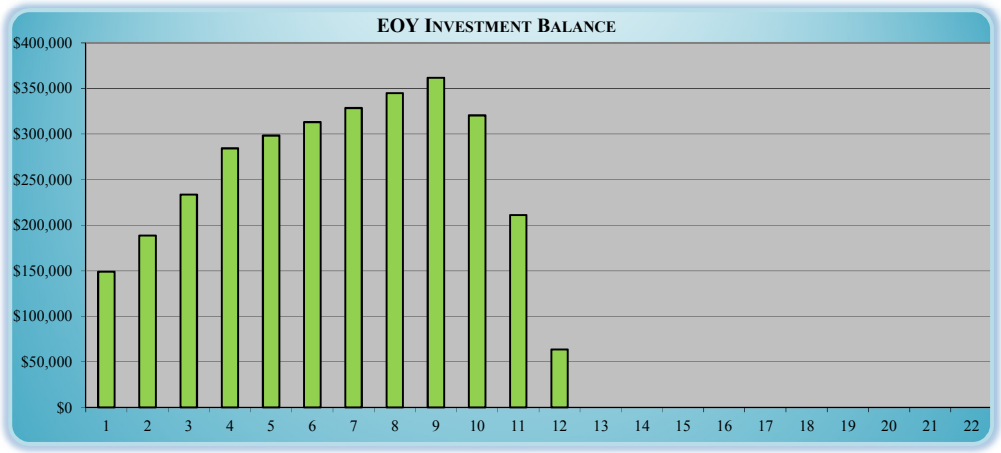
Initial Lump Sum Investment (amount saved now):	$120,000
Monthly Contributions:	$2,250
Total Amount of Gross Money Invested:	$147,000
Total Amount of Net Money Invested (after commissions):	$244,105
Total Investment Expenses:	$46,462
Lump Sum Needed Now to Fund Cash Flow Deficits (PV):	**$421,990**
- or -	
Monthly Payments Needed from Now Until College Starts:	**$3,101**
Average Probability of Success of All Student Plans Combined:	0%











Total Annual 529 Public College Withdrawals Needed

	Year #	Junior	Sallie Mea	Doogy	Annual Totals
2015	1	$1,794	$2,196	$2,599	$6,589
2016	2	$1,126	$1,234	$1,342	$3,703
2017	3	$1,332	$1,446	$1,559	$4,337
2018	4	$1,563	$1,682	$1,801	$5,047
2019	5	$880	$1,005	$1,130	$3,014
2020	6	$924	$1,054	$1,185	$3,163
2021	7	$969	$1,107	$1,244	$3,320
2022	8	$1,017	$1,161	$1,305	$3,484
2023	9	$1,067	$1,219	$1,370	$3,656
2024	10	$1,120	$1,279	$45,206	$47,605
2025	11	$1,175	$47,240	$46,989	$95,404
2026	12	$49,389	$49,126	$48,862	$147,377
2027	13	$51,385	$51,108	$50,832	$153,325
2028	14	$53,483	$53,194	$53,089	$159,766
2029	15	$55,784	$55,784	$55,784	$167,353
2030	16	$0	$0	$0	$0
2031	17	$0	$0	$0	$0
2032	18	$0	$0	$0	$0
2033	19	$0	$0	$0	$0
2034	20	$0	$0	$0	$0
2035	21	$0	$0	$0	$0
2036	22	$0	$0	$0	$0
2037	23	$0	$0	$0	$0
2038	24	$0	$0	$0	$0
2039	25	$0	$0	$0	$0
2040	26	$0	$0	$0	$0
2041	27	$0	$0	$0	$0
2042	28	$0	$0	$0	$0
2043	29	$0	$0	$0	$0
2044	30	$0	$0	$0	$0
	Totals:	**$223,010**	**$269,835**	**$314,298**	**$807,143**

Total Annual 529 Private College Withdrawals Needed

	Year #	Junior	Sallie Mea	Doogy	Annual Totals
2015	1	$1,794	$2,196	$2,599	$6,589
2016	2	$1,126	$1,234	$1,342	$3,703
2017	3	$1,332	$1,446	$1,559	$4,337
2018	4	$1,563	$1,682	$1,801	$5,047
2019	5	$880	$1,005	$1,130	$3,014
2020	6	$924	$1,054	$1,185	$3,163
2021	7	$969	$1,107	$1,244	$3,320
2022	8	$1,017	$1,161	$1,305	$3,484
2023	9	$1,067	$1,219	$1,370	$3,656
2024	10	$1,120	$1,279	$67,268	$69,666
2025	11	$1,175	$70,846	$70,384	$142,405
2026	12	$74,647	$74,159	$73,675	$222,481
2027	13	$78,170	$77,658	$77,576	$233,403
2028	14	$82,007	$82,007	$82,007	$246,022
2029	15	$86,727	$86,727	$86,727	$260,180
2030	16	$0	$0	$0	$0
2031	17	$0	$0	$0	$0
2032	18	$0	$0	$0	$0
2033	19	$0	$0	$0	$0
2034	20	$0	$0	$0	$0
2035	21	$0	$0	$0	$0
2036	22	$0	$0	$0	$0
2037	23	$0	$0	$0	$0
2038	24	$0	$0	$0	$0
2039	25	$0	$0	$0	$0
2040	26	$0	$0	$0	$0
2041	27	$0	$0	$0	$0
2042	28	$0	$0	$0	$0
2043	29	$0	$0	$0	$0
2044	30	$0	$0	$0	$0
	Totals:	**$334,520**	**$404,779**	**$471,171**	**$1,210,470**

Proposed DIY Public College Funding Results for All Students

Especially Prepared for: John & Mary Sample

By Smart T. Adviser

6/6/2015

Junior's Current Age:	8	Junior Enters College at Age:	19
Sallie Mea's Current Age:	7	Sallie Mea Enters College at Age:	17
Doogy's Current Age:	6	Doogy Enters College at Age:	15

Number of Years Junior Will Attend College:	4
Number of Years Sallie Mea Will Attend College:	5
Number of Years Doogy Will Attend College:	6

		Percent Paid Out of Pocket:	Percent Paid By Savings:
Nominal Costs Without Taxes or Investment Expenses:	$289,800	$28,980	$260,820
Total Nominal Costs With Investment Taxes:	$332,620	$33,262	$299,358
Total Nominal Costs With Investment Expenses:	$332,550	$33,255	$299,295
Nominal Costs With Taxes & Investment Expenses:	$375,370	$37,537	$337,833
Inflated Costs Without Taxes or Investment Expenses:	$523,349	$52,335	$471,014
Total Inflated Costs With Investment Taxes:	$566,168	$56,617	$509,551
Total Inflated Costs With Investment Expenses:	$566,099	$56,610	$509,489
Inflated Costs With Taxes & Investment Expenses:	**$608,918**	**$60,892**	**$548,026**
Inflated PV Without Investment Taxes or Expenses:	$356,172	$35,617	$320,554
Inflated Present Value With Investment Taxes:	$385,873	$38,587	$347,286
Inflated Present Value With Investment Expenses:	$383,632	$38,410	$345,222
Inflated PV With Investment Taxes and Expenses:	**$413,804**	**$41,380**	**$372,423**

Initial Lump Sum Investment (amount saved now):	$120,000
Monthly Contributions:	$2,250
Total Amount of Gross Money Invested:	$228,138
Total Amount of Net Money Invested (after commissions):	$255,138
Total Investment Taxes:	$42,820
Total Investment Expenses:	$42,750
Total Investment Expenses and Taxes:	$85,570
Lump Sum Needed Now to Fund Cash Flow Deficits (PV):	**$0**
- or -	
Monthly Payments Needed from Now Until College Starts:	**$0**
Average Probability of Success of All Student Plans Combined:	21%

Proposed DIY Private College Funding Results for All Students

Especially Prepared for: John & Mary Sample

By Smart T. Adviser

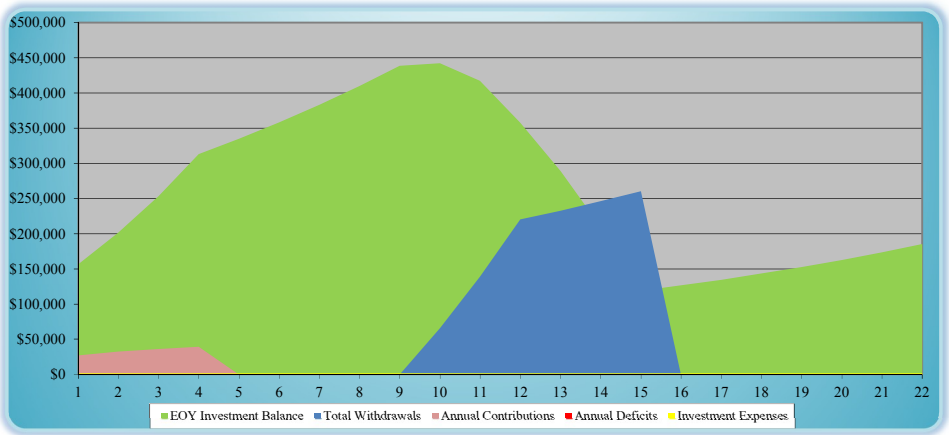
6/6/2015

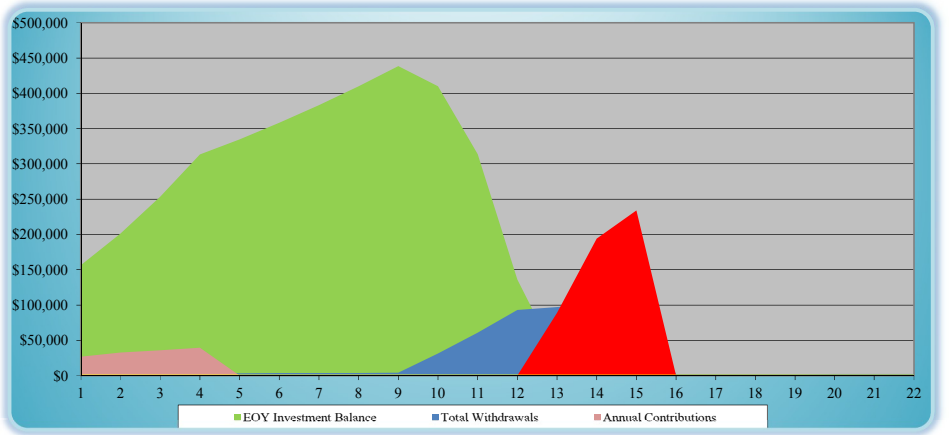
Junior's Current Age:	8	Junior Enters College at Age:	19
Sallie Mea's Current Age:	7	Sallie Mea Enters College at Age:	17
Doogy's Current Age:	6	Doogy Enters College at Age:	15

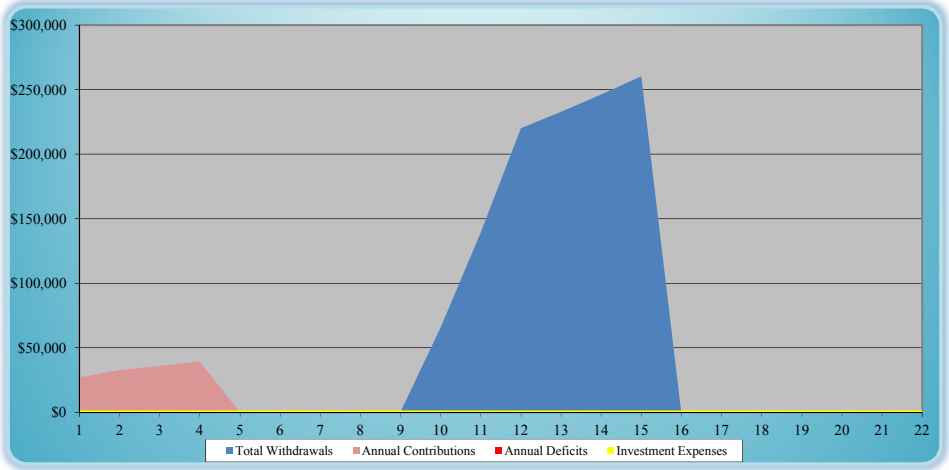
Number of Years Junior Will Attend College:	4
Number of Years Sallie Mea Will Attend College:	5
Number of Years Doogy Will Attend College:	6

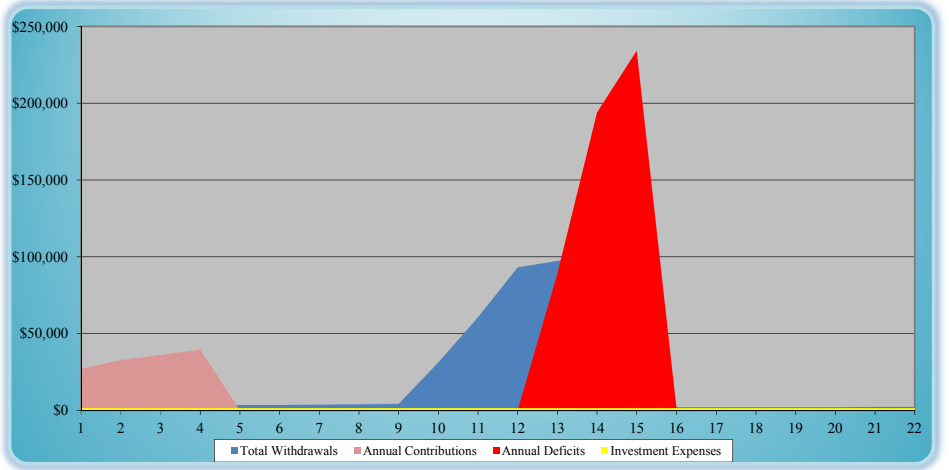
		Percent Paid Out of Pocket:	Percent Paid By Savings:
Nominal Costs Without Taxes or Investment Expenses:	$618,300	$61,830	$556,470
Total Nominal Costs With Investment Taxes:	$648,088	$64,809	$583,279
Total Nominal Costs With Investment Expenses:	$636,825	$63,683	$573,143
Nominal Costs With Taxes & Investment Expenses:	$666,613	$66,661	$599,951
Inflated Costs Without Taxes or Investment Expenses:	$1,164,009	$116,401	$1,047,608
Total Inflated Costs With Investment Taxes:	$1,193,796	$119,380	$1,074,417
Total Inflated Costs With Investment Expenses:	$1,182,534	$118,253	$1,064,280
Inflated Costs With Taxes & Investment Expenses:	**$1,212,321**	**$121,232**	**$1,091,089**
Inflated PV Without Investment Taxes or Expenses:	$792,004	$79,200	$712,804
Inflated Present Value With Investment Taxes:	$815,506	$81,551	$733,955
Inflated Present Value With Investment Expenses:	$807,149	$80,715	$726,434
Inflated PV With Investment Taxes and Expenses:	**$830,651**	**$83,065**	**$747,586**

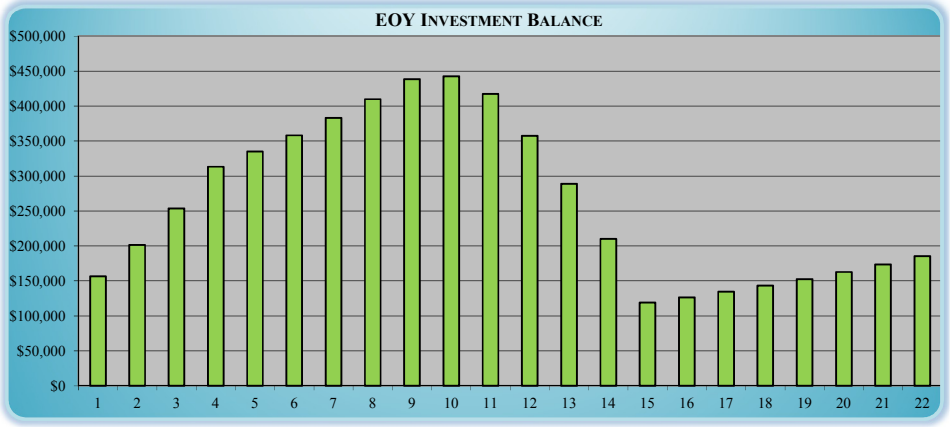
Initial Lump Sum Investment (amount saved now):	$120,000
Monthly Contributions:	$2,250
Total Amount of Gross Money Invested:	$228,138
Total Amount of Net Money Invested (after commissions):	$255,138
Total Investment Taxes:	$29,788
Total Investment Expenses:	$18,525
Total Investment Expenses and Taxes:	$48,313
Lump Sum Needed Now to Fund Cash Flow Deficits (PV):	**$339,068**
- or -	
Monthly Payments Needed from Now Until College Starts:	**$2,500**
Average Probability of Success of All Student Plans Combined:	1%

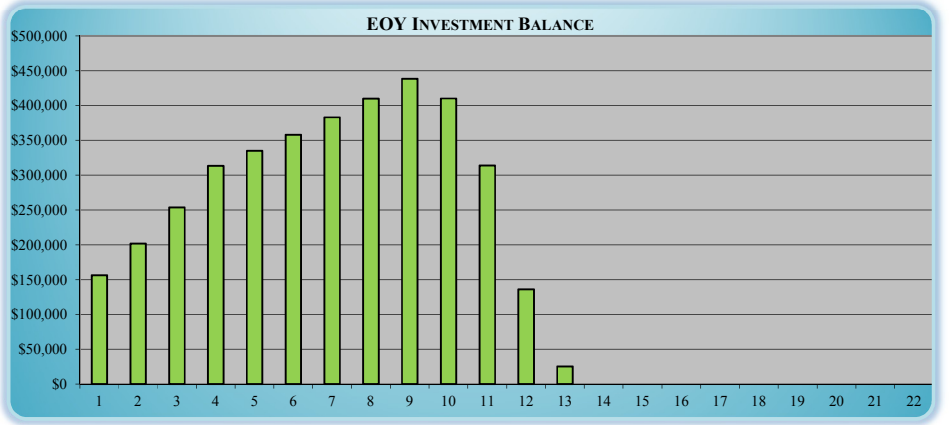












- CONFIDENTIAL REPORT -

TO DO LIST: FINANCIAL PLAN IMPLEMENTATION

Here is a list of tasks the two of you have agreed to complete to implement your financial plan. Please write in the date each task was completed in the middle column as progress is made. Detailed sources and application of funds can be seen on the proposed section of the investment asset allocation report.

Who Needs to Do the Activity	When the Activity Needs to be Done	Description of the Activity	When the Activity was Completed
☐ John ☐ Mary ☒ Both	9/1/15	Increase homeowners insurance to $500,000, auto liability to $100/300/50, and buy a $2M Umbrella liability policy.	
☐ John ☐ Mary ☒ Both	9/1/15	Increase payroll withholding exemptions to four each.	
☐ John ☐ Mary ☒ Both	11/1/15	Update wills, death / funeral / burial instructions, and trusts. Use the document organizer provided.	
☒ John ☐ Mary ☐ Both	10/1/15	Sell all individual stocks and let us create a well-allocated investment portfolio.	
☒ John ☐ Mary ☐ Both	9/1/15	Reallocate current 401(k) investment options as shown in the asset allocation report. Direct all future contributions into the new funds as we discussed.	
☐ John ☒ Mary ☐ Both	10/1/15	Liquidate all bank CDs and Credit Union Savings accounts and let us create an optimized asset allocation investment portfolio.	
☐ John ☒ Mary ☐ Both	11/1/15	Open a rollover IRA with us via Scottrade: Then close the Merrill Lynch, TIAA, Fidelity, and American Funds accounts and transfer the money over to our asset allocation account. Start by completing the forms titled "ACAT."	
☒ John ☐ Mary ☐ Both	10/1/15	Sell the individual bonds and buy a bond mutual fund in your new personal investment portfolio account with us.	
☐ John ☐ Mary ☒ Both	9/1/15	Both John and Mary need to purchase $250 per day in long-term care insurance benefit through your Superior Life, Inc. for $250 per month premium each.	
☐ John ☐ Mary ☒ Both	9/1/15	Both John and Mary need to purchase $2,000 per month in additional disability insurance benefit through XYZ insurance, by completing the form we gave you, and returning them to our office. It is $100 per month premium each.	
☒ John ☐ Mary ☐ Both	3/1/15	John promised to quit smoking in the first quarter of 2013.	
☐ John ☒ Mary ☐ Both	9/1/15	Complete the appraisal of your antiques, silver and jewelry so the appropriate insurance can be added to your homeowner's policy. The names, addresses and phone numbers of three qualified appraisers are attached and marked *Appraisals.*	
☐ John ☐ Mary ☒ Both	8/15/15	Refinance the primary residence mortgage to a lower term with a lower rate.	
☐ John ☐ Mary ☒ Both	9/1/15	John needs to sign up for an additional $1,750,000 of Level Term Life Insurance via his employer, and Mary to do the same for $500,000. It is $250 per month in additional premium each.	
☐ John ☐ Mary ☒ Both	12/1/15	Break the news to the kids that they can't afford to attend Ivy-league colleges.	
☒ John ☐ Mary ☐ Both	9/1/15	Use cash flow surpluses to pay off credit cards and student loans. When paid off, direct surpluses to the money market fund of your personal investment accounts until it reaches your desired emergency cash reserve of $25,000.	